

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

**REPORT OF AUDIT
DECEMBER 31, 2014**

TOWNSHIP OF HARMONY

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PART I

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

December 31, 2014

AUDITORS' REPORTS



ARDITO & Co., LLP

1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825-1192
908-996-4711 Fax: 908-996-4688
e-mail: anthony@arditoandcompany.com

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

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, 2014 and 2013, 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, 2014, 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, 2014 and 2013, 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, 2014 and 2013, 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.

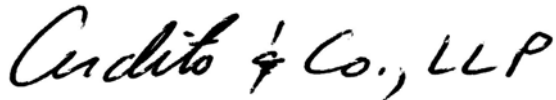
-Continued-

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 March 30, 2015, 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
March 30, 2015

Handwritten signature of Anthony Ardito in black ink.

Certified Public Accountant
Registered Municipal Accountant No.524
ARDITO & CO., LLP
Frenchtown, New Jersey
March 30, 2015

FINANCIAL STATEMENTS

CURRENT FUND
COMPARATIVE BALANCE SHEET

A
Sheet 1

ASSETS	<u>REF.</u>	<u>BALANCE</u> <u>12/31/14</u>	<u>BALANCE</u> <u>12/31/13</u>
Cash and Cash Equivalents:			
Cash - Treasurer		\$ 4,379,993	\$ 1,788,678
Cash - State Cash Management Fund		152,310	152,222
Cash - Time Savings		<u>1,200,095</u>	<u>3,460,933</u>
Subtotal	A-4	<u>5,732,398</u>	<u>5,401,833</u>
Receivables And Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-6	286,772	164,759
Tax Title Liens Receivable	A-7	207,752	176,786
Penalties - Delinquent Property Taxes	A-8	7,402	3,366
Property Acquired For Taxes-Assessed Valuation	A-9	403,080	403,080
Amount Due From Dog Fund	B	2	-
Amount Due From General Capital Fund	C	113	22,420
Revenue Accounts Receivable	A-10	<u>1,043</u>	<u>691</u>
Subtotal		<u>906,164</u>	<u>771,102</u>
		<u>6,638,562</u>	<u>6,172,935</u>
Federal And State Grant Fund:			
Federal and State Grants Receivable	A-21	131,200	107,562
Amount Due From Current Fund	A	87,599	42,621
Amount Due From General Capital Fund	C	<u>7,208</u>	<u>7,208</u>
		<u>226,007</u>	<u>157,391</u>
TOTAL ASSETS		<u>\$ 6,864,569</u>	<u>\$ 6,330,326</u>

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> <u>12/31/14</u>	<u>BALANCE</u> <u>12/31/13</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities:			
Appropriation Reserves	A-3:11	\$ 237,794	\$ 256,805
Encumbrances	A-12	16,326	-
Accounts Payable	A-13	34	26
Amount Due To Grants Fund	A	87,599	42,621
Amount Due To Other Trust	B	104,632	85,132
Taxes Collected In Advance	A-14	284,951	46,209
Tax Overpayments	A-15	35,057	37,701
Amount Due To State Of New Jersey For Senior Citizens And Veterans Deductions	A-16	6,521	6,521
Due County for Added Taxes	A-17	-	1,518
Local District School Tax Payable	A-18	2,854,359	2,824,266
Due Other Trust Fund - Municipal Open Space Tax Payable	A-19	484,210	483,658
Reserve for FEMA Acquisition Reimbursements	A-23	<u>58,510</u>	<u>58,510</u>
Subtotal		4,169,993	3,842,967
Reserve For Receivables And Other Assets	A	906,164	771,102
Fund Balance	A-1	<u>1,562,405</u>	<u>1,558,866</u>
Subtotal		<u>6,638,562</u>	<u>6,172,935</u>
Federal And State Grant Fund:			
Amount Due To Other Trust	B	89,283	89,283
Reserve For State Grants	A-20	98,607	30,508
Reserve For State Grants - Unappropriated	A-22	<u>38,117</u>	<u>37,600</u>
Subtotal		<u>226,007</u>	<u>157,391</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 6,864,569</u>	<u>\$ 6,330,326</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

REVENUE AND OTHER INCOME REALIZED	<u>REF.</u>	<u>YEAR</u> <u>2014</u>	<u>YEAR</u> <u>2013</u>
Fund Balance Utilized	A-2	\$ 740,000	\$ 734,049
Miscellaneous Revenue Anticipated	A-2	594,348	749,942
Receipts From Delinquent Taxes	A-2	164,083	117,047
Receipts from Current Taxes	A-2	11,302,497	11,096,453
Non-Budget Revenues	A-2	49,635	74,534
Other Credits To Income:			
Unexpended Balance Of Appropriation Reserves	A-11	159,845	310,521
Interfunds Returned	A-4	22,420	1,590
TOTAL INCOME		<u>13,032,828</u>	<u>13,084,136</u>
EXPENDITURES			
Budget and Emergency Appropriations:			
Appropriations Within "CAP":			
Operations:			
Salaries and Wages	A-3	380,857	368,745
Other Expenses	A-3	925,520	897,800
Deferred Charges and Statutory Expenditures	A-3	65,802	65,362
Appropriations Excluded from "CAP":			
Operations:			
Other Expenses	A-3	183,498	125,594
Capital Improvements	A-3	60,000	277,246
Municipal Debt Service	A-3	325,210	350,776
County Taxes	A-17	4,020,755	3,812,890
Amount Due County For Added and Omitted Taxes	A-17	9,293	1,518
Local District School Taxes	A-18	6,078,717	6,018,532
Municipal Open Space Levy	A-19	239,637	241,595
Interfund Advances	A-4	-	22,420
TOTAL EXPENDITURES		<u>12,289,289</u>	<u>12,182,478</u>
Excess in Revenues		743,539	901,658
Statutory Excess To Fund Balance		743,539	901,658
Fund Balance January 1	A	<u>1,558,866</u>	<u>1,391,257</u>
		2,302,405	2,292,915
Decreased by:			
Utilization as Anticipated Revenue	A-2	<u>740,000</u>	<u>734,049</u>
Fund Balance December 31	A	<u>\$1,562,405</u>	<u>\$1,558,866</u>

