

**TOWNSHIP OF HARMONY  
COUNTY OF WARREN  
STATE OF NEW JERSEY**

**REPORT OF AUDIT  
DECEMBER 31, 2015**



TOWNSHIP OF HARMONY

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**PART I**

**REPORT ON EXAMINATION OF FINANCIAL STATEMENTS**

**December 31, 2015**

## **AUDITORS' REPORTS**





# **ARDITO & Co., LLP**

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and  
Members of the Township Committee  
Township of Harmony  
3003 Belvidere Road  
County of Warren, Phillipsburg, New Jersey 08865

### ***Report on the Financial Statements***

We have audited the accompanying financial statements-regulatory basis, which comprise the comparative balance sheets-regulatory basis of the various funds of the Township of Harmony, County of Warren, State of New Jersey (the "Township"), as of December 31, 2015 and 2014, and the related comparative statements of operations and changes in fund balance-regulatory basis for the years then ended, and the related statement of revenues-regulatory basis, and statement of expenditures-regulatory basis of the various funds, and the related notes to the financial statements for the year ended December 31, 2015, which collectively comprise the Township's basic financial statements 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 accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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; audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 Township's preparation and fair presentation of

-Continued-

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 Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1 to the financial statements, the Township prepares its financial statements in conformity with regulatory basis accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting 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 Township's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2015 and 2014, or the results of its operations and changes in its fund balances for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements-regulatory basis referred to above present fairly, in all material respects, the financial position-regulatory basis of the various funds of the Township, as of December 31, 2015 and 2014, and the results of operations and changes in fund balance-regulatory basis of such funds for the years then ended and the statement of revenues-regulatory basis and statement of expenditures-regulatory basis of the various funds for the years then ended, in conformity with accounting principals and practices as described in Note 1 to the financial statements.

***Other Matters***

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements-regulatory basis. The supplementary information listed in the table of contents is presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the basic financial statements-regulatory basis.

The supplementary information exhibits are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements-regulatory basis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements-regulatory basis 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-regulatory basis, or to the basic financial statements-regulatory basis themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

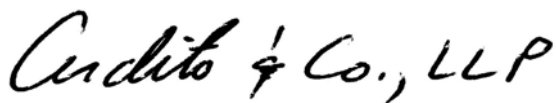
-Continued-

In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements-regulatory basis taken as a whole, on the basis of accounting described in Note 1 to the financial statements.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2016, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

ARDITO & CO., LLP

Handwritten signature of Ardito & Co., LLP in black ink.

Frenchtown, New Jersey  
April 5, 2016

Handwritten signature of Anthony Ardito in black ink.

Certified Public Accountant  
Registered Municipal Accountant No.524  
ARDITO & CO., LLP  
Frenchtown, New Jersey  
April 5, 2016

## **FINANCIAL STATEMENTS**

CURRENT FUND  
COMPARATIVE BALANCE SHEET

A  
Sheet 1

| <b>ASSETS</b>   | <u>REF.</u> | <u>BALANCE</u><br><u>12/31/15</u> | <u>BALANCE</u><br><u>12/31/14</u> |
|---|-------------|-----------------------------------|-----------------------------------|
| <b>Cash and Cash Equivalents:</b>                       |             |                                   |                                   |
| Cash - Treasurer  |             | \$ 2,827,805                      | \$ 4,379,993                      |
| Cash - State Cash Management Fund                       |             | 152,466                           | 152,310                           |
| Cash - Time Savings                                     |             | <u>2,924,725</u>                  | <u>1,200,095</u>                  |
| Subtotal  | A-4         | <u>5,904,996</u>                  | <u>5,732,398</u>                  |
| <b>Receivables And Other Assets With Full Reserves:</b> |             |                                   |                                   |
| Delinquent Property Taxes Receivable                    | A-6         | 446,146                           | 286,772                           |
| Tax Title Liens Receivable                              | A-7         | 257,461                           | 207,752                           |
| Penalties - Delinquent Property Taxes                   | A-8         | -                                 | 7,402                             |
| Property Acquired For Taxes-Assessed Valuation          | A-9         | 403,080                           | 403,080                           |
| Amount Due From Dog Fund                                | B           | 3                                 | 2                                 |
| Amount Due From General Capital Fund                    | C           | 45                                | 113                               |
| Revenue Accounts Receivable                             | A-10        | <u>169</u>                        | <u>1,043</u>                      |
| Subtotal  |             | <u>1,106,904</u>                  | <u>906,164</u>                    |
|   |             | <b><u>7,011,900</u></b>           | <b><u>6,638,562</u></b>           |
| <b>Federal And State Grant Fund:</b>                    |             |                                   |                                   |
| Federal and State Grants Receivable                     | A-21        | 168,780                           | 131,200                           |
| Amount Due From Current Fund                            | A           | 135,990                           | 87,599                            |
| Amount Due From General Capital Fund                    | C           | <u>7,208</u>                      | <u>7,208</u>                      |
|   |             | <u>311,978</u>                    | <u>226,007</u>                    |
| <b>TOTAL ASSETS</b>                                     |             | <b><u>\$ 7,323,878</u></b>        | <b><u>\$ 6,864,569</u></b>        |

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND  
COMPARATIVE BALANCE SHEET

A  
Sheet 2

|  | <u>REF.</u> | <u>BALANCE</u><br><u>12/31/15</u> | <u>BALANCE</u><br><u>12/31/14</u> |
|--|-------------|-----------------------------------|-----------------------------------|
| <b>LIABILITIES, RESERVES AND FUND BALANCE</b>                                    |             |                                   |                                   |
| <b>Liabilities:</b>  |             |                                   |                                   |
| Appropriation Reserves   | A-3:11      | \$ 122,734                        | \$ 237,794                        |
| Encumbrances   | A-12        | -                                 | 16,326                            |
| Accounts Payable   | A-13        | 26,778                            | 34                                |
| Amount Due To Grants Fund  | A           | 135,990                           | 87,599                            |
| Amount Due To Other Trust  | B           | 238,024                           | 104,632                           |
| Taxes Collected In Advance   | A-14        | 46,903                            | 284,951                           |
| Tax Overpayments   | A-15        | 26,650                            | 35,057                            |
| Amount Due To State Of New Jersey For<br>Senior Citizens And Veterans Deductions | A-16        | 6,521                             | 6,521                             |
| Local District School Tax Payable  | A-18        | 2,911,803                         | 2,854,359                         |
| Due Other Trust Fund - Municipal Open Space Tax Payable                          | A-19        | 723,391                           | 484,210                           |
| Reserve for FEMA Acquisition Reimbursements                                      | A-23        | <u>58,510</u>                     | <u>58,510</u>                     |
| Subtotal   |             | 4,297,304                         | 4,169,993                         |
| Reserve For Receivables And Other Assets   | A           | 1,106,904                         | 906,164                           |
| Fund Balance   | A-1         | <u>1,607,692</u>                  | <u>1,562,405</u>                  |
| Subtotal   |             | <u><b>7,011,900</b></u>           | <u><b>6,638,562</b></u>           |
| <b>Federal And State Grant Fund:</b>   |             |                                   |                                   |
| Amount Due To Other Trust  | B           | 89,283                            | 89,283                            |
| Reserve For State Grants   | A-20        | 182,920                           | 98,607                            |
| Reserve For State Grants - Unappropriated  | A-22        | <u>39,775</u>                     | <u>38,117</u>                     |
| Subtotal   |             | <u>311,978</u>                    | <u>226,007</u>                    |
| <b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>                              |             | <u><b>\$ 7,323,878</b></u>        | <u><b>\$ 6,864,569</b></u>        |

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND  
CHANGE IN FUND BALANCE

A-1

| <b>REVENUE AND OTHER INCOME REALIZED</b>     | <u>REF.</u> | <u>YEAR</u><br><u>2015</u> | <u>YEAR</u><br><u>2014</u> |
|--|-------------|----------------------------|----------------------------|
| Fund Balance Utilized                        | A-2         | \$ 740,000                 | \$ 740,000                 |
| Miscellaneous Revenue Anticipated            | A-2         | 644,232                    | 594,348                    |
| Receipts From Delinquent Taxes               | A-2         | 282,067                    | 164,083                    |
| Receipts from Current Taxes                  | A-2         | 11,228,446                 | 11,302,497                 |
| Non-Budget Revenues                          | A-2         | 30,633                     | 49,635                     |
| Other Credits To Income:                     |             |                            |                            |
| Unexpended Balance Of Appropriation Reserves | A-11        | 127,586                    | 159,845                    |
| Refund Prior Year Expenditures               | A-4         | 148,084                    |                            |
| Interfunds Returned                          | A-4         | 69                         | 22,420                     |
| <b>TOTAL INCOME</b>                          |             | <b><u>13,201,117</u></b>   | <b><u>13,032,828</u></b>   |

**EXPENDITURES**

|   |      |                           |                           |
|---|------|---------------------------|---------------------------|
| Budget and Emergency Appropriations:          |      |                           |                           |
| Appropriations Within "CAP":                  |      |                           |                           |
| Operations:                                   |      |                           |                           |
| Salaries and Wages                            | A-3  | 403,479                   | 380,857                   |
| Other Expenses                                | A-3  | 887,920                   | 925,520                   |
| Deferred Charges and Statutory Expenditures   | A-3  | 65,802                    | 65,802                    |
| Appropriations Excluded from "CAP":           |      |                           |                           |
| Operations:                                   |      |                           |                           |
| Other Expenses                                | A-3  | 265,145                   | 183,498                   |
| Capital Improvements                          | A-3  | 50,000                    | 60,000                    |
| Municipal Debt Service                        | A-3  | 331,766                   | 325,210                   |
| County Taxes                                  | A-17 | 3,967,586                 | 4,020,755                 |
| Amount Due County For Added and Omitted Taxes | A-17 | 648                       | 9,293                     |
| Local District School Taxes                   | A-18 | 6,193,605                 | 6,078,717                 |
| Municipal Open Space Levy                     | A-19 | 239,181                   | 239,637                   |
| Refund Prior Year Revenues                    | A-4  | 10,698                    | -                         |
| <b>TOTAL EXPENDITURES</b>                     |      | <b><u>12,415,830</u></b>  | <b><u>12,289,289</u></b>  |
| Excess in Revenues                            |      | 785,287                   | 743,539                   |
| Statutory Excess To Fund Balance              |      | 785,287                   | 743,539                   |
| Fund Balance January 1                        | A    | <u>1,562,405</u>          | <u>1,558,866</u>          |
|   |      | 2,347,692                 | 2,302,405                 |
| Decreased by:                                 |      |                           |                           |
| Utilization as Anticipated Revenue            | A-2  | <u>740,000</u>            | <u>740,000</u>            |
| Fund Balance December 31                      | A    | <b><u>\$1,607,692</u></b> | <b><u>\$1,562,405</u></b> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND  
STATEMENT OF REVENUES

A-2  
Sheet 1

|  | <u>REF.</u> | <u>ANTICIPATED<br/>BUDGET</u> | <u>REALIZED</u> | <u>EXCESS OR<br/>DEFICIT</u> |
|--|-------------|-------------------------------|-----------------|------------------------------|
| <b>Anticipated Surplus - Cash Surplus</b>      | A-1         | \$ 740,000                    | \$ 740,000      |                              |
| <b>Miscellaneous Revenues:</b>                 |             |                               |                 |                              |
| <b>LOCAL REVENUES:</b>                         |             |                               |                 |                              |
| Liquor Licenses-Clerk                          | A-10        | 2,400                         | 2,059           | (341)                        |
| Other Licenses-Clerk                           | A-10        | 1,600                         | 1,515           | \$ (85)                      |
| Other Fees and Permits                         | A-10        | 13,000                        | 14,285          | 1,285                        |
| Fines and Costs-Municipal Court                | A-10        | 7,300                         | 9,867           | 2,567                        |
| Interest and Costs On Taxes                    | A-5         | 24,000                        | 48,661          | 24,661                       |
| Interest on Investments                        | A-10        | 7,500                         | 8,944           | 1,444                        |
| <b>Total Local Revenues</b>                    |             | 55,800                        | 85,331          | 29,531                       |
| <b>STATE AID REVENUES:</b>                     |             |                               |                 |                              |
| Consolidated Municipal Property Tax Relief Aid | A-10        | 14,200                        | 10,476          | (3,724)                      |
| Energy Receipts Tax                            | A-10        | 230,090                       | 233,814         | 3,724                        |
| Garden State Trust Fund                        | A-10        | 183,966                       | 183,966         |                              |
| <b>Total State Aid</b>                         |             | 428,256                       | 428,256         | -                            |

The accompanying Notes to the Financial Statements are an integral part of this statement.



CURRENT FUND  
STATEMENT OF REVENUES

A-2  
Sheet 2

|  | <u>REF.</u> | <u>ANTICIPATED</u><br><u>BUDGET</u> | <u>REALIZED</u>     | <u>EXCESS OR</u><br><u>DEFICIT</u> |
|--|-------------|-------------------------------------|---------------------|------------------------------------|
| <b>FEDERAL AND STATE GRANT REVENUES:</b>                                 |             |                                     |                     |                                    |
| Clean Communities Program  | A-21        | 10,129                              | 10,129              |                                    |
| Recycling Tonnage Grant  | A-22        | 516                                 | 516                 |                                    |
| Warren County MCCTFC - Hoff-Vanetta                                      | A-21        | 120,000                             | 120,000             |                                    |
| <b>Total Federal and State Grant Revenues</b>                            |             | 130,645                             | 130,645             |                                    |
| <br><b>Total Miscellaneous Revenue</b>                                   | <br>A-1     | <br>614,701                         | <br>644,232         | <br>29,531                         |
| Receipts From Delinquent Taxes   | A-1         | 150,175                             | 282,067             | 131,892                            |
| <br><b>Amount To be Raised by Taxes For Support Of Municipal Budget:</b> |             |                                     |                     |                                    |
| Local Tax For Municipal Purposes   | A-2         | 1,294,429                           | 1,622,069           | 327,640                            |
| <b>Total General Revenues</b>  |             | 2,799,305                           | 3,288,368           | 489,063                            |
| <br>Non-Budget Revenues:   |             |                                     |                     |                                    |
| Other Non-Budget Revenues  | A-1         |                                     | 30,633              | 30,633                             |
|  |             | <b>\$ 2,799,305</b>                 | <b>\$ 3,319,001</b> | <b>\$ 519,696</b>                  |

A-3

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND  
STATEMENT OF REVENUES

A-2  
Sheet 3

REF.