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</u> <u>BUDGET</u>	<u>REALIZED</u>	<u>EXCESS OR</u> <u>DEFICIT</u>
Anticipated Surplus - Cash Surplus	A-1	\$ 740,000	\$ 740,000	
Miscellaneous Revenues:				
LOCAL REVENUES:				
Liquor Licenses-Clerk	A-10	2,400	2,489	89
Other Licenses-Clerk	A-10	1,600	3,070	\$ 1,470
Other Fees and Permits	A-10	13,000	13,875	875
Fines and Costs-Municipal Court	A-10	7,300	10,524	3,224
Interest and Costs On Taxes	A-5	24,000	41,620	17,620
Interest on Investments	A-10	7,500	13,516	6,016
Total Local Revenues		55,800	85,094	29,294
STATE AID REVENUES:				
Consolidated Municipal Property Tax Relief Aid	A-10	14,200	14,200	
Energy Receipts Tax	A-10	230,090	230,090	
Garden State Trust Fund	A-10	183,966	183,966	
Total State Aid		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 BUDGET</u>	<u>REALIZED</u>	<u>EXCESS OR DEFICIT</u>
FEDERAL AND STATE GRANT REVENUES:				
Clean Communities Program	A-21	10,798	10,798	
Highlands Plan Conformance	A-22	56,200	56,200	
Highlands Initial Assessment	A-21	14,000	14,000	
Total Federal and State Grant Revenues		80,998	80,998	
 Total Miscellaneous Revenue	 A-1	 565,054	 594,348	 29,294
Receipts From Delinquent Taxes	A-1	150,175	164,083	13,908
 Amount To be Raised by Taxes For Support Of Municipal Budget:				
Local Tax For Municipal Purposes	A-2	1,261,666	1,729,497	467,831
Total General Revenues		2,716,895	3,227,928	511,033
 Non-Budget Revenues:				
Other Non-Budget Revenues	A-1		49,635	49,635
		\$ 2,716,895	\$ 3,277,563	\$ 560,668

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		\$11,269,247
State of New Jersey, Senior Citizens and Veterans Deductions	A-6	<u>33,250</u>
	A-1	11,302,497

Allocated To:

School and County Taxes	A-6	<u>10,348,402</u>
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Deficiency Supported by Municipal Revenues 954,095

Add (Decreased) by Appropriation: "Reserve For Uncollected Taxes" A-3 775,402

Amount for Support of Municipal Budget Appropriations A-2 \$ 1,729,497

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

Miscellaneous Revenue Not Anticipated:

REF.

Treasurer:

Copies	\$ 170
Community Day	70
Farm Land Rent	9,000
Property Sales	20,000
Certified Lists	70
Recycling Scrap	3,872
Refund of Prior Year Expenditures	14,077
Miscellaneous	<u>2,376</u>

Miscellaneous Revenue Not Anticipated - Total

A-4

\$ 49,635

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>APPROPRIATION</u>		<u>EXPENDED</u>		
	<u>BUDGET</u>	<u>BUDGET AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>RESERVED</u>	<u>CANCELLED</u>
GENERAL GOVERNMENT FUNCTIONS:					
General Administration:					
Salaries and Wages	\$ 31,824	\$ 31,824	\$ 21,052	\$ 10,772	
Other Expenses	44,000	44,000	39,884	4,116	
Mayor and Council:					
Salaries and Wages	13,390	13,390	13,366	24	
Municipal Clerk:					
Salaries and Wages	70,000	70,000	67,579	2,421	
Financial Administration (Treasury):					
Salaries and Wages	28,994	28,994	28,994		
Other Expenses	4,000	4,000	3,878	122	
Audit Services:					
Other Expenses	21,420	21,420	21,420		
Revenue Administration (Tax Collection):					
Salaries and Wages	28,193	28,193	28,146	47	
Other Expenses	3,500	3,500	2,924	576	
Tax Assessment Administration:					
Salaries and Wages	18,410	18,410	18,410		
Other Expenses	3,500	3,500	2,709	791	
Legal Services (Legal Dept.):					
Other Expenses	123,000	123,000	122,569	431	
Engineering Services:					
Other Expenses:					
Other Expenses - Transmix	60,000	60,000	-	60,000	
Miscellaneous Other Expenses	30,000	30,000	25,333	4,667	
Historical Sites Office:					
Other Expenses	8,000	8,000	6,838	1,162	
LAND USE ADMINISTRATION:					
Planning Board:					
Salaries and Wages	7,356	7,356	7,356		
Other Expenses	15,000	15,000	1,297	13,703	
Zoning Board of Adjustment:					
Salaries and Wages	13,125	13,125	13,125		
Other Expenses	500	500	313	187	
INSURANCE:					
Liability Insurance	43,000	43,000	43,000		
Worker Compensation Insurance	27,000	27,000	26,797	203	
Employee Group Insurance	70,000	70,000	69,319	681	
Unemployment Insurance	1,200	1,200	235	965	

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> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>		
PUBLIC SAFETY FUNCTIONS:					
Office of Emergency Management					
Salaries and Wages	6,700	6,700	6,699	1	
Other Expenses	2,000	2,000	100	1,900	
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	
PUBLIC WORKS FUNCTIONS:					
Streets and Road Maintenance:					
Salaries and Wages	157,621	157,621	157,588	33	
Other Expenses	287,500	272,500	193,544	78,956	
Buildings and Grounds:					
Other Expenses	30,000	40,000	40,000		
HEALTH AND HUMAN SERVICES FUNCTIONS:					
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	2,353	2,353	2,353		
Other Expenses	4,000	4,000	1,948	2,052	
PARK AND RECREATION FUNCTIONS:					
Maintenance of Parks:					
Other Expenses:					
Community Day Events	11,000	11,000	10,367	633	
Miscellaneous Other Expenses	1,000	1,000	1,000		

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>		
UTILITY EXPENSES AND BULK PURCHASES:					
Electricity	10,000	10,000	7,207	2,793	
Street Lighting	1,000	1,000	599	401	
Telephone (excluding equipment acquisition)	11,000	11,000	2,728	8,272	
Fuel Oil	12,000	12,000	10,577	1,423	
Gasoline	17,500	22,500	22,310	190	
LANDFILL/SOLID WASTE DISPOSAL COSTS:					
Salaries and Wages	2,891	2,891	2,891		
Other Expenses	3,000	3,000	3,000		
Total Operations within "CAPS"	1,306,377	1,306,377	1,087,745	218,632	
Total Operations Including Contingent	1,306,377	1,306,377	1,087,745	218,632	
Detail:					
Salaries and Wages	380,857	380,857	367,559	13,298	
Other Expenses	925,520	925,520	720,186	205,334	
DEFERRED CHARGES AND STATUTORY EXPENDITURES within "CAPS"					
Statutory Expenditures:					
Contribution To:					
Social Security System (O.A.S.I.)	31,500	31,500	28,336	3,164	
Statutory Expenditures:					
Contribution to PERS	34,302	34,302	30,804	3,498	
Total Deferred Charges and Statutory Expenditures within "CAPS"	65,802	65,802	59,140	6,662	
Total Appropriations within "CAPS"	1,372,179	1,372,179	1,146,885	225,294	
OPERATIONS EXCLUDED FROM "CAPS"					
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>	
Interlocal Municipal Service Agreements:				
Municipal Court (Lopatcong Township):	42,000	42,000	40,000	2,000
Other Expenses	42,000	42,000	40,000	2,000
Public and Private Programs Offset by Revenues:				
Clean Communities Program:				
Other Expenses	10,798	10,798	10,798	
Highlands Council Grant - Plan Conformance:				
Other Expenses	56,200	56,200	56,200	
Highlands Council Grant - Initial Assessment:				
Other Expenses	14,000	14,000	14,000	
Matching Share for Grants:	10,500	10,500		10,500
Total Public and Private Programs Offset by Revenues-Excluded from "CAPS"	91,498	91,498	80,998	10,500
Capital Improvements Excluded from "CAPS":				
Capital Improvement Fund	60,000	60,000	60,000	
Total Capital Improvements Excluded from "CAPS"	60,000	60,000	60,000	
Municipal Debt Service Excluded from "CAPS":				
Payment of Notes	277,316	277,316	277,316	
Payment of Interest on Notes	48,500	48,500	47,894	\$ 606
Total Municipal Debt Service	325,816	325,816	325,210	606
Total Appropriations Excluded from "CAPS"	569,314	569,314	556,208	12,500 606
Subtotal General Appropriations	1,941,493	1,941,493	1,703,093	237,794 606
Reserve For Uncollected Taxes	775,402	775,402	775,402	
TOTALS	\$ 2,716,895	\$ 2,716,895	\$ 2,478,495	\$ 237,794 \$ 606
			A	
Adopted Budget	A-2	\$ 2,716,895		
		<u>\$ 2,716,895</u>		
Reserve for State Grants	A-20	80,998		
Reserve for Encumbrances	A-12	1,622,095		
Reserve for Uncollected Taxes	A-2	775,402		
		<u>\$ 2,478,495</u>		

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

TRUST FUND
COMPARATIVE BALANCE SHEET

B

ASSETS	<u>REF.</u>	<u>BALANCE</u> <u>12/31/14</u>	<u>BALANCE</u> <u>12/31/13</u>
Dog License Fund:			
Cash and Cash Equivalents:			
Cash - Treasurer	B-2	\$ 45	-
Total Dog License Fund		<u>\$ 45</u>	<u>-</u>
Other Trust Funds:			
Cash and Cash Equivalents:			
Cash - Treasurer	B-2	\$ 1,408,207	\$ 1,164,157
Amount Due From Grants Fund	B-18	89,283	89,283
Amount Due From Current Fund	B-6	<u>588,842</u>	<u>568,790</u>
Total Other Trust Funds		<u>\$ 2,086,332</u>	<u>\$ 1,822,230</u>
TOTAL ASSETS		<u>\$ 2,086,377</u>	<u>\$ 1,822,230</u>

LIABILITIES, RESERVES AND FUND BALANCE

Dog License Fund:			
Due Current Fund	B-5	\$ 2	-
Reserve for Dog Fund Expenditures	B-3	<u>43</u>	<u>-</u>
Total Dog License Fund		<u>\$ 45</u>	<u>-</u>
Other Trust Fund:			
Reserve for Escrow Review Deposits	B-7	\$ 83,640	\$ 79,700
Reserve for Monitoring Escrow Deposits	B-8	6,650	6,650
Reserve for Municipal Open Space Trust Deposits	B-9	1,654,088	1,399,356
Reserve for COAH Trust Deposits	B-10	198,187	169,283
Reserve for Driveway Bond Deposits	B-11	1	1
Reserve for Tax Sale Premiums	B-12	81,200	61,700
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	37,965	37,907
Reserve for Playground Donations	B-16	340	340
Reserve for Estates Cash Bond	B-17	<u>-</u>	<u>43,032</u>
Total Other Trust Fund		<u>\$ 2,086,332</u>	<u>\$ 1,822,230</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 2,086,377</u>	<u>\$ 1,822,230</u>

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

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

C

ASSETS	<u>REF.</u>	<u>BALANCE</u> <u>12/31/14</u>	<u>BALANCE</u> <u>12/31/13</u>
Cash and Cash Equivalents:			
Cash - Treasurer	C-2	\$ 453,984	\$ 406,899
Due Current Fund	C-4	-	-
Grants Receivable	C-8	67,300	67,300
Deferred Charges to Future Taxation:			
Unfunded	C-3	<u>5,460,203</u>	<u>5,737,519</u>
TOTAL ASSETS		<u>\$ 5,981,487</u>	<u>\$ 6,211,718</u>

LIABILITIES, RESERVES AND FUND BALANCE

Due Current Fund	C-4	\$ 113	\$ 22,420
Capital Improvement Fund	C-5	200,396	224,441
Bond Anticipation Note Payable	C-7	5,460,203	5,737,519
Due Grants Fund	C-9	7,208	7,208
Encumbrances	C-10	79,445	-
Fund Balance	C-1	9,876	484
Improvement Authorizations:			
Unfunded	C-6	12,571	12,571
Funded	C-6	<u>211,675</u>	<u>207,075</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 5,981,487</u>	<u>\$ 6,211,718</u>

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, 2013	C	\$ 484
Increased By:		
Bond Anticipation Note Premium	C-4	<u>9,392</u>
		9,876
Balance December 31, 2014	C	<u>\$ 9,876</u>

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

STATEMENT OF GENERAL FIXED ASSETS
DECEMBER 31, 2014

F

	<u>BALANCE</u> <u>12/31/14</u>	<u>BALANCE</u> <u>12/31/13</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>1,603,898</u>
 Total General Fixed Assets	 <u>\$ 10,055,916</u>	 <u>\$ 9,976,471</u>
 Investment In General Fixed Assets	 <u>\$ 10,055,916</u>	 <u>\$ 9,976,471</u>

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

PAYROLL AGENCY FUND
COMPARATIVE BALANCE SHEET

G

ASSETS	BALANCE	BALANCE
	<u>12/31/14</u>	<u>12/31/13</u>
Cash and Cash Equivalents:		
Cash - Treasurer	\$ 27,168	\$ 18,196
TOTAL ASSETS	<u>\$ 27,168</u>	<u>\$ 18,196</u>
 LIABILITIES AND RESERVES		
Payroll Deductions	\$ 27,168	\$ 18,196
Due Current Fund	_____ -	_____ -
TOTAL LIABILITIES AND RESERVES	<u>\$ 27,168</u>	<u>\$ 18,196</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 seven fund types and two 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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Description of Funds (Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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**

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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Expenditures--Are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations at December 31, are reported as expenditures through the establishment of 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.