**ANALYSIS OF REALIZED REVENUES**

**Allocation Of Current Tax Collections:**

|  |     |               |
|--|-----|---------------|
| Revenue from Collections                                     |     | \$11,195,946  |
| State of New Jersey, Senior Citizens and Veterans Deductions | A-6 | <u>32,500</u> |
|  | A-1 | 11,228,446    |

**Allocated To:**

|                         |     |                   |
|-------------------------|-----|-------------------|
| School and County Taxes | A-6 | <u>10,401,020</u> |
|-------------------------|-----|-------------------|

Deficiency Supported by Municipal Revenues 827,426

Add (Decreased) by Appropriation: "Reserve For Uncollected Taxes" A-3 794,643

Amount for Support of Municipal Budget Appropriations A-2 \$ 1,622,069

**The accompanying Notes to the Financial Statements are an integral part of this statement.**

CURRENT FUND  
STATEMENT OF REVENUES

A-2  
Sheet 4

**ANALYSIS OF NON-BUDGET REVENUES**

|  |             |                         |
|--|-------------|-------------------------|
| <b>Miscellaneous Revenue Not Anticipated:</b>        | <u>REF.</u> |                         |
| <b>Treasurer:</b>                                    |             |                         |
| Copies   |             | \$ 202                  |
| Farm Land Rent                                       |             | 26,100                  |
| Planning Board                                       |             | 1,500                   |
| Certified Lists                                      |             | 20                      |
| Miscellaneous  |             | <u>2,811</u>            |
| <br>   |             |                         |
| <b>Miscellaneous Revenue Not Anticipated - Total</b> | <b>A-4</b>  | <b><u>\$ 30,633</u></b> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND  
STATEMENT OF EXPENDITURES

A-3  
Sheet 1

| <u>OPERATIONS within "CAPS"</u>          | <u>BUDGET</u> | <u>BUDGET AFTER<br/>MODIFICATION</u> | <u>EXPENDED<br/>PAID OR<br/>CHARGED</u> | <u>RESERVED</u> | <u>CANCELLED</u> |
|--|---------------|--------------------------------------|---|-----------------|------------------|
| <b>GENERAL GOVERNMENT FUNCTIONS:</b>     |               |                                      |   |                 |                  |
| General Administration:                  |               |                                      |   |                 |                  |
| Salaries and Wages                       | \$ 32,461     | \$ 32,461                            | \$ 21,589                               | \$ 10,872       |                  |
| Other Expenses                           | 44,000        | 43,356                               | 36,904                                  | 6,452           |                  |
| Mayor and Council:                       |               |                                      |   |                 |                  |
| Salaries and Wages                       | 13,658        | 13,658                               | 13,610                                  | 48              |                  |
| Municipal Clerk:                         |               |                                      |   |                 |                  |
| Salaries and Wages                       | 71,400        | 71,400                               | 68,919                                  | 2,481           |                  |
| Financial Administration (Treasury):     |               |                                      |   |                 |                  |
| Salaries and Wages                       | 29,574        | 29,574                               | 29,574                                  |                 |                  |
| Other Expenses                           | 4,000         | 4,000                                | 3,655                                   | 345             |                  |
| Audit Services:                          |               |                                      |   |                 |                  |
| Other Expenses                           | 21,420        | 22,064                               | 22,064                                  |                 |                  |
| Revenue Administration (Tax Collection): |               |                                      |   |                 |                  |
| Salaries and Wages                       | 28,757        | 28,757                               | 28,756                                  | 1               |                  |
| Other Expenses                           | 3,500         | 3,500                                | 1,233                                   | 2,267           |                  |
| Tax Assessment Administration:           |               |                                      |   |                 |                  |
| Salaries and Wages                       | 18,779        | 18,779                               | 18,778                                  | 1               |                  |
| Other Expenses                           | 3,500         | 3,500                                | 2,936                                   | 564             |                  |
| Legal Services (Legal Dept.):            |               |                                      |   |                 |                  |
| Other Expenses                           | 80,000        | 148,000                              | 140,078                                 | 7,922           |                  |
| Engineering Services:                    |               |                                      |   |                 |                  |
| Other Expenses:                          |               |                                      |   |                 |                  |
| Other Expenses - Transmix                | 60,000        | 12,000                               | 12,000                                  |                 |                  |
| Miscellaneous Other Expenses             | 30,000        | 30,000                               | 15,928                                  | 14,072          |                  |
| Historical Sites Office:                 |               |                                      |   |                 |                  |
| Other Expenses                           | 8,000         | 8,000                                | 5,307                                   | 2,693           |                  |
| <b>LAND USE ADMINISTRATION:</b>          |               |                                      |   |                 |                  |
| Planning Board:                          |               |                                      |   |                 |                  |
| Salaries and Wages                       | 7,504         | 7,504                                | 7,504                                   |                 |                  |
| Other Expenses                           | 15,000        | 15,000                               | 993                                     | 14,007          |                  |
| Zoning Board of Adjustment:              |               |                                      |   |                 |                  |
| Salaries and Wages                       | 13,388        | 13,388                               | 13,388                                  |                 |                  |
| Other Expenses                           | 500           | 500                                  | 390                                     | 110             |                  |
| <b>INSURANCE:</b>                        |               |                                      |   |                 |                  |
| Liability Insurance                      | 48,400        | 47,424                               | 47,200                                  | 224             |                  |
| Worker Compensation Insurance            | 27,000        | 27,976                               | 27,976                                  |                 |                  |
| Employee Group Insurance                 | 70,000        | 70,000                               | 66,993                                  | 3,007           |                  |
| Unemployment Insurance                   | 1,200         | 1,200                                | 240                                     | 960             |                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND  
STATEMENT OF EXPENDITURES

A-3  
Sheet 2

| <u>OPERATIONS within "CAPS"</u>             | <u>APPROPRIATION</u> |  | <u>EXPENDED</u>                  | <u>RESERVED</u> | <u>CANCELLED</u> |
|---|----------------------|--|----------------------------------|-----------------|------------------|
|   | <u>BUDGET</u>        | <u>BUDGET AFTER</u><br><u>MODIFICATION</u> | <u>PAID OR</u><br><u>CHARGED</u> |                 |                  |
| <b>PUBLIC SAFETY FUNCTIONS:</b>             |                      |  |                                  |                 |                  |
| Office of Emergency Management              |                      |  |                                  |                 |                  |
| Salaries and Wages                          | 6,834                | 6,834                                      | 6,826                            | 8               |                  |
| Other Expenses                              | 2,000                | 2,000                                      | 509                              | 1,491           |                  |
| Aid to Volunteer Fire Companies             | 60,000               | 60,000                                     | 60,000                           |                 |                  |
| Contribution to First Aid Organizations     | 20,000               | 20,000                                     | 20,000                           |                 |                  |
| Fire Department:                            |                      |  |                                  |                 |                  |
| Other Expenses:                             |                      |  |                                  |                 |                  |
| Fire Hydrant Services                       | 200                  | 200  |                                  | 200             |                  |
| Municipal Prosecutor's Office:              |                      |  |                                  |                 |                  |
| Other Expenses                              | 100                  | 100  |                                  | 100             |                  |
| <b>PUBLIC WORKS FUNCTIONS:</b>              |                      |  |                                  |                 |                  |
| Streets and Road Maintenance:               |                      |  |                                  |                 |                  |
| Salaries and Wages                          | 160,774              | 175,774                                    | 168,532                          | 7,242           |                  |
| Other Expenses                              | 287,500              | 262,500                                    | 251,744                          | 10,756          |                  |
| Buildings and Grounds:                      |                      |  |                                  |                 |                  |
| Other Expenses                              | 45,000               | 35,000                                     | 22,050                           | 12,950          |                  |
| <b>HEALTH AND HUMAN SERVICES FUNCTIONS:</b> |                      |  |                                  |                 |                  |
| Public Health Services (Board of Health):   |                      |  |                                  |                 |                  |
| Other Expenses                              | 100                  | 100  |                                  | 100             |                  |
| Environmental Health Services:              |                      |  |                                  |                 |                  |
| Other Expenses                              | 1,000                | 1,000                                      | 290                              | 710             |                  |
| Animal Control Services:                    |                      |  |                                  |                 |                  |
| Salaries and Wages                          | 2,401                | 2,401                                      | 2,400                            | 1               |                  |
| Other Expenses                              | 4,000                | 4,000                                      | 2,338                            | 1,662           |                  |
| <b>PARK AND RECREATION FUNCTIONS:</b>       |                      |  |                                  |                 |                  |
| Maintenance of Parks:                       |                      |  |                                  |                 |                  |
| Other Expenses:                             |                      |  |                                  |                 |                  |
| Community Day Events                        | 11,000               | 11,000                                     | 10,010                           | 990             |                  |
| Miscellaneous Other Expenses                | 1,000                | 1,000                                      | 542                              | 458             |                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND  
STATEMENT OF EXPENDITURES

A-3  
Sheet 3

|  | <u>APPROPRIATION</u> |                                  | <u>EXPENDED</u>        | <u>RESERVED</u> | <u>CANCELLED</u> |
|--|----------------------|----------------------------------|------------------------|-----------------|------------------|
|  | <u>BUDGET</u>        | <u>BUDGET AFTER MODIFICATION</u> | <u>PAID OR CHARGED</u> |                 |                  |
| <b>UTILITY EXPENSES AND BULK PURCHASES:</b>                            |                      |                                  |                        |                 |                  |
| Electricity  | 10,000               | 10,000                           | 5,892                  | 4,108           |                  |
| Street Lighting  | 1,000                | 1,000                            | 649                    | 351             |                  |
| Telephone (excluding equipment acquisition)                            | 11,000               | 11,000                           | 4,712                  | 6,288           |                  |
| Fuel Oil   | 12,000               | 12,000                           | 9,006                  | 2,994           |                  |
| Gasoline   | 17,500               | 17,500                           | 16,366                 | 1,134           |                  |
| <b>LANDFILL/SOLID WASTE DISPOSAL COSTS:</b>                            |                      |                                  |                        |                 |                  |
| Salaries and Wages   | 2,949                | 2,949                            | 2,949                  |                 |                  |
| Other Expenses   | 3,000                | 3,000                            | 3,000                  |                 |                  |
| <b>Total Operations within "CAPS"</b>                                  | <b>1,291,399</b>     | <b>1,291,399</b>                 | <b>1,173,830</b>       | <b>117,569</b>  |                  |
| <b>Total Operations Including Contingent</b>                           | <b>1,291,399</b>     | <b>1,291,399</b>                 | <b>1,173,830</b>       | <b>117,569</b>  |                  |
| Detail:  |                      |                                  |                        |                 |                  |
| Salaries and Wages   | 388,479              | 403,479                          | 382,825                | 20,654          |                  |
| Other Expenses   | 902,920              | 887,920                          | 791,005                | 96,915          |                  |
| <b>DEFERRED CHARGES AND STATUTORY EXPENDITURES within "CAPS"</b>       |                      |                                  |                        |                 |                  |
| <b>Statutory Expenditures:</b>   |                      |                                  |                        |                 |                  |
| Contribution To:   |                      |                                  |                        |                 |                  |
| Social Security System ( O.A.S.I. )                                    | 31,864               | 31,864                           | 29,045                 | 2,819           |                  |
| Statutory Expenditures:  |                      |                                  |                        |                 |                  |
| Contribution to PERS   | 33,938               | 33,938                           | 33,938                 |                 |                  |
| <b>Total Deferred Charges and Statutory Expenditures within "CAPS"</b> | <b>65,802</b>        | <b>65,802</b>                    | <b>62,983</b>          | <b>2,819</b>    |                  |
| <b>Total Appropriations within "CAPS"</b>                              | <b>1,357,201</b>     | <b>1,357,201</b>                 | <b>1,236,813</b>       | <b>120,388</b>  |                  |
| <b>OPERATIONS EXCLUDED FROM "CAPS"</b>                                 |                      |                                  |                        |                 |                  |
| Affordable Housing (COAH-Fair Share Housing):                          |                      |                                  |                        |                 |                  |
| Other Expenses   | 50,000               | 50,000                           | 50,000                 |                 |                  |
|  | 50,000               | 50,000                           | 50,000                 |                 |                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND  
STATEMENT OF EXPENDITURES

A-3  
Sheet 4

|  | <u>APPROPRIATION</u> |                                  | <u>EXPENDED</u>        | <u>RESERVED</u>   | <u>CANCELLED</u> |
|--|----------------------|----------------------------------|------------------------|-------------------|------------------|
|  | <u>BUDGET</u>        | <u>BUDGET AFTER MODIFICATION</u> | <u>PAID OR CHARGED</u> |                   |                  |
| <b>Interlocal Municipal Service Agreements:</b>                                  |                      |                                  |                        |                   |                  |
| Municipal Court (Lopatcong Township):  | 42,000               | 42,000                           | 40,000                 | 2,000             |                  |
| Other Expenses   | 42,000               | 42,000                           | 40,000                 | 2,000             |                  |
| <b>Public and Private Programs Offset by Revenues:</b>                           |                      |                                  |                        |                   |                  |
| Clean Communities Program:   |                      |                                  |                        |                   |                  |
| Other Expenses   | 10,129               | 10,129                           | 10,129                 |                   |                  |
| Recycling Tonnage Grant:   |                      |                                  |                        |                   |                  |
| Other Expenses   | 516                  | 516                              | 516                    |                   |                  |
| Warren County MCCTFC Grant   |                      |                                  |                        |                   |                  |
| Other Expenses-County  | 120,000              | 120,000                          | 120,000                |                   |                  |
| Other Expenses-Local Share   | 32,000               | 32,000                           | 32,000                 |                   |                  |
| Matching Share for Grants  | 10,500               | 10,500                           | 10,154                 | 346               |                  |
| <b>Total Public and Private Programs Offset by Revenues-Excluded from "CAPS"</b> | <b>173,145</b>       | <b>173,145</b>                   | <b>172,799</b>         | <b>346</b>        |                  |
| <b>Capital Improvements Excluded from "CAPS":</b>                                |                      |                                  |                        |                   |                  |
| Capital Improvement Fund   | 50,000               | 50,000                           | 50,000                 |                   |                  |
| <b>Total Capital Improvements Excluded from "CAPS"</b>                           | <b>50,000</b>        | <b>50,000</b>                    | <b>50,000</b>          |                   |                  |
| <b>Municipal Debt Service Excluded from "CAPS":</b>                              |                      |                                  |                        |                   |                  |
| Payment of Notes   | 277,316              | 277,316                          | 277,316                |                   |                  |
| Payment of Interest on Notes   | 55,000               | 55,000                           | 54,450                 | \$                | 550              |
| <b>Total Municipal Debt Service</b>  | <b>332,316</b>       | <b>332,316</b>                   | <b>331,766</b>         |                   | <b>550</b>       |
| <b>Total Appropriations Excluded from "CAPS"</b>                                 | <b>647,461</b>       | <b>647,461</b>                   | <b>644,565</b>         | <b>2,346</b>      | <b>550</b>       |
| <b>Subtotal General Appropriations</b>   | <b>2,004,662</b>     | <b>2,004,662</b>                 | <b>1,881,378</b>       | <b>122,734</b>    | <b>550</b>       |
| <b>Reserve For Uncollected Taxes</b>   | <b>794,643</b>       | <b>794,643</b>                   | <b>794,643</b>         |                   |                  |
| <b>TOTALS</b>  | <b>\$ 2,799,305</b>  | <b>\$ 2,799,305</b>              | <b>\$ 2,676,021</b>    | <b>\$ 122,734</b> | <b>\$ 550</b>    |
|  |                      |                                  |                        | A                 |                  |
| Adopted Budget   | A-2                  | \$ 2,799,305                     |                        |                   |                  |
|  |                      | <u>\$ 2,799,305</u>              |                        |                   |                  |
| Reserve for State Grants   |                      | A-20                             | 162,645                |                   |                  |
| Reserve for Encumbrances   |                      | A-12                             | 1,718,733              |                   |                  |
| Reserve for Uncollected Taxes  |                      | A-2                              | 794,643                |                   |                  |
|  |                      |                                  | <u>\$ 2,676,021</u>    |                   |                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

TRUST FUND  
COMPARATIVE BALANCE SHEET

B

| <b>ASSETS</b>                     | <u>REF.</u> | <u>BALANCE</u><br><u>12/31/15</u> | <u>BALANCE</u><br><u>12/31/14</u> |
|-----------------------------------|-------------|-----------------------------------|-----------------------------------|
| <b>Dog License Fund:</b>          |             |                                   |                                   |
| <b>Cash and Cash Equivalents:</b> |             |                                   |                                   |
| Cash - Treasurer                  | B-2         | \$ 104                            | 45                                |
| <b>Total Dog License Fund</b>     |             | <u>\$ 104</u>                     | <u>45</u>                         |
| <b>Other Trust Funds:</b>         |             |                                   |                                   |
| <b>Cash and Cash Equivalents:</b> |             |                                   |                                   |
| Cash - Treasurer                  | B-2         | \$ 1,246,156                      | \$ 1,408,207                      |
| Amount Due From Grants Fund       | B-18        | 89,283                            | 89,283                            |
| Amount Due From Current Fund      | B-6         | <u>961,415</u>                    | <u>588,842</u>                    |
| <b>Total Other Trust Funds</b>    |             | <u>\$ 2,296,854</u>               | <u>\$ 2,086,332</u>               |
| <b>TOTAL ASSETS</b>               |             | <u><b>\$ 2,296,958</b></u>        | <u><b>\$ 2,086,377</b></u>        |