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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 2: CASH AND CASH EQUIVALENTS (Continued)

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, 2014, 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, 2014, cash and cash equivalents of the municipality consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Total</u>
Checking	<u>\$ 7,469,492</u>	<u>\$ 7,469,492</u>
	<u>\$ 7,469,492</u>	<u>\$ 7,469,492</u>

The carrying amount of the municipality's cash and cash equivalents at December 31, 2014, was \$7,469,492 and the bank balance was \$7,401,402. 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, \$333,640 was covered by federal depository insurances and \$7,067,762 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, 2014

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, 2014, the municipality's investment balance was as follows:

New Jersey Cash Management Fund	\$ 152,310
	\$ 152,310

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

	Beginning Balance	Issued	Paid	Ending Balance
Long Term Debt:				
Bond Anticipation Notes	\$5,737,519		\$ 277,316	\$ 5,460,203
Compensated absences payable	None			None
Total Long-Term Debt	\$5,737,519	-	\$ 277,316	\$ 5,460,203

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, 2014

Note 3: LONG-TERM DEBT (Continued)

The Township debt is summarized as follows:

Summary of Municipal Debt

	YEAR <u>2014</u>	YEAR <u>2013</u>	YEAR <u>2012</u>
Net Debt Issued	\$ 5,460,203	\$ 5,737,519	\$ 6,014,835
<u>Authorized But Not Issued</u>			
Total Authorized But Not Issued	-	-	-
Net Bonds and Notes Issued and Authorized But Not Issued	\$ 5,460,203	\$ 5,737,519	\$ 6,014,835

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 1.035%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	None	None	
General Debt	5,460,203	-	\$ 5,460,203
	\$ 5,460,203	\$ -	\$ 5,460,203

Net Debt \$5,460,203 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2
as amended, \$ 527,311,373 equals 1.035%

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 18,455,898
Net Debt	5,460,203
Remaining Borrowing Power	\$ 12,995,695

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: LONG-TERM DEBT (Continued)

Bond Anticipation Notes - (Continued)

The Township has outstanding at December 31, 2014, a bond anticipation note in the amount of \$5,460,203 payable to TD Securities (USA) LLC. This note matures on April 28, 2015. 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	<u>\$ 5,460,203</u>

Note 4: GENERAL FIXED ASSETS

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

	<u>Balance</u> <u>1/1/14</u>	<u>Additions</u>	<u>Adjustments/</u> <u>Deletions</u>	<u>Balance</u> <u>12/31/14</u>
Land	\$ 7,272,450	-	-	\$ 7,272,450
Buildings	1,100,123	-	-	1,100,123
Equipment	<u>1,603,898</u>	<u>\$ 79,445</u>	<u>-</u>	<u>1,683,343</u>
	<u>\$ 9,976,471</u>	<u>\$ 79,445</u>	<u>-</u>	<u>\$ 10,055,916</u>

Note 5: FUND BALANCES APPROPRIATED

Fund Balances at December 31, 2014, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2014, were as follows:

Current Fund (Introduced) - \$740,000

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, 2014, the Township had no deferred charges which are required to be included in subsequent budgets.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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:

	TOTAL DEFERRED TAX <u>12/31/14</u>	LOCAL DISTRICT SCHOOL TAX BALANCE <u>12/31/14</u>	BALANCE <u>12/31/13</u>
Balance of Tax		\$ 2,854,359	\$ 2,824,266
Deferred		<u>185,000</u>	<u>185,000</u>
Tax Payable		<u>\$ 3,039,359</u>	<u>\$ 3,009,266</u>
Tax Deferred	<u>\$ 185,000</u>		

Note 8: PENSIONS

Description of Plans - All required employees of the Township are covered by the Public Employees' Retirement System which has 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, obligations of the System 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 Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

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 district, 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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 8: PENSIONS (Continued)

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

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.

Significant Legislation - Legislation enacted during the year ended June 30, 1997, (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Township's normal contributions to the Fund may be reduced based on the revaluation of assets.

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 and N.J.S.A. 18:66, and 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 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2014	\$30,804	100%	-0-
2013	\$33,862	100%	-0-
2012	\$39,522	100%	-0-

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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, 2013, 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 2013.

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, 2014

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 2015 and that such settlement would not materially affect the financial statements of the township.

Note 13: OTHER REQUIRED DISCLOSURES

Generally accepted accounting principles require disclosure of certain information concerning individual funds including:

- A. Summary disclosures of debt service requirements for all types of outstanding debt. This requirement is met by Note 3.
- B. Summary disclosures of changes in general fixed assets by major asset class. This requirement is met by Note 4.
- C. Summary disclosures of changes in general long-term debt. This requirement is met by Note 3.
- D. Excesses of expenditures over appropriations in individual funds. There were no excess of expenditures over appropriations in any of the individual funds where budgets were required or employed as a management control device.
- E. Deficit fund balances or retained earnings balances of individual funds. There were no deficits in fund balances or retained earnings in any of the individual funds, except as noted in Note 6.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 13: OTHER REQUIRED DISCLOSURES (Continued)

F. 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, 2014:

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
Current Fund	\$ 113	\$ 676,441
Federal/State Grants Fund	94,807	89,283
Other Trust Funds	678,125	
General Capital Fund	-	7,321
	<u>\$ 773,045</u>	<u>\$ 773,045</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.

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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 15: OTHER POST-RETIREMENT BENEFITS-(Continued)

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-sept2014.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, 2013	A	\$ 5,401,833
Increased by Receipts:		
Collector	A-5	\$ 11,711,049
Miscellaneous Revenue Not Anticipated	A-2	49,635
Revenue Accounts Receivable	A-10	471,730
Receipts Due POAA	A-13	8
Amount Due State of New Jersey for Senior Citizens/Veterans Deductions	A-16	33,250
Interfunds Returned	A-1	22,420
Other Trust Receipts Received in Current Fund	B	19,500
State Grant Funds	A-21:22	57,208
		<u>12,364,800</u>
		17,766,633
Decreased by Disbursements:		
2013 Appropriation Reserves	A-11	96,960
Reserve for Encumbrances	A-12	1,605,770
County Taxes	A-17	4,031,566
Local District School Tax	A-18	6,048,624
Municipal Open Space Tax	A-19	239,085
State Grant Funds	A-20	12,230
		<u>12,034,235</u>
Balance December 31, 2014	A	<u>\$ 5,732,398</u>

CURRENT FUND
SCHEDULE OF CASH - COLLECTOR

A-5

REF.