**LIABILITIES, RESERVES AND FUND BALANCE**

|   |      |                            |                            |
|---|------|----------------------------|----------------------------|
| <b>Dog License Fund:</b>                            |      |                            |                            |
| Due Current Fund                                    | B-5  | \$ 3                       | 2                          |
| Reserve for Dog Fund Expenditures                   | B-3  | 97                         | 43                         |
| Due State of New Jersey                             | B-4  | <u>4</u>                   | <u>-</u>                   |
| <b>Total Dog License Fund</b>                       |      | <u>\$ 104</u>              | <u>\$ 45</u>               |
| <b>Other Trust Fund:</b>                            |      |                            |                            |
| Reserve for Escrow Review Deposits                  | B-7  | \$ 78,809                  | \$ 83,640                  |
| Reserve for Monitoring Escrow Deposits              | B-8  | 6,650                      | 6,650                      |
| Reserve for Municipal Open Space Trust Deposits     | B-9  | 1,698,741                  | 1,654,088                  |
| Reserve for COAH Trust Deposits                     | B-10 | 235,438                    | 198,187                    |
| Reserve for Driveway Bond Deposits                  | B-11 | 1                          | 1                          |
| Reserve for Tax Sale Premiums                       | B-12 | 180,900                    | 81,200                     |
| Reserve for Off Track Improvements                  | B-13 | 11,000                     | 11,000                     |
| Reserve for Emergency Snow Removal                  | B-14 | 13,261                     | 13,261                     |
| Reserve for Property Escrow Deposit                 | B-15 | 38,022                     | 37,965                     |
| Reserve for Playground Donations                    | B-16 | 340                        | 340                        |
| Reserve for Third Party Tax Liens                   | B-17 | <u>33,692</u>              | <u>-</u>                   |
| <b>Total Other Trust Fund</b>                       |      | <u>\$ 2,296,854</u>        | <u>\$ 2,086,332</u>        |
| <b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b> |      | <u><b>\$ 2,296,958</b></u> | <u><b>\$ 2,086,377</b></u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.



GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET

C

| <b>ASSETS</b>                               | <u>REF.</u> | <u>BALANCE</u><br><u>12/31/15</u> | <u>BALANCE</u><br><u>12/31/14</u> |
|---|-------------|-----------------------------------|-----------------------------------|
| <b>Cash and Cash Equivalents:</b>           |             |                                   |                                   |
| Cash - Treasurer                            | C-2         | \$ 381,140                        | \$ 453,984                        |
| Grants Receivable                           | C-8         | 67,300                            | 67,300                            |
| <b>Deferred Charges to Future Taxation:</b> |             |                                   |                                   |
| Unfunded                                    | C-3         | <u>5,182,887</u>                  | <u>5,460,203</u>                  |
| <b>TOTAL ASSETS</b>                         |             | <b><u>\$ 5,631,327</u></b>        | <b><u>\$ 5,981,487</u></b>        |

**LIABILITIES, RESERVES AND FUND BALANCE**

|   |      |                            |                            |
|---|------|----------------------------|----------------------------|
| Due Current Fund                                    | C-4  | \$ 45                      | \$ 113                     |
| Capital Improvement Fund                            | C-5  | 192,396                    | 200,396                    |
| Bond Anticipation Note Payable                      | C-7  | 5,182,887                  | 5,460,203                  |
| Due Grants Fund                                     | C-9  | 7,208                      | 7,208                      |
| Encumbrances  | C-10 | -                          | 79,445                     |
| Fund Balance  | C-1  | 24,545                     | 9,876                      |
| Improvement Authorizations:                         |      |                            |                            |
| Unfunded  | C-6  | 12,571                     | 12,571                     |
| Funded  | C-6  | <u>211,675</u>             | <u>211,675</u>             |
| <b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b> |      | <b><u>\$ 5,631,327</u></b> | <b><u>\$ 5,981,487</u></b> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENERAL CAPITAL FUND  
SCHEDULE OF FUND BALANCE

C-1

|                                | <u>REF.</u> |                  |
|--------------------------------|-------------|------------------|
| Balance December 31, 2014      | C           | \$ 9,876         |
| <b>Increased By:</b>           |             |                  |
| Bond Anticipation Note Premium | C-4         | <u>14,669</u>    |
|                                |             | 24,545           |
| Balance December 31, 2015      | C           | <u>\$ 24,545</u> |

**The accompanying Notes to the Financial Statements are an integral part of this statement.**

STATEMENT OF GENERAL FIXED ASSETS  
DECEMBER 31, 2015

F

|                                    | <u>BALANCE</u><br><u>12/31/15</u> | <u>BALANCE</u><br><u>12/31/14</u> |
|------------------------------------|-----------------------------------|-----------------------------------|
| General Fixed Assets:              |                                   |                                   |
| Land                               | \$ 7,272,450                      | \$ 7,272,450                      |
| Buildings                          | 1,100,123                         | 1,100,123                         |
| Machinery and Equipment            | <u>1,683,343</u>                  | <u>1,683,343</u>                  |
| Total General Fixed Assets         | <b><u>\$ 10,055,916</u></b>       | <b><u>\$ 10,055,916</u></b>       |
| Investment In General Fixed Assets |                                   |                                   |
|                                    | <b><u>\$ 10,055,916</u></b>       | <b><u>\$ 10,055,916</u></b>       |

**The accompanying Notes to the Financial Statements are an integral part of this statement.**

PAYROLL AGENCY FUND  
COMPARATIVE BALANCE SHEET

G

| <b>ASSETS</b>                         | BALANCE                 | BALANCE                 |
|---------------------------------------|-------------------------|-------------------------|
|                                       | <u>12/31/15</u>         | <u>12/31/14</u>         |
| <b>Cash and Cash Equivalents:</b>     |                         |                         |
| Cash - Treasurer                      | \$ 34,992               | \$ 27,168               |
| <b>TOTAL ASSETS</b>                   | <b><u>\$ 34,992</u></b> | <b><u>\$ 27,168</u></b> |
| <br><b>LIABILITIES AND RESERVES</b>   |                         |                         |
| Payroll Deductions                    | \$ 34,992               | \$ 27,168               |
| Due Current Fund                      | _____ -                 | _____ -                 |
| <b>TOTAL LIABILITIES AND RESERVES</b> | <b><u>\$ 34,992</u></b> | <b><u>\$ 27,168</u></b> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**



NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

GASB Statement No.14 established criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The Division requires the financial statements of the Township to be reported separately.

The financial statements of the Township of Harmony include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township, as The financial statements of the Township do not include the operations of the Board of Education.

**B. Description of Funds**

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

The accounting policies of the Township of Harmony conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 of Harmony accounts for its financial transactions through the following separate funds, which differ from the fund structure required by GAAP.

**Current Fund**

Resources and expenditures for governmental operations of a general nature, including State grants for operations.

**Trust Funds**

Records the receipts, disbursement and custodianship of monies in accordance with the purpose for which each account was established.

**General Capital Fund**

The receipts and disbursement of funds for the acquisition of general infrastructure and other capital facilities, other than those acquired in the Current Fund. General bonds and notes payable are recorded in this fund offset by deferred charges to future taxation.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting (Continued)**

**Public Assistance Fund**

Receipt and disbursements of funds that provide assistance to certain residents of the Township pursuant to the provisions of Title 44 of New Jersey statutes.

**General Fixed Assets Account Group**

To account for all fixed assets of the Township. The Township's infrastructure is not reported in the group.

**C. Basis of Accounting**

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local government units. The more significant policies in New Jersey follow.

A modified accrual basis of accounting is followed with minor exceptions.

**Revenues**--are recorded as received in cash except for certain amounts which are due from other governmental units. Receipts from State grants are realized as revenue when anticipated in the Township budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Township which are susceptible of accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

**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 the Encumbrance Accounting System. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements and constitute part of the Township's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body.

Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.



NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

**Property Tax Revenue**--Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, Open Space 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 to the County by the Township quarterly on February 15, May 15, August 15 and November 15. The Open Space Levy is paid quarterly to the Township's other trust funds on February 15, May 15, August 15 and November 15.

When unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears after the eleventh day of the eleventh month in the year in which they are due, the collector in the municipality shall, subject to 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 required tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

**Deferred School Taxes**--A portion of the school taxes collected at December 31 relating to the period January 1 to June 30 of the subsequent year have been included in fund balance. GAAP requires such revenue to be deferred and recognized in the accounting period when it becomes susceptible to accrual.

**Foreclosed Property**--Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

**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.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

**Inventories of Supplies**--The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories are not included on the various balance sheets.

**General Fixed Assets**--In accordance with Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, the municipality develops a fixed asset accounting and reporting system.

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 historical cost is not available except for land which is valued at estimated market value.

No depreciation is to be 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.

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

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

**Budget and Budgetary Procedures**--The foundation of the New Jersey local finance system is the annual cash basis budget required under the Local Budget Law (N.J.S.A.40A:4-1, et seq.). Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division ("Director") prior to final adoption. The normal budget calendar begins early in the fiscal year with introduction, public advertisement and after state approval, budget adoption. The cash basis for revenues and budgetary basis for expenditures is the budget basis of accounting.

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

**General Capital Fund  
Public Assistance Fund  
Trust Fund**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

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 Government Body. Expenditures may not legally exceed budgeted appropriations at the line item level.

**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 appropriations reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

**Tax Appeals and Other Contingent Losses**--Losses which arise from tax appeals and other contingent losses are recognized at the time an unfavorable decision is rendered by an administrative or judicial body.

**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 non-funding 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.

**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 municipality's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

**Use of Estimates**--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

**Departures from Generally Accepted Accounting Principles**--The accounting principles and practices followed by the Township differ generally accepted accounting principles applicable to local government units. The more significant differences are as follows:

- Taxes and other receivables are fully reserved.
- Interfund receivables in the Current Fund are fully reserved.
- Unexpended and uncommitted appropriations are reflected as expenditures.
- Overexpended appropriations and emergency appropriations are deferred to the succeeding years' operations.
- Undetermined contributions to state-administered pension plans applicable to the six months ended December 31 are not accrued.
- Estimated losses arising from tax appeals and other contingencies are not recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

It was not practicable to determine the effect of such difference.

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

**Note 2: CASH AND CASH EQUIVALENTS**

**Deposits:**

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey, which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Municipalities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 2: CASH AND CASH EQUIVALENTS (Continued)**

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the municipality's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2015, all of the municipality's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The municipality does not have a policy for custodial credit risk.

As of December 31, 2015, cash and cash equivalents of the municipality consisted of the following:

|          | Cash and Cash<br><u>Equivalents</u> | <u>Total</u>        |
|----------|-------------------------------------|---------------------|
| Checking | \$ 7,414,923                        | \$ 7,414,923        |
|          | <u>\$ 7,414,923</u>                 | <u>\$ 7,414,923</u> |

The carrying amount of the municipality's cash and cash equivalents at December 31, 2015, was \$7,414,923 and the bank balance was \$7,408,739. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$228,809 was covered by federal depository insurances and \$7,179,930 was covered by collateral pool.

**Investments**

Pursuant to the Enabling Act, the funds of the municipality may be invested in any direct obligations of, or obligations as to which the principal and interest thereof is guaranteed by, the United States of America or other obligations as the municipality may approve.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 2: CASH AND CASH EQUIVALENTS (Continued)**

In order to maximize liquidity, the municipality utilizes the New Jersey Cash Management Fund ("NJCMF") and investments in direct obligations of the United States of America as its sole investments. The NJCMF is administered by the New Jersey Department of Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At December 31, 2015, the municipality's investment balance was as follows:

|                                 |            |
|---------------------------------|------------|
| New Jersey Cash Management Fund | \$ 152,465 |
|                                 | \$ 152,465 |

**Custodial Credit Risk:** Pursuant to GASB 40, the NJCMF, which is a pooled investment, is exempt from custodial credit risk disclosure. The municipality does not have a policy for custodial credit risk.

**Credit Risk:** The municipality does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The NJCMF is not rated by a rating agency.

**Interest Rate Risk:** The municipality does not have a policy to limit interest rate risk. The average maturity of the municipality's investments is less than one year.

**Note 3: LONG-TERM DEBT**

|                              | <b>Beginning<br/>Balance</b> | <b>Issued</b> | <b>Paid</b> | <b>Ending<br/>Balance</b> |
|------------------------------|------------------------------|---------------|-------------|---------------------------|
| Long Term Debt:              |                              |               |             |                           |
| Bond Anticipation Notes      | \$ 5,460,203                 |               | \$ 277,316  | \$ 5,182,887              |
| Compensated absences payable | None                         |               |             | None                      |
| Total Long-Term Debt         | \$ 5,460,203                 | -             | \$ 277,316  | \$ 5,182,887              |

The Local Bond Law governs the issuance of bonds and notes to finance general municipal expenditures. All 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 by temporarily finance capital projects, must be paid off within ten years or retired by issuance of bonds.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 3: LONG-TERM DEBT (Continued)**

The Township debt is summarized as follows:

**Summary of Municipal Debt**

|   | YEAR<br><u>2015</u>        | YEAR<br><u>2014</u>        | YEAR<br><u>2013</u>        |
|---|----------------------------|----------------------------|----------------------------|
| Net Debt Issued   | \$ 5,182,887               | \$ 5,406,203               | \$ 5,737,519               |
| <b><u>Authorized But Not Issued</u></b>                             |                            |                            |                            |
| Total Authorized But Not Issued                                     | _____ -                    | _____ -                    | _____ -                    |
| <b>Net Bonds and Notes Issued<br/>and Authorized But Not Issued</b> | <b><u>\$ 5,182,887</u></b> | <b><u>\$ 5,406,203</u></b> | <b><u>\$ 5,737,519</u></b> |

**Summary of Statutory Debt Condition - Annual Debt Statement**

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 0.995%.

|                            | <b><u>Gross Debt</u></b>   | <b><u>Deductions</u></b> | <b><u>Net Debt</u></b>     |
|----------------------------|----------------------------|--------------------------|----------------------------|
| Local School District Debt | None                       | None                     |                            |
| General Debt               | _____ 5,182,887            | _____ -                  | \$ 5,182,887               |
|                            | <b><u>\$ 5,182,887</u></b> | <b><u>\$ -</u></b>       | <b><u>\$ 5,182,887</u></b> |

Net Debt \$5,182,887 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2  
as amended, \$ 520,907,328 equals 0.995%

**Borrowing Power Under N.J.S.A. 40A:2-6 As Amended**

|   |                             |
|---|-----------------------------|
| 3 1/2% of Equalized Valuation Basis (Municipal) | \$ 18,231,756               |
| Net Debt  | _____ 5,182,887             |
| Remaining Borrowing Power                       | <b><u>\$ 13,048,869</u></b> |

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 3: LONG-TERM DEBT (Continued)**

**Bond Anticipation Notes - (Continued)**

The Township has outstanding at December 31, 2015, a bond anticipation note in the amount of \$5,460,203 payable to TD Securities (USA) LLC. This note matures on April 28, 2016. The interest rate on the note was 1.0%. Principal and interest on this note is paid from the current fund budget of the Township.

|                                   | <u>Outstanding</u> |
|-----------------------------------|--------------------|
| Total General Capital Loans Above | \$ 5,182,887       |

**Note 4: GENERAL FIXED ASSETS**

The following is a summary of changes in the general fixed assets:

|           | <u>Balance</u>      |                  | <u>Adjustments/</u> |  | <u>Balance</u>       |
|-----------|---------------------|------------------|---------------------|--|----------------------|
|           | <u>1/1/15</u>       | <u>Additions</u> | <u>Deletions</u>    |  | <u>12/31/15</u>      |
| Land      | \$ 7,272,450        | -                | -                   |  | \$ 7,272,450         |
| Buildings | 1,100,123           | -                | -                   |  | 1,100,123            |
| Equipment | 1,683,343           | \$ -             | -                   |  | 1,683,343            |
|           | <u>\$10,055,916</u> | <u>\$ -</u>      | <u>-</u>            |  | <u>\$ 10,055,916</u> |

**Note 5: FUND BALANCES APPROPRIATED**

Fund Balances at December 31, 2015, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2015, were as follows:

Current Fund (Introduced) - \$779,000

**Note 6: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2015, the Township had no deferred charges which are required to be included in subsequent budgets.



NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 7: SCHOOL TAXES**

Local District Tax has been raised and liabilities deferred by statute (under provisions of C.63, P.L.1991, as amended), resulting in the school taxes payable set forth in the Current Fund liabilities as follows:

|                | <b>TOTAL<br/>DEFERRED<br/>TAX<br/><u>12/31/15</u></b> | <b>LOCAL DISTRICT<br/>SCHOOL TAX<br/>BALANCE<br/><u>12/31/15</u></b> | <b>BALANCE<br/><u>12/31/14</u></b> |
|----------------|---|--|------------------------------------|
| Balance of Tax |   | \$ 2,911,803   | \$ 2,854,359                       |
| Deferred       |   | <u>185,000</u>   | <u>185,000</u>                     |
| Tax Payable    |   | <u>\$ 3,096,803</u>  | <u>\$ 3,039,359</u>                |
| Tax Deferred   | \$ <u>185,000</u>                                     |  |                                    |

**Note 8: PENSION PLANS**

*Description of Plans* - All required employees of the municipality are covered by either the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Plan (DCRP) which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. These reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on the internet at <http://www.state.nj.us/treasury/pensions/annrprts.shtml>.

*Public Employees' Retirement System (PERS)* - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school municipality, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

*Vesting and Benefit Provisions* -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.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 8: PENSION PLANS - (Continued)**

The following represents the membership tiers for PERS:

Tier   Definition

- 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 /60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, 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 55 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.

The PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 (PERS) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in the PERS. The current PERS rate is 6.5% of covered payroll.

Summary of Significant Accounting Policies - New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability or related deferred outflows or inflows of resources on their balance sheets, or related plan pension expense. However, N.J.A.C. 5:30-6.1(c)(2) requires municipalities and counties to disclose GASB 68 information in the Notes to the Financial Statements. Accordingly, the municipality's portion of the net pension liability, related outflows and inflows of resources, and pension expense are for disclosure purposes only and do not effect the municipality's regulatory basis fund balance, statement of revenues and expenditures, or operations. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense as required by GASB No. 68, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 8: PENSION PLANS (Continued)**

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

At June 30, 2015, the municipality disclosed a liability of \$770,771 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. The municipality's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2014 and 2013. At June 30, 2014, the municipality's proportion was 0.00412% which was an increase of 0.00003% from its proportion measured as of June 30, 2013.

*For the year ended June 30, 2015, the municipality's portion of the plan's pension expense was \$40,474. At June 30, 2015, deferred outflows of resources and deferred inflows of resources for PERS relating to the municipality's proportionate share are from the following sources:*

|   | <u>Deferred</u><br><u>Outflows of</u><br><u>Resources</u> | <u>Deferred</u><br><u>Inflows of</u><br><u>Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | -   | -  |
| Changes of assumptions  | \$ 24,237   |  |
| Net difference between projected and actual earnings on pension plan investments                                  |   | \$ 45,934  |
| Changes in proportion and differences between municipality contributions and proportionate share of contributions | 4,606   |  |
| municipality contributions subsequent to the measurement date   | 33,938  |  |
| Total   | \$ 62,781   | \$ 45,934  |

\$33,938 disclosed as deferred outflows of resources related to pensions resulting from municipality contributions subsequent to the measurement date (i.e. Contributions for calendar year 2015 were made after the the plan measurement date of June 30, 2014) will be shown as a reduction of the net pension liability measured as of June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense of the plan as follows:

|            | <u>Year Ended June 30:</u> |
|------------|----------------------------|
| 2015       | (\$5,536)                  |
| 2016       | (\$5,536)                  |
| 2017       | (\$5,536)                  |
| 2018       | (\$5,536)                  |
| 2019       | \$3,510                    |
| Thereafter | <u>\$1,544</u>             |
| Total      | <u>(\$17,091)</u>          |

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 8: PENSION PLANS (Continued)**

|   | <u>6/30/2013</u> | <u>6/30/2014</u> |
|---|------------------|------------------|
| Collective deferred outflows of resources                   | -                | \$952,194,675    |
| Collective deferred inflows of resources                    | -                | 1,479,224,662    |
| Collective net pension liability (Non State - Local Group)  | \$19,111,986,911 | \$18,722,735,003 |
| municipality's proportionate share of net pension liability | \$781,343        | \$770,771        |
| municipality's proportion %                                 | 0.00408824%      | 0.00411676%      |

*Actuarial assumptions* . The total pension liability in the July 1, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                            |                          |
|----------------------------|--------------------------|
| Inflation:                 | 3.01%                    |
| <u>Salary Increases:</u>   |                          |
| 2012-2021                  | 2.15%-4.40% based on age |
| Therafter                  | 3.15%-5.40% based on age |
| Investment Rate of Return: | 7.90%                    |

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

*Long-Term Expected Rate of Return* - In accordance with State statute, the long-term expected rate of return on plan investments 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. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

| <u>Asset Class</u>         | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------------|--------------------------|---|
| Cash                       | 6.00%                    | 0.80%   |
| Core Bonds                 | 1.00%                    | 2.49%   |
| Intermediate-Term Bonds    | 11.20%                   | 2.26%   |
| Mortgages                  | 2.50%                    | 2.17%   |
| High Yield Bonds           | 5.50%                    | 4.82%   |
| Inflation-Indexed Bonds    | 2.50%                    | 3.51%   |
| Broad US Equities          | 25.90%                   | 8.22%   |
| Developed Foreign Equities | 12.70%                   | 8.12%   |
| Emerging Market Equities   | 6.50%                    | 9.91%   |
| Private Equity             | 8.25%                    | 13.02%  |
| Return                     | 12.25%                   | 4.92%   |
| Real Estate (Property)     | 3.20%                    | 5.80%   |
| Commodities                | 2.50%                    | 5.35%   |

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 8: PENSION PLANS (Continued)**

*Discount rate.* The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, 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 average of the last five years of contributions made in relation to the last five years of recommended 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 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of the municipality's proportionate share of the net pension liability to changes in the discount rate.* The following presents the municipality's proportionate share of the net pension liability measured as of June 30, 2014, calculated using the discount rate of 5.39%, as well as what the municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.39%) or 1-percentage-point higher (6.39%) than the current rate:

|   |                    | <u>Current</u>       |           |                 |
|---|--------------------|----------------------|-----------|-----------------|
|   | <u>1% Decrease</u> | <u>Discount Rate</u> | <u>1%</u> | <u>Increase</u> |
|   | <u>(4.39%)</u>     | <u>(5.39%)</u>       |           | <u>(6.39%)</u>  |
| Municipality's proportionate share of the net pension liability | \$ 969,656         | \$770,771            | \$        | 603,758         |

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rpts-home.shtml>.

**Defined Contribution Retirement Plan (DCRP)** - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 8: PENSION PLANS (Continued)**

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist.

**Significant Legislation** - Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65. □ The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. □ The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. □ Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law. □ New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. □ In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

**Three-Year Trend Information for PERS**

| <u>Year</u><br><u>Funding</u> | <u>Annual</u><br><u>Pension</u><br><u>Cost (APC)</u> | <u>Percentage</u><br><u>of APC</u><br><u>Contributed</u> |
|-------------------------------|--|--|
| 2015                          | \$33,938   | 100%   |
| 2014                          | \$33,862   | 100%   |
| 2013                          | \$39,522   | 100%   |

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 9: POST-RETIREMENT BENEFITS**

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2014, there were 100,134 retirees receiving post-retirement medical benefits, and the State contributed \$1.07 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2014.

GASB Statement #45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The Municipality does not provide post-employment benefits other than pension. Healthcare provided to eligible PERS retirees through the NJ State Health Benefits Program are paid by the the State of New Jersey and as such, no municipal OPEB liability exists.

**Note 10: LEASES**

The Township has not entered into any long-term lease agreements except for equipment which can be capitalized as installment purchases of fixed assets in accordance with Technical Accounting Directive No. 85-2.

**Note 11: ACCRUED SICK AND VACATION BENEFITS**

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the liability related to unused sick pay.

The Township permits full-time employees to annually accrue unused vacation and sick pay, which can be taken as time off at a later date. No payment provision is included in this policy.

In accordance with New Jersey principles, the amount is not reported as an expenditure or liability in the financial statements.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 12: CONTINGENT LIABILITIES**

**GRANT PROGRAMS**

The Township participated in a number of state assisted grant programs administered at the state level. These programs, exclusive of the single audit concept, can be subject to program compliance audits by the grantors or their representatives. Accordingly, the Township's compliance with certain applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Township expects such amounts, if any, to be immaterial.

**LITIGATION**

There are pending lawsuits in which the Township is involved. The pending claim is a tax appeal involving the largest taxpayer in the township including claims for past and future tax assessments. The township estimates that the potential claims against the township not covered by insurance resulting from such litigation will be settled in 2016 and that such settlement would not materially affect the financial statements of the township.

**Note 13: OTHER REQUIRED DISCLOSURES**

Individual fund interfund receivable and payable balances. All interfund receivable and payable balances outstanding at the beginning of the fiscal period were fully liquidated during the fiscal period, with the following exceptions outstanding at December 31, 2015:

| <u>FUND</u>               | <u>DUE FROM<br/>OTHER FUNDS</u> | <u>DUE TO<br/>OTHER FUNDS</u> |
|---------------------------|---------------------------------|-------------------------------|
| Current Fund              | \$ 45                           | \$ 1,097,405                  |
| Federal/State Grants Fund | 143,198                         | 89,283                        |
| Other Trust Funds         | 1,050,698                       |                               |
| General Capital Fund      | <u>-</u>                        | <u>7,253</u>                  |
|                           | <u>\$ 1,193,941</u>             | <u>\$ 1,193,941</u>           |

**Note 14: RISK FINANCING**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage. There were no significant reductions in insurance coverage from coverage in the prior year.



NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 15: OTHER POST-RETIREMENT BENEFITS**

Plan Description. The Harmony Township contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 1991, Harmony Township authorized participation in the SHBP's post-retirement benefit program through resolution.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at [www.state.nj.us/treasury/pensions/gasb-43-sept2015.pdf](http://www.state.nj.us/treasury/pensions/gasb-43-sept2015.pdf)

Funding Policy: Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Harmony Township on a monthly basis.



**PART II**  
**SUPPLEMENTARY INFORMATION**

## **CURRENT FUND SCHEDULES**

CURRENT FUND  
SCHEDULE OF CASH -TREASURER

A-4

|   | <u>REF.</u> |               |                     |
|---|-------------|---------------|---------------------|
| Balance December 31, 2014   | A           |               | \$ 5,732,398        |
| <b>Increased by Receipts:</b>   |             |               |                     |
| Collector   | A-5         | \$ 11,288,586 |                     |
| Miscellaneous Revenue Not Anticipated                                     | A-2         | 30,633        |                     |
| Revenue Accounts Receivable   | A-10        | 464,926       |                     |
| Receipts Due POAA   | A-13        | 26,744        |                     |
| Amount Due State of New Jersey for<br>Senior Citizens/Veterans Deductions | A-16        | 32,500        |                     |
| Interfunds Returned/Refunds   | A-1         | 148,153       |                     |
| Other Trust Receipts Received in Current Fund                             | B           | 133,392       |                     |
| State Grant Funds   | A-21:22     | <u>94,724</u> | <u>12,219,658</u>   |
|   |             |               | 17,952,056          |
| <b>Decreased by Disbursements:</b>  |             |               |                     |
| 2014 Appropriation Reserves   | A-11        | 110,208       |                     |
| Reserve for Encumbrances  | A-12        | 1,745,758     |                     |
| Tax Overpaid  | A-15        | 8,367         |                     |
| County Taxes  | A-17        | 3,968,234     |                     |
| Local District School Tax   | A-18        | 6,136,161     |                     |
| State Grant Funds   | A-20        | <u>78,332</u> | <u>12,047,060</u>   |
| Balance December 31, 2015   | A           |               | <u>\$ 5,904,996</u> |

CURRENT FUND  
SCHEDULE OF CASH - COLLECTOR

A-5

REF.

**Received:**

|                             |      |    |                |                      |
|-----------------------------|------|----|----------------|----------------------|
| Interest and Costs on Taxes | A-2  | \$ | 48,661         |                      |
| Taxes Receivable            | A-6  |    | 10,933,784     |                      |
| Tax Title Liens             | A-7  |    | 469            |                      |
| 2015 Prepaid Taxes          | A-14 |    | 46,903         |                      |
| Tax Overpayments            | A-15 |    | <u>258,769</u> | \$ <u>11,288,586</u> |

**Decreased by Disbursements:**

|                       |     |  |  |                      |
|-----------------------|-----|--|--|----------------------|
| Payments to Treasurer | A-4 |  |  | \$ <u>11,288,586</u> |
|-----------------------|-----|--|--|----------------------|

CURRENT FUND  
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF TAX LEVY

A-6

| YEAR          | BALANCE           | 2015                 | ADDED           | CASH COLLECTIONS  |                      | TRANSFERRED           | OVERPAID          | CANCELLED          | BALANCE           |
|---------------|-------------------|----------------------|-----------------|-------------------|----------------------|-----------------------|-------------------|--------------------|-------------------|
|               | 12/31/14          | LEVY                 |                 | 2014              | 2015                 | TO TAX<br>TITLE LIENS | APPLIED           |                    | 12/31/15          |
| 2001          | \$ 92             |                      |                 |                   |                      |                       |                   |                    | \$ 92             |
| 2002          | 107               |                      |                 |                   |                      |                       |                   |                    | 107               |
| 2004          | 25                |                      |                 |                   |                      |                       |                   |                    | 25                |
| 2011          | 1,431             |                      | \$ 479          |                   |                      |                       |                   |                    | 1,910             |
| 2013          | 2,108             |                      |                 | \$ 1,000          |                      |                       |                   | \$ 24              | 1,084             |
| 2014          | 283,009           |                      | 6,037           | 280,598           | \$ 5,466             |                       |                   |                    | 2,982             |
|               | 286,772           |                      | 6,516           | 281,598           | 5,466                |                       |                   | 24                 | 6,200             |
| 2015          |                   | \$ 11,698,373        |                 | \$ 284,951        | 10,684,686           | 41,452                | \$ 258,809        | \$ (11,471)        | 439,946           |
| <b>TOTALS</b> | <b>\$ 286,772</b> | <b>\$ 11,698,373</b> | <b>\$ 6,516</b> | <b>\$ 284,951</b> | <b>\$ 10,966,284</b> | <b>\$ 46,918</b>      | <b>\$ 258,809</b> | <b>\$ (11,447)</b> | <b>\$ 446,146</b> |

|      |   |  |      |  |     |      |   |
|------|---|--|------|--|-----|------|---|
| REF. | A |  | A-14 |  | A-7 | A-15 | A |
|------|---|--|------|--|-----|------|---|

State of New Jersey --Senior Citizens  
and Veterans Deductions  
Received by Collector

REF.

A-2  
A-5

\$ 32,500  
10,933,784  
\$ 10,966,284

**ANALYSIS OF PROPERTY TAX LEVY:**

**Tax Yield:**

|   |  |                      |
|---|--|----------------------|
| General Purpose Tax                     |  | \$ 11,457,332        |
| Levy Special District Taxes             |  | 239,142              |
| Added/Omitted Taxes (54:4-63.1 et.seq.) |  | <u>1,899</u>         |
|   |  | <b>\$ 11,698,373</b> |

**Tax Levy:**

|  |      |                                   |
|--|------|-----------------------------------|
| Local District School Tax                                      | A-18 | \$ 6,193,605                      |
| Municipal Open Space   | A-19 | 239,181                           |
| County Taxes:  |      |                                   |
| County Tax (Abstract)  |      | \$ 3,498,207                      |
| County Library Tax (Abstract)                                  |      | 273,191                           |
| County Open Space Tax  |      | 196,188                           |
| Due County for Added and Omitted<br>Taxes (54.4-63.1, et.seq.) | A-17 | <u>648</u> 3,968,234              |
| Local Tax for Municipal  | A-2  | 1,294,429                         |
| Add: Additional Tax Levied                                     |      | <u>2,924</u> <b>\$ 11,698,373</b> |

CURRENT FUND  
SCHEDULE OF TAX TITLE LIENS

A-7

|                                 | <u>REF.</u> |                             |
|---------------------------------|-------------|-----------------------------|
| Balance December 31, 2014       | A           | \$ 207,752                  |
| <b>Increased by:</b>            |             |                             |
| Interest and Costs              |             | \$ 3,260                    |
| Transfers from Taxes Receivable | A-6         | <u>46,918</u> <u>50,178</u> |
|                                 |             | 257,930                     |
| <b>Decreased by:</b>            |             |                             |
| Paid                            | A-5         | <u>469</u>                  |
| Balance December 31, 2015       | A           | <u>\$ 257,461</u>           |



CURRENT FUND  
SCHEDULE OF PENALTIES ON DELINQUENT TAXES

A-8

REF.

Balance December 31, 2014

A    \$ 7,402

**Decreased by:**

Collection of Penalties on 2014 Taxes

A-2    \$ 7,402

CURRENT FUND  
SCHEDULE OF PROPERTY ACQUIRED FOR TAXES  
(AT ASSESSED VALUATION)

A-9

|                           | <u>REF.</u> |                   |
|---------------------------|-------------|-------------------|
| Balance December 31, 2014 | A           | <u>\$ 403,080</u> |
| Balance December 31, 2015 | A           | <u>\$ 403,080</u> |

CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

A-10

|                                      |             | BALANCE ACCRUED        | COLLECTED                     | BALANCE              |
|--------------------------------------|-------------|------------------------|-------------------------------|----------------------|
|                                      | <u>REF.</u> | <u>12/31/14</u>        | <u>BY</u><br><u>TREASURER</u> | <u>12/31/15</u>      |
|                                      |             | <u>IN 2015</u>         |                               |                      |
| Clerk:                               |             |                        |                               |                      |
| Licenses:                            |             |                        |                               |                      |
| Alcoholic Beverages                  | A-2         | \$ 2,059               | \$ 2,059                      |                      |
| Other Licenses                       | A-2         | 1,515                  | 1,515                         |                      |
| Fees and Permits                     | A-2         | 14,285                 | 14,285                        |                      |
| Fines and Costs-Municipal Court      | A-2         | \$ 1,043               | 8,967                         | \$ 169               |
| Interest on Investments and Deposits | A-2         | 8,944                  | 8,944                         |                      |
| State Aid                            | A-2         | 428,256                | 428,256                       |                      |
| <b>Totals</b>                        |             | <b><u>\$ 1,043</u></b> | <b><u>\$ 464,926</u></b>      | <b><u>\$ 169</u></b> |
|                                      |             | A                      | A-2:4                         | A                    |

CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES - 2014

A-11

|                               | <u>BALANCE</u><br><u>12/31/14</u> | <u>BALANCE</u><br><u>AFTER</u><br><u>TRANSFERS</u> | <u>PAID</u><br><u>OR</u><br><u>CHARGED</u> | <u>BALANCE</u><br><u>LAPSED</u> |
|-------------------------------|-----------------------------------|--|--|---------------------------------|
| General Administration:       |                                   |  |  |                                 |
| Other Expenses:               |                                   |  |  |                                 |
| Miscellaneous Other Expenses  | \$ 4,116                          | \$ 4,116   | \$ 1,338                                   | \$ 2,778                        |
| Tax Collection:               |                                   |  |  |                                 |
| Other Expenses                | 576                               | 576  | 8  | 568                             |
| Legal Services (Legal Dept.): |                                   |  |  |                                 |
| Other Expenses                | 431                               | 14,431   | 13,925                                     | 506                             |
| Engineering Services:         |                                   |  |  |                                 |
| Other Expenses                | 64,667                            | 42,654   | 127  | 42,527                          |
| Historical Sites:             |                                   |  |  |                                 |
| Other Expenses                | 1,161                             | 1,161  | 625  | 536                             |
| Planning Board:               |                                   |  |  |                                 |
| Other Expenses                | 13,703                            | 13,703   | 3,542                                      | 10,161                          |
| Aid to Volunteer Fire Co.:    |                                   |  |  |                                 |
| Other Expenses                | -                                 | 54,013   | 54,013                                     | -                               |
| Contrib. to First Aid Org.:   |                                   |  |  |                                 |
| Other Expenses                | 20,000                            | 20,000   | 20,000                                     | -                               |
| Streets and Road Maintenance: |                                   |  |  |                                 |
| Other Expenses                | 78,955                            | 28,955   | 11,609                                     | 17,346                          |
| Buildings and Grounds:        |                                   |  |  |                                 |
| Other Expenses                | -                                 | 4,000  | 2,163                                      | 1,837                           |
| Animal Control:               |                                   |  |  |                                 |
| Other Expenses                | 2,052                             | 2,052  | -  | 2,052                           |
| Electricity                   | 2,793                             | 2,793  | 1,617                                      | 1,176                           |
| Telephone                     | 8,272                             | 8,272  | 254  | 8,018                           |
| Fuel Oil                      | 1,423                             | 1,423  | 987  | 436                             |
| Gasoline                      | 190                               | 190  | -  | 190                             |
| Other Accounts - No Change    | 39,455                            | 39,455   |  | 39,455                          |
| <b>TOTALS</b>                 | <b><u>\$ 237,794</u></b>          | <b><u>\$ 237,794</u></b>                           | <b><u>\$ 110,208</u></b>                   | <b><u>\$ 127,586</u></b>        |
| REF.                          | A                                 |  | A-4  | A-1                             |

CURRENT FUND  
SCHEDULE OF RESERVE FOR ENCUMBRANCES

A-12

|  | <u>REF.</u> |                  |                     |
|--|-------------|------------------|---------------------|
| Balance December 31, 2014                      | A           | \$               | 16,326              |
| <b>Increased by:</b>                           |             |                  |                     |
| Transfer from Current Year Appropriations      | A-3         | \$               | 1,718,733           |
| Additional/Canceled Encumbrance Appropriations |             |                  | <u>10,699</u>       |
|  |             |                  | <u>1,729,432</u>    |
|  |             |                  | 1,745,758           |
| <b>Decreased by:</b>                           |             |                  |                     |
| Encumbrances Paid                              | A-4         | <u>1,745,758</u> | <u>\$ 1,745,758</u> |
| Balance December 31, 2015                      | A           |                  | <u><u>-</u></u>     |

CURRENT FUND  
SCHEDULE OF ACCOUNTS PAYABLE

A-13

|                           | <u>REF.</u>    |                  |
|---------------------------|----------------|------------------|
| Balance December 31, 2014 | A              | <u>\$ 34</u>     |
| <b>Increased by:</b>      |                |                  |
| Receipts COAH             | A-4            | <u>26,744</u>    |
| Balance December 31, 2015 | A              | <u>\$ 26,778</u> |
|                           | <u>Detail:</u> |                  |
|                           | COAH - Congdon | \$ 26,744        |
|                           | POAA - Court   | 8                |
|                           | Other          | <u>26</u>        |
|                           |                | <u>\$ 26,778</u> |

CURRENT FUND  
SCHEDULE OF TAXES COLLECTED IN ADVANCE

A-14

|                                  | <u>REF.</u> |                  |
|----------------------------------|-------------|------------------|
| Balance December 31, 2014        | A           | \$ 284,951       |
| <b>Increased by:</b>             |             |                  |
| 2016 Taxes Collected in Advance  | A-5         | <u>46,903</u>    |
|                                  |             | 331,854          |
| <b>Decreased by:</b>             |             |                  |
| Applied to 2015 Taxes Receivable | A-6         | <u>284,951</u>   |
| Balance December 31, 2015        | A           | <u>\$ 46,903</u> |

CURRENT FUND  
SCHEDULE OF TAX OVERPAYMENTS

A-15

|                              | <u>REF.</u> |                  |
|------------------------------|-------------|------------------|
| Balance December 31, 2014    | A           | \$ 35,057        |
| <b>Increased by:</b>         |             |                  |
| 2015 Tax Overpayments        | A-5         | <u>258,769</u>   |
|                              |             | 293,826          |
| <b>Decreased by:</b>         |             |                  |
| Refunded                     | A-4         | \$ 8,367         |
| Applied to Outstanding Taxes | A-6         | <u>258,809</u>   |
|                              |             | <u>267,176</u>   |
| Balance December 31, 2015    | A           | <u>\$ 26,650</u> |



CURRENT FUND  
SCHEDULE OF AMOUNT DUE TO STATE OF NEW JERSEY FOR  
SENIOR CITIZENS AND VETERANS DEDUCTIONS

A-16

|  | <u>REF.</u> |                              |
|--|-------------|------------------------------|
| Balance December 31, 2014                        | A           | \$ 6,521                     |
| <b>Increased by:</b>                             |             |                              |
| Received In Cash From State                      | A-4         | <u>32,500</u><br>39,021      |
| <b>Decreased by:</b>                             |             |                              |
| Senior Citizens Deductions per Tax Billings      |             | \$ 6,500                     |
| Veterans Deductions per Tax Billings             |             | <u>26,000</u>                |
|  |             | <u>32,500</u>                |
| Balance December 31, 2015                        | A           | <u>\$ 6,521</u>              |
| <br><b><u>ANALYSIS OF BALANCE</u></b>            |             |                              |
| Amount Due to State of New Jersey -- Pre 1/1/78  |             | \$ 7,072                     |
| Amount Due to State of New Jersey -- Post 1/1/78 |             | <u>(551)</u> <u>\$ 6,521</u> |

CURRENT FUND  
SCHEDULE OF COUNTY TAXES PAYABLE

A-17

REF.

**Increased by:**

2015 Levy:

|                                    |       |              |                    |
|------------------------------------|-------|--------------|--------------------|
| County Taxes                       | A-1:6 | \$ 3,498,207 |                    |
| County Library Taxes               | A-1:6 | 273,191      |                    |
| County Open Space Tax              | A-1:6 | 196,188      |                    |
| Prior Year Added and Omitted Taxes | A-1:6 | <u>648</u>   | <u>\$3,968,234</u> |
|                                    |       |              | 3,968,234          |

**Decreased by:**

|          |     |  |                    |
|----------|-----|--|--------------------|
| Payments | A-4 |  | <u>\$3,968,234</u> |
|----------|-----|--|--------------------|

CURRENT FUND  
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

A-18

|  | <u>REF.</u> |                |                     |
|--|-------------|----------------|---------------------|
| <b>Balance December 31, 2014:</b>                        |             |                |                     |
| School Tax Payable                                       | A           | \$ 2,854,359   |                     |
| School Tax Deferred                                      |             | <u>185,000</u> | \$ 3,039,359        |
| <b>Increased by:</b>                                     |             |                |                     |
| Levy - School Year July 1, 2015 to June 30, 2016         | A-6         |                | <u>6,193,605</u>    |
|  |             |                | 9,232,964           |
| <b>Decreased by:</b>                                     |             |                |                     |
| Payments   | A-4         |                | <u>6,136,161</u>    |
| <b>Balance December 31, 2015:</b>                        |             |                |                     |
| School Tax Payable                                       | A           | 2,911,803      |                     |
| School Tax Deferred                                      |             | <u>185,000</u> | <u>\$ 3,096,803</u> |
| <br><b>2015 Liability for Local District School Tax:</b> |             |                |                     |
| Tax Paid   |             |                | \$ 6,136,161        |
| Tax Payable 12/31/15                                     |             |                | <u>3,096,803</u>    |
|  |             |                | 9,232,964           |
| Less -- Tax Payable 12/31/14                             |             |                | <u>3,039,359</u>    |
| <b>Amount Charged to 2015 Operations</b>                 | A-1         |                | <u>\$ 6,193,605</u> |

CURRENT FUND  
SCHEDULE OF MUNICIPAL OPEN SPACE TAX PAYABLE

A-19

|                           | <u>REF.</u> |                                |
|---------------------------|-------------|--------------------------------|
| Balance December 31, 2014 | A           | \$ 484,210                     |
| <b>Increased by:</b>      |             |                                |
| Levy 2015                 | A-6         | \$ 239,142                     |
| Added Levy 2015           | A-6         | <u>      39</u> <u>239,181</u> |
|                           |             | 723,391                        |
| Balance December 31, 2014 | A           | <u>\$ 723,391</u>              |

CURRENT FUND  
SCHEDULE OF RESERVE FOR STATE GRANTS

A-20

|                                     | <u>BALANCE</u><br><u>12/31/14</u> | TRANSFER<br>FROM<br>2015 BUDGET<br><u>APPROPRIATIONS</u> | <u>EXPENDED</u>  | <u>BALANCE</u><br><u>12/31/15</u> |
|-------------------------------------|-----------------------------------|--|------------------|-----------------------------------|
| Clean Communities Grant             |                                   |  |                  |                                   |
| CY 2015                             |                                   | \$ 10,129  |                  | \$ 10,129                         |
| CY 2014                             | \$ 6,804                          |  | \$ 6,605         | 199                               |
| State Police Exercise Pass Thru     | 201                               |  |                  | 201                               |
| Stormwater Grant FY 06              | 5,000                             |  |                  | 5,000                             |
| Stormwater Grant FY 05              | 346                               |  |                  | 346                               |
| Stormwater Grant FY 07              | 4,672                             |  |                  | 4,672                             |
| PCAF Clean Environment Grant        | 99                                |  |                  | 99                                |
| ANJEC Smart Growth Grant            | 4,000                             |  |                  | 4,000                             |
| State of NJ EMA                     | 5,000                             |  |                  | 5,000                             |
| Hoff-Vannetta Farm - Phase II       | 975                               |  |                  | 975                               |
| Highlands - Plan Conformance        | 53,170                            |  |                  | 53,170                            |
| Highlands - Initial Assessment      | 14,000                            |  |                  | 14,000                            |
| Recycling Tonnage Grant             | 4,340                             | 516  | 399              | 4,457                             |
| Warren County MCCTFC - Hoff-Vanetta |                                   | 120,000  | 71,328           | 48,672                            |
| Warren County MCCTFC - Local Share  |                                   | 32,000   |                  | 32,000                            |
| <b>Totals</b>                       | <b>\$ 98,607</b>                  | <b>\$ 162,645</b>  | <b>\$ 78,332</b> | <b>\$ 182,920</b>                 |
| REF.                                | A                                 | A-3  | A-4              | A                                 |