Received:

Interest and Costs on Taxes	A-2	\$	41,620	
Taxes Receivable	A-6		11,373,349	
Tax Title Liens	A-7		138	
2014 Prepaid Taxes	A-14		284,951	
Tax Overpayments	A-15		<u>10,991</u>	\$ <u>11,711,049</u>

Decreased by Disbursements:

Payments to Treasurer	A-4			\$ <u>11,711,049</u>
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CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF TAX LEVY

A-6

YEAR	BALANCE	2014	ADDED	CASH COLLECTIONS		TRANSFERRED	OVERPAID	CANCELLED	BALANCE
	12/31/13	LEVY		2013	2014	TO TAX TITLE LIENS	APPLIED		12/31/14
2001	\$ 92								\$ 92
2002	107								107
2004	25								25
2011			\$ 1,431						1,431
2013	164,535		1,614	\$ 163,946		\$ 95			2,108
	164,759		3,045	163,946		95		-	3,763
2014		\$ 11,627,006		\$ 46,209	11,242,653	29,197	\$ 13,635	\$ 12,303	283,009
TOTALS	\$ 164,759	\$ 11,627,006	\$ 3,045	\$ 46,209	\$ 11,406,599	\$ 29,292	\$ 13,635	\$ 12,303	\$ 286,772

REF.	A	REF.	A-14	A-7	A-15	A
State of New Jersey --Senior Citizens and Veterans Deductions Received by Collector		A-2 A-5		\$ 33,250 <u>11,373,349</u> \$ 11,406,599		
ANALYSIS OF PROPERTY TAX LEVY:						
Tax Yield:						
General Purpose Tax				\$ 11,361,139		
Levy Special District Taxes				239,085		
Added/Omitted Taxes (54:4-63.1 et.seq.)				<u>26,782</u>	\$ 11,627,006	
Tax Levy:						
Local District School Tax		A-18		\$ 6,078,717		
Municipal Open Space		A-19		239,637		
County Taxes:						
County Tax (Abstract)			\$ 3,507,846			
County Library Tax (Abstract)			278,308			
County Open Space Tax			234,601			
Due County for Added and Omitted Taxes (54.4-63.1, et.seq.)		A-17	<u>9,293</u>	4,030,048		
Local Tax for Municipal		A-2		1,261,666		
Add: Additional Tax Levied				<u>16,938</u>	\$ 11,627,006	

CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

A-7

	<u>REF.</u>	
Balance December 31, 2013	A	\$ 176,786
Increased by:		
Interest and Costs		\$ 1,812
Transfers from Taxes Receivable	A-6	<u>29,292</u> <u>31,104</u>
		207,890
Decreased by:		
Paid	A-5	<u>138</u>
Balance December 31, 2014	A	<u>\$ 207,752</u>

CURRENT FUND
SCHEDULE OF PENALTIES ON DELINQUENT TAXES

A-8

	<u>REF.</u>	
Balance December 31, 2013	A	\$ 3,366
Increased by:		
Penalties on 2014 Taxes		<u>7,402</u>
		10,768
Decreased by:		
Collection of Penalties on 2013 Taxes	A-2	<u>3,366</u>
Balance December 31, 2014	A	<u>\$ 7,402</u>

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

A-9

	<u>REF.</u>	
Balance December 31, 2013	A	<u>\$ 403,080</u>
Balance December 31, 2014	A	<u>\$ 403,080</u>

CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

A-10

		BALANCE ACCRUED	COLLECTED	BALANCE
	<u>REF.</u>	<u>12/31/13</u>	<u>BY</u> <u>TREASURER</u>	<u>12/31/14</u>
		<u>IN 2014</u>		
Clerk:				
Licenses:				
Alcoholic Beverages	A-2	\$ 2,489	\$ 2,489	
Other Licenses	A-2	3,070	3,070	
Fees and Permits	A-2	13,875	13,875	
Fines and Costs-Municipal Court	A-2	\$ 691	10,524	\$ 1,043
Interest on Investments and Deposits	A-2	13,516	13,516	
State Aid	A-2	428,256	428,256	
Totals		<u>\$ 691</u>	<u>\$ 471,730</u>	<u>\$ 1,043</u>
		A	A-2:4	A

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2013

A-11

	<u>BALANCE</u> <u>12/31/13</u>	<u>BALANCE</u> <u>AFTER</u> <u>TRANSFERS</u>	<u>PAID</u> <u>OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
General Administration:				
Other Expenses:				
Miscellaneous Other Expenses	\$ 563	\$ 1,151	\$ 1,151	-
Financial Administration:				
Other Expenses	236	703	703	-
Tax Collection:				
Other Expenses	1,082	1,082	30	\$ 1,052
Legal Services (Legal Dept.):				
Other Expenses	3,565	26,888	26,888	-
Engineering Services:				
Other Expenses	49,116	23,861	2,566	21,295
Historical Sites:				
Other Expenses	8,000	8,877	8,877	-
Planning Board:				
Other Expenses	7,906	7,906	2,787	5,119
Streets and Road Maintenance:				
Other Expenses	121,444	121,444	38,663	82,781
Buildings and Grounds:				
Other Expenses	14,207	14,207	13,182	1,025
Animal Control:				
Other Expenses	3,571	3,571	467	3,104
Electricity	3,837	3,837	823	3,014
Telephone	5,023	5,023	739	4,284
Gasoline	1,849	1,849	84	1,765
Other Accounts - No Change	36,406	36,406		36,406
TOTALS	\$ 256,805	\$ 256,805	\$ 96,960	\$ 159,845
	REF.	A	A-4	A-1

CURRENT FUND
SCHEDULE OF RESERVE FOR ENCUMBRANCES

A-12

REF.