CURRENT FUND  
SCHEDULE OF STATE GRANTS RECEIVABLE

A-21

| <u>PURPOSE</u>                                 | <u>BALANCE</u><br><u>12/31/14</u> | <u>RECEIVABLE</u> | <u>RECEIVED</u>  | <u>BALANCE</u><br><u>12/31/15</u> |
|--|-----------------------------------|-------------------|------------------|-----------------------------------|
| Clean Communities                              |                                   | \$ 10,129         | \$ 10,129        |                                   |
| Stormwater Grant FY 07                         | \$ 5,000                          |                   |                  | \$ 5,000                          |
| State of NJ EMA                                | 5,000                             |                   |                  | 5,000                             |
| Harmony Township Athletic Association          | 4,000                             |                   |                  | 4,000                             |
| Highlands - Plan Conformance                   | 56,200                            |                   |                  | 56,200                            |
| Highlands - Initial Assessment                 | 14,000                            |                   |                  | 14,000                            |
| Garden State Historic Preservation Trust Grant | 47,000                            |                   |                  | 47,000                            |
| Warren County MCCTFC - Hoff-Vanetta            | <u>-</u>                          | <u>120,000</u>    | <u>82,420</u>    | <u>37,580</u>                     |
|  | <u>\$ 131,200</u>                 | <u>\$ 130,129</u> | <u>\$ 92,549</u> | <u>\$ 168,780</u>                 |
|  | A                                 | A-2               | A-4              | A                                 |

CURRENT FUND  
SCHEDULE OF STATE GRANTS - UNAPPROPRIATED

A-22

|                         | <u>BALANCE</u>   | <u>TRANSFER</u>    | <u>TO</u>             | <u>RECEIVED</u> | <u>CANCELED</u> | <u>BALANCE</u>   |
|-------------------------|------------------|--------------------|-----------------------|-----------------|-----------------|------------------|
|                         | <u>12/31/14</u>  | <u>2015 BUDGET</u> | <u>APPROPRIATIONS</u> |                 |                 | <u>12/31/15</u>  |
| Recycling Tonnage Grant | \$ 517           | \$                 | 516                   |                 | \$ 1            | -                |
| Clean Communities       |                  |                    |                       | \$ 2,175        |                 | \$ 2,175         |
| Smart Growth Grant      | 37,600           |                    |                       |                 |                 | 37,600           |
| <b>Totals</b>           | <u>\$ 38,117</u> | <u>\$</u>          | <u>516</u>            | <u>\$ 2,175</u> | <u>\$ 1</u>     | <u>\$ 39,775</u> |
| REF.                    | A                |                    | A-20                  | A-4             |                 | A                |

CURRENT FUND  
SCHEDULE OF RESERVE FOR FEMA ACQUISITION REIMBURSEMENTS

A-23

|                           | <u>REF.</u> |                  |
|---------------------------|-------------|------------------|
| Balance December 31, 2014 | A           | <u>\$ 58,510</u> |
| Balance December 31, 2015 | A           | <u>\$ 58,510</u> |



## **TRUST FUND SCHEDULES**



TRUST FUND  
SCHEDULE OF CASH - TREASURER

B-2

|  |             | <u>DOG</u>           |                            |
|--|-------------|----------------------|----------------------------|
|  | <u>REF.</u> | <u>LICENSES</u>      | <u>OTHER</u>               |
| Balance December 31, 2014                | B           | <u>45</u>            | <u>\$ 1,408,207</u>        |
| <b>Increased by Receipts:</b>            |             |                      |                            |
| Dog License Fees                         | B-3         | \$ 1,918             |                            |
| State Dog License Fees                   | B-4         | 282                  |                            |
| Amount Due Current Fund                  | B-5:6       | 1                    | -                          |
| Escrow Trust Deposits                    | B-7         |                      | 18,988                     |
| Municipal Open Space Trust Deposits      | B-9         |                      | 1,524                      |
| COAH Deposits-Interest                   | B-10        |                      | 50,242                     |
| Property Escrows                         | B-15        | <u>-</u>             | <u>57</u>                  |
| <b>Total Receipts</b>                    |             | <u>2,201</u>         | <u>70,811</u>              |
|  |             | <u><b>2,246</b></u>  | <u><b>1,479,018</b></u>    |
| <b>Decreased by Disbursements:</b>       |             |                      |                            |
| Expenditures Under R. S. 4:19-15.11      | B-3         | 1,864                |                            |
| State Dog License Fees                   | B-4         | 278                  |                            |
| Due Current Fund                         | B-6         |                      | -                          |
| Escrow Trust Deposits Refunded           | B-7         |                      | 23,819                     |
| Municipal Open Space Trust Disbursements | B-9         |                      | 196,052                    |
| COAH Disbursements                       | B-10        | <u>-</u>             | <u>12,991</u>              |
| <b>Total Disbursements</b>               |             | <u>2,142</u>         | <u>232,862</u>             |
| Balance December 31, 2015                | B           | <u><b>\$ 104</b></u> | <u><b>\$ 1,246,156</b></u> |

TRUST FUND  
SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

B-3

|                                    | <u>REF.</u> |                          |
|------------------------------------|-------------|--------------------------|
| Balance December 31, 2014          | B           | \$ 43                    |
| <b>Increased by:</b>               |             |                          |
| Dog License Fees Collected         | B-2         | <u>\$ 1,918</u><br>1,961 |
| <b>Decreased by:</b>               |             |                          |
| Expenditures Under R.S. 4:29-15.11 | B-2         | <u>1,864</u>             |
| Balance December 31, 2015          | B           | <u>\$ 97</u>             |

TRUST FUND  
SCHEDULE OF AMOUNT DUE TO STATE OF  
NEW JERSEY DEPARTMENT OF HEALTH

B-4

REF.

**Increased by:**

Collected in 2015:

State Board of Health Fees

B-2            \$ 282  
                         282

**Decreased By:**

Payments

B-2            278

Balance December 31, 2015

B                \$ 4

DOG LICENSE FUND  
SCHEDULE OF DUE TO CURRENT FUND

B-5

|                           | <u>REF.</u> |               |
|---------------------------|-------------|---------------|
| Balance December 31, 2014 | B           | \$ <u>  2</u> |
| <b>Increased by:</b>      |             |               |
| Interest Due Current Fund | B-2         | <u>  1</u>    |
| Balance December 31, 2015 | B           | \$ <u>  3</u> |

TRUST FUND  
SCHEDULE OF AMOUNT DUE FROM CURRENT FUND

B-6

|   | <u>REF.</u> |                |                   |
|---|-------------|----------------|-------------------|
| Balance December 31, 2014                                 | B           |                | \$ 588,842        |
| <b>Increased by:</b>                                      |             |                |                   |
| Tax Sale Premiums Received in Current Fund                | B-12        | \$ 132,300     |                   |
| Third Party Tax Lien Redemptions Received in Current Fund | B-17        | 64,934         |                   |
| 2015 Municipal Open Space Tax Levy, Including Added Taxes | B-9         | <u>239,181</u> | <u>436,415</u>    |
|   |             |                | 1,025,257         |
| <b>Decreased by:</b>                                      |             |                |                   |
| Tax Sale Premiums Paid from Current Fund                  | B-12        | 32,600         |                   |
| Third Party Tax Lien Redemptions Paid from Current Fund   | B-17        | <u>31,242</u>  | <u>63,842</u>     |
| Balance December 31, 2015                                 | B           |                | <u>\$ 961,415</u> |
| <b><u>Detail:</u></b>                                     |             |                |                   |
| Municipal Open Space Levy - 2015                          |             |                | \$ 239,181        |
| Municipal Open Space Levy - 2014                          |             |                | 552               |
| Municipal Open Space Levy - 2013                          |             |                | 241,595           |
| Municipal Open Space Levy - 2012                          |             |                | 242,063           |
| Hoff-Vanetta Elevation                                    |             |                | 13,032            |
| Off-Track Improvements                                    |             |                | 11,000            |
| Third Party Tax Lien Redemptions                          |             |                | 33,692            |
| Tax Sale Premiums   |             |                | <u>180,300</u>    |
|   |             |                | <u>\$ 961,415</u> |

TRUST FUND  
SCHEDULE OF RESERVE FOR ESCROW TRUST FUND DEPOSITS

B-7

|                           | <u>REF.</u> |                  |
|---------------------------|-------------|------------------|
| Balance December 31, 2014 | B           | \$ 83,640        |
| <b>Increased by:</b>      |             |                  |
| Escrow Deposits           | B-2         | <u>18,988</u>    |
|                           |             | 102,628          |
| <b>Decreased by:</b>      |             |                  |
| Escrow Deposits Refunded  | B-2         | <u>23,819</u>    |
| Balance December 31, 2015 | B           | <u>\$ 78,809</u> |



TRUST FUND  
SCHEDULE OF RESERVE FOR MONITORING ESCROW DEPOSITS

B-8

|                           | <u>REF.</u> |                 |
|---------------------------|-------------|-----------------|
| Balance December 31, 2014 | B           | <u>\$ 6,650</u> |
| Balance December 31, 2015 | B           | <u>\$ 6,650</u> |

TRUST FUND  
SCHEDULE OF RESERVE FOR MUNICIPAL OPEN SPACE TRUST

B-9

|   | <u>REF.</u> |  |
|---|-------------|--|
| Balance December 31, 2014                   | B           | \$ 1,654,088                             |
| <b>Increased by:</b>                        |             |  |
| Municipal Open Space Tax Levy               | B-6         | \$ 239,181                               |
| Interest Earned                             | B-2         | <u>1,524</u> <u>240,705</u><br>1,894,793 |
| <b>Decreased by:</b>                        |             |  |
| Municipal Open Space Property Acquisitions  | B-2         | 172,068                                  |
| Municipal Open Space Operating Expenditures | B-2         | <u>23,984</u> <u>196,052</u>             |
| Balance December 31, 2015                   | B           | <u>\$ 1,698,741</u>                      |

TRUST FUND  
SCHEDULE OF RESERVE FOR COAH DEPOSITS  
TRUST DEPOSITS

B-10

REF.

|                           |     |                          |
|---------------------------|-----|--------------------------|
| Balance December 31, 2014 | B   | \$ 198,187               |
| <b>Increased by:</b>      |     |                          |
| COAH Deposits - Interest  | B-2 | <u>50,242</u><br>248,429 |
| <b>Decreased by:</b>      |     |                          |
| COAH Disbursements        | B-2 | <u>12,991</u>            |
| Balance December 31, 2015 | B   | <u>\$ 235,438</u>        |

TRUST FUND  
SCHEDULE OF RESERVE FOR DRIVEWAY BONDS  
TRUST DEPOSITS

B-11

REF.

Balance December 31, 2014

B \$ 1

Balance December 31, 2015

B \$ 1

TRUST FUND  
SCHEDULE OF RESERVE FOR TAX SALE PREMIUM  
TRUST DEPOSITS

B-12

|                           | <u>REF.</u> |                           |
|---------------------------|-------------|---------------------------|
| Balance December 31, 2014 | B           | \$ 81,200                 |
| <b>Increased by:</b>      |             |                           |
| Premiums Received         | B-6         | <u>132,300</u><br>213,500 |
| <b>Decreased by:</b>      |             |                           |
| Premiums Refunded         | B-6         | <u>32,600</u>             |
| Balance December 31, 2015 | B           | <u>\$ 180,900</u>         |

TRUST FUND  
SCHEDULE OF RESERVE FOR OFF TRACK IMPROVEMENTS  
TRUST DEPOSITS

B-13

|                           | <u>REF.</u> |                  |
|---------------------------|-------------|------------------|
| Balance December 31, 2014 | B           | <u>\$ 11,000</u> |
| Balance December 31, 2015 | B           | <u>\$ 11,000</u> |

TRUST FUND  
SCHEDULE OF RESERVE FOR EMERGENCY SNOW REMOVAL  
TRUST DEPOSITS

B-14

|                           | <u>REF.</u> |                  |
|---------------------------|-------------|------------------|
| Balance December 31, 2014 | B           | <u>\$ 13,261</u> |
| Balance December 31, 2015 | B           | <u>\$ 13,261</u> |

TRUST FUND  
SCHEDULE OF RESERVE FOR PROPERTY ESCROW DEPOSITS

B-15

|                           | <u>REF.</u> |                  |
|---------------------------|-------------|------------------|
| Balance December 31, 2014 | B           | \$ 37,965        |
| <b>Increased by:</b>      |             |                  |
| Interest Earned           | B-2         | <u>57</u>        |
|                           |             | 38,022           |
| Balance December 31, 2015 | B           | <u>\$ 38,022</u> |



TRUST FUND  
SCHEDULE OF RESERVE FOR PLAYGROUND DONATIONS

B-16

|                           | <u>REF.</u> |               |
|---------------------------|-------------|---------------|
| Balance December 31, 2014 | B           | <u>\$ 340</u> |
| Balance December 31, 2015 | B           | <u>\$ 340</u> |

TRUST FUND  
SCHEDULE OF RESERVE FOR THIRD PARY TAX LIENS  
TRUST DEPOSITS

B-17

REF.