Increased by:

Transfer from Current Year Appropriations	A-3	\$ 1,622,095	
Additional/Canceled Encumbrance Appropriations		<u>1</u>	<u>\$ 1,622,096</u>
			1,622,096

Decreased by:

Encumbrances Paid	A-4	<u>1,605,770</u>	<u>1,605,770</u>
Balance December 31, 2014	A		<u>\$ 16,326</u>

CURRENT FUND
SCHEDULE OF ACCOUNTS PAYABLE

A-13

	<u>REF.</u>	
Balance December 31, 2013	A	<u>\$ 26</u>
Increased by:		
Receipts Due POAA Court Collection	A-4	<u>8</u>
Balance December 31, 2014	A	<u>\$ 34</u>

CURRENT FUND
SCHEDULE OF TAXES COLLECTED IN ADVANCE

A-14

	<u>REF.</u>	
Balance December 31, 2013	A	\$ 46,209
Increased by:		
2015 Taxes Collected in Advance	A-5	<u>284,951</u>
		331,160
Decreased by:		
Applied to 2014 Taxes Receivable	A-6	<u>46,209</u>
Balance December 31, 2014	A	<u>\$ 284,951</u>

CURRENT FUND
SCHEDULE OF TAX OVERPAYMENTS

A-15

	<u>REF.</u>	
Balance December 31, 2013	A	\$ 37,701
Increased by:		
2014 Tax Overpayments	A-5	<u>10,991</u>
		48,692
Decreased by:		
Applied to Outstanding Taxes	A-6	<u>13,635</u>
Balance December 31, 2014	A	<u>\$ 35,057</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, 2013	A	\$ 6,521
Increased by:		
Received In Cash From State	A-4	<u>33,250</u> 39,771
Decreased by:		
Senior Citizens Deductions per Tax Billings		\$ 6,500
Veterans Deductions per Tax Billings		<u>26,750</u>
		<u>33,250</u>
Balance December 31, 2014	A	<u>\$ 6,521</u>
 <u>ANALYSIS OF BALANCE</u>		
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

	<u>REF.</u>	
Balance December 31, 2013	A	\$ 1,518
Increased by:		
2014 Levy:		
County Taxes	A-1:6	\$ 3,507,846
County Library Taxes	A-1:6	278,308
County Open Space Tax	A-1:6	234,601
Prior Year Added and Omitted Taxes	A-1:6	<u>9,293</u> \$4,030,048
		4,031,566
Decreased by:		
Payments	A-4	<u>4,031,566</u>
Balance December 31, 2014	A	<u>-</u>

CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

A-18

	<u>REF.</u>		
Balance December 31, 2013:			
School Tax Payable	A	\$ 2,824,266	
School Tax Deferred		<u>185,000</u>	\$ 3,009,266
Increased by:			
Levy - School Year July 1, 2014 to June 30, 2015	A-6		<u>6,078,717</u>
			9,087,983
Decreased by:			
Payments	A-4		<u>6,048,624</u>
Balance December 31, 2014:			
School Tax Payable	A	2,854,359	
School Tax Deferred		<u>185,000</u>	<u>\$ 3,039,359</u>
 2014 Liability for Local District School Tax:			
Tax Paid			\$ 6,048,624
Tax Payable 12/31/14			<u>3,039,359</u>
			9,087,983
Less -- Tax Payable 12/31/13			<u>3,009,266</u>
Amount Charged to 2014 Operations	A-1		<u>\$ 6,078,717</u>

CURRENT FUND
SCHEDULE OF MUNICIPAL OPEN SPACE TAX PAYABLE

A-19

	<u>REF.</u>	
Balance December 31, 2013	A	483,658
Increased by:		
Levy 2014	A-6	\$ 239,085
Added Levy 2014	A-6	<u>552</u> \$ 239,637
		723,295
Decreased by:		
Transfer to Trust Fund	A-4	<u>239,085</u>
Balance December 31, 2013	A	<u>\$ 484,210</u>

CURRENT FUND
SCHEDULE OF RESERVE FOR STATE GRANTS

A-20

	<u>BALANCE</u> <u>12/31/13</u>	TRANSFER FROM 2014 BUDGET <u>APPROPRIATIONS</u>	<u>EXPENDED</u>	<u>CANCELED</u>	<u>BALANCE</u> <u>12/31/14</u>
Clean Communities Grant					
CY 2014		\$ 10,798	\$ 3,325	\$ 669	\$ 6,804
CY 2013	\$ 5,875		5,875		-
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		56,200	3,030		53,170
Highlands - Initial Assessment	-	14,000			14,000
Recycling Tonnage Grant	4,340				4,340
NJ DOT Grant - Garrison Road					-
Totals	\$ 30,508	\$ 80,998	\$ 12,230	\$ 669	\$ 98,607
REF.	A	A-3	A-4	A-21	A

CURRENT FUND
SCHEDULE OF STATE GRANTS RECEIVABLE

A-21

<u>PURPOSE</u>	<u>BALANCE</u> <u>12/31/13</u>	<u>RECEIVABLE</u>	<u>RECEIVED</u>	<u>CANCELLED</u>	<u>BALANCE</u> <u>12/31/14</u>
Clean Communities		\$ 10,798	\$ 10,129	\$ 669	
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
NJ DOT Grant - Garrison Road	<u>46,562</u>	<u>-</u>	<u>46,562</u>	<u>-</u>	<u>-</u>
	<u>\$ 107,562</u>	<u>\$ 80,998</u>	<u>\$ 56,691</u>	<u>\$ 669</u>	<u>\$ 131,200</u>
	A	A-2	A-4	A-20	A

CURRENT FUND
SCHEDULE OF STATE GRANTS - UNAPPROPRIATED

A-22

	<u>BALANCE</u> <u>12/31/13</u>	<u>RECEIVED</u>	<u>BALANCE</u> <u>12/31/14</u>
Recycling Tonnage Grant		\$ 517	\$ 517
Smart Growth Grant	\$ 37,600		37,600
Totals	\$ 37,600	\$ 517	\$ 38,117
REF.	A	A-4	A

CURRENT FUND
SCHEDULE OF RESERVE FOR FEMA ACQUISITION REIMBURSEMENTS

A-23

	<u>REF.</u>	
Balance December 31, 2013	A	<u>\$ 58,510</u>
Balance December 31, 2014	A	<u>\$ 58,510</u>

TRUST FUND SCHEDULES

TRUST FUND
SCHEDULE OF CASH - TREASURER

B-2

	<u>REF.</u>	<u>DOG LICENSES</u>	<u>OTHER</u>
Balance December 31, 2013	B	-	<u>\$ 1,164,157</u>
Increased by Receipts:			
Dog License Fees	B-3	\$ 2,610	
State Dog License Fees	B-4	391	
Amount Due Current Fund	B-5:6	2	239,085
Escrow Trust Deposits	B-7		24,973
Municipal Open Space Trust Deposits	B-9		1,420
COAH Deposits-Interest	B-10		50,140
Property Escrows	B-15		58
Signature Estates Deposits	B-17	-	<u>15</u>
Total Receipts		<u>3,003</u>	<u>315,691</u>
		<u>3,003</u>	<u>1,479,848</u>
Decreased by Disbursements:			
Expenditures Under R. S. 4:19-15.11	B-3	2,567	
State Dog License Fees	B-4	391	
Due Current Fund	B-6		
Escrow Trust Deposits Refunded	B-7		21,033
Municipal Open Space Trust Disbursements	B-9		29,372
COAH Disbursements	B-10	-	<u>21,236</u>
Total Disbursements		<u>2,958</u>	<u>71,641</u>
Balance December 31, 2014	B	<u>\$ 45</u>	<u>\$ 1,408,207</u>

TRUST FUND
SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

B-3

REF.

Increased by:

Dog License Fees Collected

B-2

\$ 2,610

2,610

Decreased by:

Expenditures Under R.S. 4:29-15.11

B-2

2,567

Balance December 31, 2014

B

\$ 43

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

B-4

REF.

Increased by:

Collected in 2014:

State Board of Health Fees

B-2

\$ 391

391

Decreased By:

Payments

B-2

\$ 391

DOG LICENSE FUND
SCHEDULE OF DUE TO CURRENT FUND

B-5

REF.

Increased by:

Interest Due Current Fund

B-2 \$ 2

Balance December 31, 2014

B \$ 2

TRUST FUND
SCHEDULE OF AMOUNT DUE FROM CURRENT FUND

B-6

	<u>REF.</u>	
Balance December 31, 2013	B	\$ 568,790
Increased by:		
Tax Sale Premiums Received in Current Fund	B-12	\$ 19,500
2014 Municipal Open Space Tax Levy, Including Added Taxes	B-9	<u>239,637</u>
		827,927
Decreased by:		
Interfund Returned - Municipal Open Space	B-2	<u>239,085</u>
Balance December 31, 2014	B	<u>\$ 588,842</u>
<u>Detail:</u>		
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
Tax Sale Premiums		<u>80,600</u>
		<u>\$ 588,842</u>

TRUST FUND
SCHEDULE OF RESERVE FOR ESCROW TRUST FUND DEPOSITS

B-7

	<u>REF.</u>	
Balance December 31, 2013	B	\$ 79,700
Increased by:		
Escrow Deposits	B-2	<u>24,973</u>
		104,673
Decreased by:		
Escrow Deposits Refunded	B-2	<u>21,033</u>
Balance December 31, 2014	B	<u>\$ 83,640</u>

TRUST FUND
SCHEDULE OF RESERVE FOR MONITORING ESCROW DEPOSITS

B-8

	<u>REF.</u>	
Balance December 31, 2013	B	<u>\$ 6,650</u>
Balance December 31, 2014	B	<u>\$ 6,650</u>

TRUST FUND
SCHEDULE OF RESERVE FOR MUNICIPAL OPEN SPACE TRUST

B-9

	<u>REF.</u>	
Balance December 31, 2013	B	\$ 1,399,356
Increased by:		
Municipal Open Space Tax Levy	B-7	\$ 239,637
Signature Developer Account	B-17	43,047
Interest Earned	B-2	<u>1,420</u> <u>284,104</u>
		1,683,460
Decreased by:		
Municipal Open Space Disbursements	B-2	<u>29,372</u>
Balance December 31, 2014	B	<u>\$ 1,654,088</u>

TRUST FUND
SCHEDULE OF RESERVE FOR COAH DEPOSITS
TRUST DEPOSITS

B-10

REF.

Balance December 31, 2013	B	\$ 169,283
Increased by:		
COAH Deposits - Interest	B-2	<u>50,140</u> 219,423
Decreased by:		
COAH Disbursements	B-2	<u>21,236</u>
Balance December 31, 2014	B	<u>\$ 198,187</u>

TRUST FUND
SCHEDULE OF RESERVE FOR DRIVEWAY BONDS
TRUST DEPOSITS

B-11

REF.

Balance December 31, 2013

B \$ 1

Balance December 31, 2014

B \$ 1

TRUST FUND
SCHEDULE OF RESERVE FOR TAX SALE PREMIUM
TRUST DEPOSITS

B-12

	<u>REF.</u>	
Balance December 31, 2013	B	\$61,700
Increased by:		
Premiums Received	B-6	<u>19,500</u> 81,200
Balance December 31, 2014	B	<u>\$81,200</u>

TRUST FUND
SCHEDULE OF RESERVE FOR OFF TRACK IMPROVEMENTS
TRUST DEPOSITS

B-13

	<u>REF.</u>	
Balance December 31, 2013	B	<u>\$ 11,000</u>
Balance December 31, 2014	B	<u>\$ 11,000</u>

TRUST FUND
SCHEDULE OF RESERVE FOR EMERGENCY SNOW REMOVAL
TRUST DEPOSITS

B-14

	<u>REF.</u>	
Balance December 31, 2013	B	<u>\$ 13,261</u>
Balance December 31, 2014	B	<u>\$ 13,261</u>

TRUST FUND
SCHEDULE OF RESERVE FOR PROPERTY ESCROW DEPOSITS

B-15

	<u>REF.</u>	
Balance December 31, 2013	B	\$ 37,907
Increased by:		
Interest Earned	B-2	<u> 58</u>
		37,965
Balance December 31, 2014	B	<u>\$ 37,965</u>

TRUST FUND
SCHEDULE OF RESERVE FOR PLAYGROUND DONATIONS

B-16

	<u>REF.</u>	
Balance December 31, 2013	B	<u>\$ 340</u>
Balance December 31, 2014	B	<u>\$ 340</u>

TRUST FUND
SCHEDULE OF RESERVE FOR SIGNATURE ESTATES CASH BOND

B-17

	<u>REF.</u>	
Balance December 31, 2013	B	\$ 43,032
Increased by:		
Interest	B-2	<u>15</u>
		43,047
Decreased by:		
Transfer to Open Space Trust Fund	B-9	<u>\$ 43,047</u>

TRUST FUND
SCHEDULE OF AMOUNT DUE GRANTS FUND

B-18

	<u>REF.</u>	
Balance December 31, 2013	B	<u>\$ 89,283</u>
Balance December 31, 2014	B	<u>\$ 89,283</u>

GENERAL CAPITAL FUND SCHEDULES

GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER

C-2

	<u>REF.</u>		
Balance December 31, 2013	C	\$	406,899
Increased by:			
2014 Budget Appropriation - Capital Improvement Fund	C-5	\$	60,000
Interest Due Current Fund	C-4	<u>622</u>	<u>60,622</u>
			467,521
Decreased by:			
Return of Interfund Advanced by Current Fund	C-4		<u>13,537</u>
Balance December 31, 2014	C	\$	<u>453,984</u>