**Increased by:**

Liens Received

B-6     \$ 64,934  
                  64,934

**Decreased by:**

Liens Redeemed

B-6     31,242

Balance December 31, 2015

B     \$ 33,692

TRUST FUND  
SCHEDULE OF AMOUNT DUE GRANTS FUND

B-18

|                           | <u>REF.</u> |                  |
|---------------------------|-------------|------------------|
| Balance December 31, 2014 | B           | <u>\$ 89,283</u> |
| Balance December 31, 2015 | B           | <u>\$ 89,283</u> |



## **GENERAL CAPITAL FUND SCHEDULES**



GENERAL CAPITAL FUND  
SCHEDULE OF CASH - TREASURER

C-2

|   | <u>REF.</u> |               |                   |
|---|-------------|---------------|-------------------|
| Balance December 31, 2014                 | C           |               | \$ 453,984        |
| <b>Increased by:</b>                      |             |               |                   |
| Interfund Returned                        | C-4         | \$ 64,040     |                   |
| Interest Due Current Fund                 | C-4         | <u>561</u>    | <u>64,601</u>     |
|   |             |               | 518,585           |
| <b>Decreased by:</b>                      |             |               |                   |
| Liquidation of Prior Year Purchase Orders | C-10        | 79,445        |                   |
| Improvement Authorizations                | C-6         | <u>58,000</u> | <u>137,445</u>    |
| Balance December 31, 2015                 | C           |               | <u>\$ 381,140</u> |

GENERAL CAPITAL FUND  
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

C-3

| <u>IMPROVEMENT DESCRIPTION</u>                        | <u>BALANCE</u><br><u>12/31/14</u> | <u>DECREASED</u><br><u>PAID BY</u><br><u>BUDGET</u> | <u>BALANCE</u><br><u>12/31/15</u> | <u>ANALYSIS OF BALANCE</u>                                   |  |
|---|-----------------------------------|---|-----------------------------------|--|--|
|   |                                   |   |                                   | <u>BONDS/NOTES</u><br><u>AUTHORIZED</u><br><u>NOT ISSUED</u> | <u>BOND</u><br><u>ANTICIPATION</u><br><u>NOTES</u> |
| General Improvements:                                 |                                   |   |                                   |  |  |
| Acquisition of Property - COAH                        | \$ 86,875                         | \$ 35,625   | \$ 51,250                         |  | \$ 51,250  |
| Acquisition of Property - COAH (McKinney)             | 19,330                            | 13,110  | 6,220                             |  | 6,220  |
| Acquisition of Fire Apparatus (Fire Truck and Access) | 162,868                           | 54,291  | 108,577                           |  | 108,577  |
| Acquisition of Property - Dowel                       | <u>5,191,130</u>                  | <u>174,290</u>                                      | <u>5,016,840</u>                  | <u>-</u>   | <u>5,016,840</u>                                   |
|   | <u>\$ 5,460,203</u>               | <u>\$ 277,316</u>                                   | <u>\$ 5,182,887</u>               | <u>-</u>   | <u>\$ 5,182,887</u>                                |
| REF.  | C                                 | C-7   | C                                 |  | C-7  |



GENERAL CAPITAL FUND  
SCHEDULE OF AMOUNT DUE CURRENT FUND

C-4

|   | <u>REF.</u> |               |                  |
|---|-------------|---------------|------------------|
| Balance December 31, 2014                               | C           | \$            | 113              |
| <b>Increased by:</b>                                    |             |               |                  |
| Interfund Returned from Current fund                    | C-2         | \$ 64,040     |                  |
| Interest Credits  | C-2         | <u>561</u>    | <u>64,601</u>    |
|   |             |               | 64,714           |
| <b>Decreased by:</b>                                    |             |               |                  |
| 2015 Budget Appropriation - Capital Improvement Fund    | C-5         | 50,000        |                  |
| Bond Anticipation Note Premium Received in Current Fund | C-1         | <u>14,669</u> | <u>64,669</u>    |
| Balance December 31, 2015                               | C           | \$            | <u><u>45</u></u> |

GENERAL CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND

C-5

|                                   | <u>REF.</u> |                   |
|-----------------------------------|-------------|-------------------|
| Balance December 31, 2014         | C           | \$ 200,396        |
| <b>Increased by:</b>              |             |                   |
| 2015 Budget Appropriation         | C-4         | <u>50,000</u>     |
|                                   |             | 250,396           |
| <b>Decreased by:</b>              |             |                   |
| Improvement Authorizations Funded | C-6         | <u>58,000</u>     |
| Balance December 31, 2015         | C           | <u>\$ 192,396</u> |

GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

C-6

| <u>IMPROVEMENT DESCRIPTION</u>  | <u>NUMBER</u> | <u>ORDINANCE</u> |               | <u>BALANCE</u><br><u>12/31/14</u> |                  | <u>CAPITAL</u><br><u>IMP. FUND</u> | <u>PAID OR</u><br><u>CHARGED</u> | <u>BALANCE</u><br><u>12/31/15</u> |                  |
|---|---------------|------------------|---------------|-----------------------------------|------------------|------------------------------------|----------------------------------|-----------------------------------|------------------|
|   |               | <u>DATE</u>      | <u>AMOUNT</u> | <u>FUNDED</u>                     | <u>UNFUNDED</u>  |                                    |                                  | <u>FUNDED</u>                     | <u>UNFUNDED</u>  |
| Acquisition of Farmland for Preservation B/L 33/17  | 06-19         | 12/5/06          | \$ 104,000    | \$ 68,050                         |                  |                                    |                                  | \$ 68,050                         |                  |
| Acquisition of Fire Apparatus (Fire Truck and Access)   | 06-17         | 9/5/06           | 570,953       |                                   | \$ 12,571        |                                    |                                  |                                   | \$ 12,571        |
| Pavement Roller and Trailer - DPW   | 07-06         | 4/3/07           | 57,000        | 500                               |                  |                                    |                                  | 500                               |                  |
| Goat Farm Road Reconstruction   | 07-07         | 5/1/07           | 45,000        | 12,900                            |                  |                                    |                                  | 12,900                            |                  |
| Playground Equipment  | 09-04         | 4/7/09           | 12,405        | 95                                |                  |                                    |                                  | 95                                |                  |
| Township Paving Projects  | 09-14         | 11/5/09          | 50,000        | 28,926                            |                  |                                    |                                  | 28,926                            |                  |
| Playground Equipment  | 09-15         | 12/1/09          | 7,500         | 11                                |                  |                                    |                                  | 11                                |                  |
| Recreation Site Upgrades  | 10-04         | 7/6/10           | 15,000        | 3,450                             |                  |                                    |                                  | 3,450                             |                  |
| Harmony Station Road Construction Project   | 10-05         | 9/7/10           | 220,000       | 14,045                            |                  |                                    |                                  | 14,045                            |                  |
| Goat Farm Road Construction Costs   | 11-7          | 9/6/11           | 10,000        | 28                                |                  |                                    |                                  | 28                                |                  |
| Garrison Road Culvert Upgrade   | 12-3          | 4/3/12           | 6,000         | 789                               |                  |                                    |                                  | 789                               |                  |
| Fire Dept Turnout Gear, Munic Bldg Entrance<br>Renovation, DPW Road Sweeper and Debris Blower,<br>and Garrison Road Resurfacing | 12-4          | 9/4/12           | 145,000       | 78,281                            |                  |                                    |                                  | 78,281                            |                  |
| New Server  | 14-5          | 9/2/14           | 4,600         | 4,600                             |                  |                                    |                                  | 4,600                             |                  |
| Township Paving   | 15-3          | 11/23/15         | 58,000        |                                   |                  | \$ 58,000                          | \$ 58,000                        |                                   |                  |
|   |               |                  |               | <b>\$ 211,675</b>                 | <b>\$ 12,571</b> | <b>\$ 58,000</b>                   | <b>\$ 58,000</b>                 | <b>\$ 211,675</b>                 | <b>\$ 12,571</b> |

REF.

C                      C                      C-5                      C-2                      C                      C

GENERAL CAPITAL FUND  
SCHEDULE OF BOND ANTICIPATION NOTES

C-7

| <u>PURPOSE</u>                          | <u>ORIGINAL<br/>ISSUE</u> | <u>DATE<br/>OF ISSUE</u> | <u>DATE OF<br/>MATURITY</u> | <u>INTEREST<br/>RATE</u> | <u>BALANCE<br/>12/31/14</u> | <u>DECREASED</u>  | <u>BALANCE<br/>12/31/15</u> |
|---|---------------------------|--------------------------|-----------------------------|--------------------------|-----------------------------|-------------------|-----------------------------|
| Acquisition of Property - COAH          | 12/09/05                  | 4/27/15                  | 4/26/16                     | 1.25%                    | \$ 86,875                   | \$ 35,625         | \$ 51,250                   |
| Acquisition of Property - McKinney COAH | 9/20/06                   | 4/27/15                  | 4/26/16                     | 1.25%                    | 19,330                      | 13,110            | 6,220                       |
| Acquisition of New Fire Truck & Access. | 9/20/06                   | 4/27/15                  | 4/26/16                     | 1.25%                    | 162,868                     | 54,291            | 108,577                     |
| Acquisition of Property - Dowel         | 5/06/10                   | 4/27/15                  | 4/26/16                     | 1.25%                    | 5,191,130                   | 174,290           | 5,016,840                   |
|   |                           |                          |                             |                          | <b>\$ 5,460,203</b>         | <b>\$ 277,316</b> | <b>\$ 5,182,887</b>         |
| REF.                                    |                           |                          |                             |                          | C                           | C-3               | C                           |

GENERAL CAPITAL FUND  
SCHEDULE OF GRANTS ACCOUNTS RECEIVABLE

C-8

|  | <u>REF.</u> |                  |
|--|-------------|------------------|
| Balance December 31, 2014                | C           | <u>\$ 67,300</u> |
| Balance December 31, 2015                | C           | <u>\$ 67,300</u> |
| <br><b><u>DETAIL:</u></b>                |             |                  |
| Warren County Open Space                 |             | \$ 15,300        |
| State Agricultural Development Committee |             | <u>52,000</u>    |
|  |             | <u>\$ 67,300</u> |

GENERAL CAPITAL FUND  
SCHEDULE OF AMOUNT DUE GRANTS FUND

C-9

|                           |                  |                 |
|---------------------------|------------------|-----------------|
| Balance December 31, 2014 | <u>REF.</u><br>C | <u>\$ 7,208</u> |
| Balance December 31, 2015 | C                | <u>\$ 7,208</u> |

GENERAL CAPITAL FUND  
SCHEDULE OF OPEN ENCUMBRANCES

C-10

|                                |                  |                  |
|--------------------------------|------------------|------------------|
| Balance December 31, 2014      | <u>REF.</u><br>C | <u>\$ 79,445</u> |
| <b>Decreased by:</b>           |                  |                  |
| Liquidation of Purchase Orders | C-2              | <u>\$ 79,445</u> |





## **SCHEDULE OF GENERAL FIXED ASSETS**

GENERAL FIXED ASSETS  
DECEMBER 31, 2015  
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS

F-1

|  | <u>BALANCE</u><br><u>12/31/14</u> | <u>ADDITIONS</u> | <u>DELETIONS</u> | <u>BALANCE</u><br><u>12/31/15</u> |
|--|-----------------------------------|------------------|------------------|-----------------------------------|
| General Fixed Assets:                  |                                   |                  |                  |                                   |
| Land                                   | \$ 7,272,450                      |                  |                  | \$ 7,272,450                      |
| Buildings                              | 1,100,123                         |                  |                  | 1,100,123                         |
| Machinery and Equipment                | <u>1,683,343</u>                  | <u>-</u>         | <u>-</u>         | <u>1,683,343</u>                  |
| Total General Fixed Assets             | <u>\$ 10,055,916</u>              | <u>-</u>         | <u>-</u>         | <u>\$ 10,055,916</u>              |
| <br>Investment In General Fixed Assets | <br><u>\$ 10,055,916</u>          | <br><u>-</u>     | <br><u>-</u>     | <br><u>\$ 10,055,916</u>          |

**PART III  
SUPPLEMENTARY INFORMATION**

**General Comments**

**Report on Internal Control over Financial Reporting  
and Compliance and Other Matters based on an  
Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

**Schedule of Federal/State Awards**

**Status of Prior Audit Findings**

**Schedule of Findings and Responses**



## **GENERAL COMMENTS**

### **Scope of Audit**

The audit of the financial statements of the Township of Harmony, County of Warren, New Jersey, as required by the Division of Local Government Services, covered the financial transactions of the Treasurer, Tax Collector, the activities of the Township and various outside departments.

### **Contracts and Agreements Requiring Advertisement for Bids**

Effective April 17, 2000, N.J.S.A.40A:11-1 et.seq (Local Public Contracts Law) was revised by P.L.1999,c.440 (originally known as Assembly Bill No. 3519). Rules and regulations pertaining to the amended law are to be promulgated by the Division of Local Government Services.

N.J.S.A. 40A:11-3 is amended to read as follows:

- a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in the contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the governing body without public advertising for bids and bidding therefore, except that the governing body may adopt a 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. (pending before the Legislature as section 15 of this bill) of section 9 of P.L.1971,c.198(C.40A:11-9) the governing body 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 contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (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. Commencing in the fifth year after the year in which P.L.1999,c.440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall 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 N.J.S.40A:11-3(c), and shall round the adjustment to the nearest \$1,000. The Governor shall notify all municipal units of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made.

N.J.S.A.40A:11-4 (as amended) states, "Every contract or agreement 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 to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law."

Effective July 1, 2015, the bid threshold in accordance with N.J.S.A.40A:11-3(c) (as amended) is increased to \$40,000 for Qualified Purchasing Agents (QPA), and \$17,500 for units without QPA's.

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

The Minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.40A:11-5.

The system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not determine whether any clear-cut violations existed.

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

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

The statute provides the method of 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 5, 2015, adopted the following resolution authorizing interest to be charged on delinquent taxes:

Resolved, that commencing with the installment payments due on February 1, 2015, for real and/or personal property taxes and thereafter during each and every succeeding quarterly period, interest shall be charged at the rate of eight (8) per cent per annum on the first \$1,500 and eighteen (18) per cent per annum any amount in excess of \$1,500 upon all unpaid installments when the same became delinquent, provided, however, that no interest shall be charged if payment of any installment is made within ten (10) days after the date upon which the same became payable.

Under provisions of C.75, P.L. 1991 (amending N.J.S. 54:4-67), enacted March 28, 1991, the definition of tax delinquency was defined as the sum of all taxes and municipal charges due on a given parcel or property covering any number of quarters or years. In addition, the governing body may also 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 year. The penalty so fixed shall not exceed six (6%) per cent of the amount of the delinquency.

The governing body, on January 5, 2015, adopted a resolution enabling the \$10,000 delinquency penalty provisions.

The audit of the Collector's records on a test basis indicated no differences between the amount of interest payable on delinquent tax payments, based on our calculations, and the amount of interest charged.

**Delinquent Taxes and Tax Title Liens**

The delinquent taxes at December 31, 2015, include only real property items on the 2001, 2002, 2004, 2011 and 2015 tax levies. Delinquent amounts for prior years' levies are bankrupt properties.

The last tax sale was held October 16, 2015 and was complete.

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

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

| <u>Year</u> | <u>Number of Liens</u> |
|-------------|------------------------|
| 2015        | 20                     |
| 2014        | 19                     |
| 2013        | 19                     |

**Verification of Delinquent Taxes and Other Charges**

Verification notices were mailed to confirm balances as of November 15, 2015. The items that were returned were compared to and are in agreement with the Township's records. For items not returned, alternative procedures were performed.

A test verification of delinquent charges and current payments was made in accordance with verification procedures approved by the Division of Local Government Services. A summary of such verification is as follows:

| Type of Receivable - Real Property Tax<br>Date of Circulars - November 15, 2015 |                     |                           |                              |                           |
|---|---------------------|---------------------------|------------------------------|---------------------------|
| <u>Verification Type</u>  | <u>Request Form</u> | <u>Total No. of Items</u> | <u>Total No. of Circular</u> | <u>Total No. Returned</u> |
| 2015 Property Tax   | Positive            | 1,792                     | 60                           | 24                        |
| 2016 Property Tax   | Positive            | 1,792                     | 60                           | 24                        |
| 2015 Delinquent Tax   | Negative            | 325                       | 25                           | 3                         |

## Technical Accounting Directives

During the calendar year 1984, the Division of Local Government Services initiated as part of the Single Audit Law, a planned revision of the Requirements of Audit to provide new accounting requirements mandated for most local government units. The revision to the Requirements of Audit and Accounting would be in order to improve fiscal accountability for all local governments, satisfy federal-state audit requirements and enhance the credibility for New Jersey municipal accounting practices with federal-state funding sources and bond rating agencies. The new requirements for most local units started January 1, 1986, unless exemption, based upon amount of federal aid received and population size, was formally secured. The Division in 1988 notified those exempted municipal units of a transition requirement for fully implementation of all accounting directives beginning in the 1989 fiscal periods. The identity and compliance status of the Township of Harmony to these new directives are as follows:

| <u>Requirement</u>                             | FY 2015 Required |           |
|--|------------------|-----------|
|  | <u>Yes</u>       | <u>No</u> |
| A. General Ledger Accounting System            | X                |           |
| B. Encumbrance Accounting                      | X                |           |
| C. Purchase Order System                       | X                |           |
| D. Fixed Asset Accounting and Reporting System | X                |           |



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

**REVENUE AND OTHER INCOME REALIZED**

|                                    | <u>YEAR 2015</u>  | <u>%</u>       | <u>YEAR 2014</u>  | <u>%</u>       |
|------------------------------------|-------------------|----------------|-------------------|----------------|
| Fund Balance Utilized              | \$ 740,000        | 5.61%          | \$ 740,000        | 5.68%          |
| Miscellaneous - From Other Than    |                   |                |                   |                |
| Local Property Tax Levies          | 950,604           | 7.20%          | 826,248           | 6.34%          |
| Collection of Delinquent Taxes and |                   |                |                   |                |
| Tax Title Liens                    | 282,067           | 2.14%          | 164,083           | 1.26%          |
| Collection of Current Tax Levy     | <u>11,228,446</u> | <u>85.06%</u>  | <u>11,302,497</u> | <u>86.72%</u>  |
| <b>Total Income</b>                | <u>13,201,117</u> | <u>100.00%</u> | <u>13,032,828</u> | <u>100.00%</u> |

**EXPENDITURES**

|                                    |                      |                |                      |                |
|------------------------------------|----------------------|----------------|----------------------|----------------|
| Budget Expenditures:               |                      |                |                      |                |
| Municipal Purposes                 | 2,004,112            | 16.14%         | 1,940,887            | 15.79%         |
| County Taxes                       | 3,968,234            | 31.96%         | 4,030,048            | 32.79%         |
| Local and Regional Taxes           | 6,193,605            | 49.88%         | 6,078,717            | 49.46%         |
| Municipal Open Space Tax           | 239,181              | 1.93%          | 239,637              | 1.95%          |
| Other Expenditures                 | <u>10,698</u>        | <u>0.09%</u>   | <u>-</u>             | <u>0.00%</u>   |
| <b>Total Expenditures</b>          | <u>\$ 12,415,830</u> | <u>100.00%</u> | <u>\$ 12,289,289</u> | <u>100.00%</u> |
| Excess in Revenue                  | 785,287              |                | 743,539              |                |
| Statutory Excess To Fund Balance   | 785,287              |                | 743,539              |                |
| Fund Balance January 1             | 1,562,405            |                | 1,558,866            |                |
| Less:                              |                      |                |                      |                |
| Utilization as Anticipated Revenue | <u>740,000</u>       |                | <u>740,000</u>       |                |
| Fund Balance December 31           | <u>\$ 1,607,692</u>  |                | <u>\$ 1,562,405</u>  |                |

**Comparative Schedule of Tax Rate Information**

|                                   | <u>2015</u>    | <u>2014</u>    | <u>2013</u>    |
|-----------------------------------|----------------|----------------|----------------|
| <u>Tax Rate</u>                   | <u>\$2.446</u> | <u>\$2.426</u> | <u>\$2.346</u> |
| <u>Apportionment of Tax Rate:</u> |                |                |                |
| Municipal                         | \$0.270        | \$0.263        | \$0.252        |
| County                            | \$0.832        | \$0.843        | \$0.793        |
| Local School                      | \$1.294        | \$1.271        | \$1.251        |
| Municipal Open Space Tax          | \$0.050        | \$0.049        | \$0.050        |

**Assessed Valuation:**

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2015        | \$478,283,861 |
| 2014        | \$478,164,287 |
| 2013        | \$481,122,416 |

**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>Year</u> | <u>Tax Levy</u> | <u>Collections</u> | <u>Percentage of Collections</u> |
|-------------|-----------------|--------------------|----------------------------------|
| 2015        | \$11,698,373    | \$11,228,446       | 95.98%                           |
| 2014        | \$11,627,006    | \$11,288,862       | 97.09%                           |
| 2013        | \$11,289,443    | \$11,096,454       | 98.29%                           |

**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>Dec.31 Year</u> | <u>Amount of Tax Title Liens</u> | <u>Amount of Delinquent Taxes</u> | <u>Total Delinquent</u> | <u>Percentage of Tax Levy</u> |
|--------------------|----------------------------------|-----------------------------------|-------------------------|-------------------------------|
| 2015               | \$257,461                        | \$446,146                         | \$703,607               | 6.01%                         |
| 2014               | \$207,752                        | \$286,772                         | \$494,524               | 4.25%                         |
| 2013               | \$176,786                        | \$164,759                         | \$341,545               | 3.03%                         |

**Property Acquired by Tax Title Lien Liquidation**

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

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2015        | \$403,080     |
| 2014        | \$403,080     |
| 2013        | \$403,080     |

**Comparitive Schedule of Fund Balances**

| <u>Year</u> | <u>Balance<br/>December 31</u> | <u>Regular</u> | <u>Utilized<br/>In Budget of Succeeding Year</u> |                         |
|-------------|--------------------------------|----------------|--|-------------------------|
|             |                                |                |  | <u>Defer School Tax</u> |
| 2015        | \$ 1,607,692                   | \$ 779,000     |  | NONE                    |
| 2014        | \$ 1,562,405                   | \$ 740,000     |  | NONE                    |
| 2013        | \$ 1,558,866                   | \$ 740,000     |  | NONE                    |
| 2012        | \$ 1,391,257                   | \$ 724,000     |  | NONE                    |
| 2011        | \$ 1,102,980                   | \$ 774,875     |  | NONE                    |
| 2010        | \$ 851,791                     | \$ 774,875     |  | NONE                    |

**Officials in Office and Surety Bonds**

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

| <u>Name</u>       | <u>Title</u>  | <u>Amount of<br/>Bond</u> | <u>Name<br/>Of Corporate Surety</u> |
|-------------------|---|---------------------------|-------------------------------------|
| Brian Tipton      | Mayor   |                           |                                     |
| Richard Cornely   | Committeeperson   |                           |                                     |
| Diane Yamrock     | Committeeperson   |                           |                                     |
| Kelley D. Smith   | Clerk; Registrar or Vital<br>Statistics; Assessment<br>Search Officer |                           |                                     |
| Rachellyn Edinger | Tax Collector   | \$125,000                 | Selective Insurance Co.             |

| <u>Name</u>          | <u>Title</u>                                  | <u>Amount of Bond</u> | <u>Name Of Corporate Surety</u> |
|----------------------|---|-----------------------|---------------------------------|
| Dawn Stanchina       | Certified Municipal Finance Officer           | \$100,000             | Selective Insurance Co.         |
| Richard I. Motyka    | Assessor                                      |                       |                                 |
| Katrina L. Campbell  | Attorney                                      |                       |                                 |
| John S. Fritts       | Zoning Officer                                |                       |                                 |
| Theresa Cowan Rogers | Dog Control Officer; Planning Board Secretary |                       |                                 |

The minimum bond coverage for the Tax Collector based on prior year tax levies is as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2015        | \$108,568     |

Blanket bond coverage was provided for other officials handling monies, i.e., the Clerk, Dog Warden and Secretary of Planning Board and Zoning Board of Adjustment, in the amount of \$2,500 by the Selective Insurance Company.

All the bonds were examined and were properly executed.



## **ARDITO & Co., LLP**

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Anthony Ardito, CPA, RMA, CMFO, PSA  
Douglas R. Williams, CPA, RMA, PSA

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

Independent Auditor's Report

The Honorable Mayor and  
Members of the Township Committee  
Township of Harmony  
3003 Belvidere Road  
County of Warren, New Jersey  
Phillipsburg, New Jersey 08865

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Governments Services, Department of Community Affairs, State of New Jersey, the regulatory-basis financial statements of the Township of Harmony in the County of Warren, State of New Jersey, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Township of Harmony's basic financial statements, and have issued our report thereon dated April 5, 2016, which indicated that the financial statements have been prepared in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

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

-Continued-

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

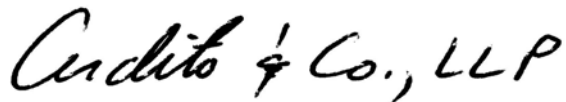
### **Compliance and Other Matters**

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

### **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's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ARDITO & CO., LLP



Frenchtown, New Jersey  
April 5, 2016



Certified Public Accountant  
Registered Municipal Accountant No.524  
ARDITO & CO., LLP  
Frenchtown, New Jersey  
April 5, 2016

## **SCHEDULE OF FEDERAL/STATE AWARDS**

**SCHEDULE OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**K-3**

| <u>FEDERAL GRANTOR/PROGRAM TITLE</u> | <u>CFDA</u> | <u>STATE ACCOUNT NUMBER</u> | <u>PROGRAM OR AWARD AMOUNT</u> | <u>GRANT PERIOD</u> | <u>FUND REF.</u> | <u>CASH ACCRUED OR DEFERRED REVENUE BALANCE AT 1/1/15</u> | <u>RECEIPTS PROGRAM</u> | <u>OTHER RECEIPTS</u> | <u>DISBURSEMENTS</u> | <u>CASH ACCRUED OR DEFERRED REVENUE BALANCE AT 12/31/15</u> | <u>TOTAL DISBURSEMENTS</u> |
|--------------------------------------|-------------|-----------------------------|--------------------------------|---------------------|------------------|---|-------------------------|-----------------------|----------------------|---|----------------------------|
| Flood Mitigation Assistance Program  | 97.029      | 066 1200 100 656 09         | \$ 2,831,394                   | 2008-2013           | A                | \$ 58,510   |                         |                       |                      | \$ 58,510   | \$ 2,787,082               |
|                                      |             |                             |                                |                     |                  | <u>\$ 58,510</u>  | <u>-</u>                | <u>-</u>              | <u>-</u>             | <u>\$ 58,510</u>  | <u>\$ 2,787,082</u>        |

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.  
 Note: This Schedule was not subject to an audit in accordance with OMB Uniform Guidance.



**SCHEDULE OF STATE AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

K-4

| STATE GRANTOR/PROGRAM TITLE                                      | STATE<br>ACCOUNT NUMBER | PROGRAM<br>OR AWARD<br>AMOUNT | GRANT<br>PERIOD | FUND<br>REF. | CASH<br>ACCRUED OR<br>DEFERRED<br>REVENUE |                     |        | CASH<br>ACCRUED OR<br>DEFERRED<br>REVENUE |                        |                        |
|--|-------------------------|-------------------------------|-----------------|--------------|---|---------------------|--------|---|------------------------|------------------------|
|  |                         |                               |                 |              | BALANCE<br>AT 1/1/15                      | RECEIPTS<br>PROGRAM | OTHER  | DISBURSEMENTS                             | BALANCE<br>AT 12/31/15 | TOTAL<br>DISBURSEMENTS |
| <b>DEPT. OF ENVIR. PROTECTION</b>                                |                         |                               |                 |              |   |                     |        |   |                        |                        |
| Solid Waste Admin.-Clean Communities Program                     | 042490076500410         | \$ 12,304                     | 2015            | A            |   | \$ 12,304           |        |   | \$ 12,304              |                        |
|  |                         | 10,129                        | 2014            | A            | 6,804                                     |                     | 6,605  |   | 199                    | \$ 9,930               |
| <b>OFFICE OF EMERGENCY MANAGEMENT</b>                            |                         |                               |                 |              |   |                     |        |   |                        |                        |
| NJ State Police Emergency Management Exercise pass-through Grant | N/A                     | 8,219                         | 2004            | A            | 201                                       |                     |        |   | 201                    | 8,018                  |
| <b>OTHER STATE AIDS</b>  |                         |                               |                 |              |   |                     |        |   |                        |                        |
| Storm Water Management Grant                                     | N/A                     | 5,000                         | 2008            | A            | (328)                                     |                     |        |   | (328)                  | 328                    |
| Storm Water Management Grant                                     | N/A                     | 5,000                         | 2006            | A            | 5,000                                     |                     |        |   | 5,000                  | -                      |
| Storm Water Management Grant                                     | N/A                     | 5,000                         | 2005            | A            | 346                                       |                     |        |   | 346                    | 4,654                  |
| PCAF Clean Environment Grant                                     | Local Grant             | 5,000                         | 2006            | A            | 99  |                     |        |   | 99                     | 4,901                  |
| ANJEC Smart Growth   | Local Grant             | 4,000                         | 2008            | A            | 4,000                                     |                     |        |   | 4,000                  | -                      |
| ANJEC Smart Growth   | Local Grant             | 37,600                        | 2011            | A            | 37,600                                    |                     |        |   | 37,600                 |                        |
| Recycling Tonnage Grant  |                         | 2,689                         | 2011            | A            | 2,689                                     |                     | 399    |   | 2,290                  | 399                    |
| Recycling Tonnage Grant  |                         | 1,651                         | 2012            | A            | 1,651                                     |                     |        |   | 1,651                  |                        |
| Recycling Tonnage Grant  |                         | 517                           | 2014            | A            | 517                                       |                     |        |   | 517                    |                        |
| Warren County MCCTFC   | Local Grant             | 120,000                       | 2015            | A            |   | 82,420              | 71,328 |   | 11,092                 | 71,328                 |
| Highlands-Plan Conformance                                       | Local Grant             | 56,200                        | 2014            | A            | (3,030)                                   |                     |        |   | (3,030)                | 3,030                  |
| Highlands-Initial Assessment                                     | Local Grant             | 14,000                        | 2014            | A            | -   |                     |        |   | -                      |                        |
| Historic Grant   | Local Grant             | 47,000                        | 2011            | A            | (47,000)                                  |                     |        |   | (47,000)               | 47,000                 |
| <b>TOTAL STATE ASSISTANCE</b>                                    |                         |                               |                 |              | \$ 8,549                                  | \$ 94,724           | \$ -   | \$ 78,332                                 | \$ 24,941              | \$ 149,588             |

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.  
Note: This Schedule was not subject to an audit in accordance with NJOMB Circular 04-04.

TOWNSHIP OF HARMONY

NOTES TO THE SCHEDULES OF FEDERAL AND STATE AWARDS  
DECEMBER 31, 2015

**NOTE 1. GENERAL**

The accompanying Schedules of Expenditures of Federal and State Awards present the activity of all federal and state award programs of the Township of Harmony. The Township of Harmony is defined in Note 1 to the Township's financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies, are included on the schedules of expenditures of federal and state awards.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying Schedules of Expenditures of Federal and State Awards are presented using the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of federal OMB Uniform Guidance, Audits of States, Local Governments and Nonprofit Organizations, but was not audited in accordance with the circulars.

**NOTE 3. RELATIONSHIP TO THE FINANCIAL STATEMENTS**

The accompanying Schedules of Expenditures of Federal and State Awards are presented using the modified accrual basis of accounting. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

## **STATUS OF PRIOR AUDIT FINDINGS**

**STATUS OF PRIOR AUDIT FINDINGS**

None

**SCHEDULE OF FINDINGS AND RESPONSES**  
**GENERAL FINDINGS**

**SCHEDULE OF FINDINGS AND RESPONSES**

**GENERAL FINDINGS**

YEAR ENDED DECEMBER 31, 2015

Summary of Auditor's Results

The Township prepares its financial statements in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The audit did not disclose any material weaknesses in the internal controls of the Township.

The audit did not disclose any noncompliance that is material to the financial statements of the Township.

The Township was not subject to the single audit provisions of Federal OMB Uniform Guidance or New Jersey OMB Circular NJOMB 04-04/15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid for 2015 as grant expenditures were less than the single audit thresholds of \$750,000, identified in the Circulars.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

Finding

2015-1 The township exceeded the \$90,000 statutory limit for aid to volunteer fire companies by expending \$114,013 in contributions in calendar year 2015. \$60,000 was expended in the current year budget and an additional \$54,013 was expended through an appropriation reserve transfer.

I recommend that the township limit aid to volunteer fire companies to the statutory maximum as defined by NJS 40A:14-34.

2015-2 The township expended grants matching share funds of \$10,154 without obtaining Director of the Division of Local Government Services approval for Change of Title or Text of appropriation per NJS 40A:4-85.

I recommend that when the township appropriates general grant match funds in its appropriation budget, that a resolution be adopted to request approval per NJS 40A:4-85 from the Director of the Division of Local Government Services to change the title of the appropriation necessary to make said item available for a specific purpose.

2015-3 Various interfund balances in excess of \$1,193,941 existed as of December 31, 2015.

I recommend that all interfund loans be transferred back to their respective funds before the end of the calendar year.