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

C-3

<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE</u> <u>12/31/13</u>	<u>DECREASED</u> <u>PAID BY</u> <u>BUDGET</u>	<u>BALANCE</u> <u>12/31/14</u>	<u>ANALYSIS OF BALANCE</u>	
				<u>BONDS/NOTES</u> <u>AUTHORIZED</u> <u>NOT ISSUED</u>	<u>BOND</u> <u>ANTICIPATION</u> <u>NOTES</u>
General Improvements:					
Acquisition of Property - COAH	\$ 122,500	\$ 35,625	\$ 86,875		\$ 86,875
Acquisition of Property - COAH (McKinney)	32,440	13,110	19,330		19,330
Acquisition of Fire Apparatus (Fire Truck and Access)	217,159	54,291	162,868		162,868
Acquisition of Property - Dowel	<u>5,365,420</u>	<u>174,290</u>	<u>5,191,130</u>	<u>-</u>	<u>5,191,130</u>
	<u>\$ 5,737,519</u>	<u>\$ 277,316</u>	<u>\$ 5,460,203</u>	<u>-</u>	<u>\$ 5,460,203</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, 2013	C	\$ 22,420
Increased by:		
Interest Credits	C-2	<div style="border-top: 1px solid black; display: inline-block; width: 50px; text-align: right;">622</div>
		23,042
Decreased by:		
Interfund Returned	C-2	\$ 13,537
Bond Anticipation Note Premium Received in Current Fund	C-1	<div style="border-top: 1px solid black; display: inline-block; width: 50px; text-align: right;">9,392</div>
		<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 50px; text-align: right;">22,929</div>
Balance December 31, 2014	C	<div style="border-bottom: 3px double black; display: inline-block; width: 50px; text-align: right;">\$ 113</div>

GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

C-5

	<u>REF.</u>	
Balance December 31, 2013	C	\$ 224,441
Increased by:		
2014 Budget Appropriation	C-2	<u>60,000</u>
		284,441
Decreased by:		
Improvement Authorizations Funded	C-6	<u>84,045</u>
Balance December 31, 2014	C	<u>\$ 200,396</u>

GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

C-6

<u>IMPROVEMENT DESCRIPTION</u>	<u>NUMBER</u>	<u>ORDINANCE</u>		<u>BALANCE</u> <u>12/31/13</u>		<u>CAPITAL</u> <u>IMP. FUND</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>12/31/14</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 Renovation, DPW Road Sweeper and Debris Blower, 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	
DPW Backhoe	14-9	12/8/14	79,445			79,445	\$ 79,445		
				\$ 207,075	\$ 12,571	\$ 84,045	\$ 79,445	\$ 211,675	\$ 12,571

REF.

C C C-5 C-10 C C

GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES

C-7

<u>PURPOSE</u>	<u>ORIGINAL ISSUE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE 12/31/13</u>	<u>DECREASED</u>	<u>BALANCE 12/31/14</u>
Acquisition of Property - COAH	12/09/05	4/29/14	4/28/15	1.0%	\$ 122,500	\$ 35,625	\$ 86,875
Acquisition of Property - McKinney COAH	9/20/06	4/29/14	4/28/15	1.0%	32,440	13,110	19,330
Acquisition of New Fire Truck & Access.	9/20/06	4/29/14	4/28/15	1.0%	217,159	54,291	162,868
Acquisition of Property - Dowel	5/06/10	4/29/14	4/28/15	1.0%	5,365,420	174,290	5,191,130
					\$ 5,737,519	\$ 277,316	\$ 5,460,203
REF.					C	C-3	C

GENERAL CAPITAL FUND
SCHEDULE OF GRANTS ACCOUNTS RECEIVABLE

C-8

	<u>REF.</u>	
Balance December 31, 2013	C	<u>\$ 67,300</u>
Balance December 31, 2014	C	<u>\$ 67,300</u>
 <u>DETAIL:</u>		
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, 2013	<u>REF.</u> C	<u>\$ 7,208</u>
Balance December 31, 2014	C	<u>\$ 7,208</u>

GENERAL CAPITAL FUND
SCHEDULE OF OPEN ENCUMBRANCES

C-10

REF.

Increased by:

Purchase orders issued for Improvement Authorizations	C-6	<u>\$ 79,445</u>
Balance December 31, 2014	C	<u>\$ 79,445</u>

SCHEDULE OF GENERAL FIXED ASSETS

GENERAL FIXED ASSETS
DECEMBER 31, 2014
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS

F-1

	<u>BALANCE</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u>
	<u>12/31/13</u>			<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>1,603,898</u>	\$ 79,445	<u>-</u>	<u>1,683,343</u>
Total General Fixed Assets	<u>\$ 9,976,471</u>	<u>\$ 79,445</u>	<u>-</u>	<u>\$ 10,055,916</u>
Investment In General Fixed Assets	<u>\$ 9,976,471</u>	<u>\$ 79,445</u>	<u>-</u>	<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, 2011, the bid threshold in accordance with N.J.S.A.40A:11-3(c) (as amended) is increased to \$36,000 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 7, 2014, adopted the following resolution authorizing interest to be charged on delinquent taxes:

Resolved, that commencing with the installment payments due on February 1, 2014, 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 7, 2014, 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, 2014, include only real property items on the 2001, 2002, 2004, 2011 and 2014 tax levies. Delinquent amounts for prior years' levies are bankrupt properties.

The last tax sale was held October 20, 2014 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>
2014	19
2013	19
2012	18

Verification of Delinquent Taxes and Other Charges

Verification notices were mailed to confirm balances as of November 10, 2014. 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 Date of Circulars - November 10, 2014				
<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>
2014 Property Tax	Positive	1,792	60	28
2015 Property Tax	Positive	1,792	60	28
2014 Delinquent Tax	Negative	325	25	2

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 2014 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 2014</u>	<u>%</u>	<u>YEAR 2013</u>	<u>%</u>
Fund Balance Utilized	\$ 740,000	5.68%	\$ 734,049	5.61%
Miscellaneous - From Other Than				
Local Property Tax Levies	826,248	6.34%	1,136,587	8.69%
Collection of Delinquent Taxes and				
Tax Title Liens	164,083	1.26%	117,047	0.89%
Collection of Current Tax Levy	<u>11,302,497</u>	<u>86.72%</u>	<u>11,096,453</u>	<u>84.81%</u>
Total Income	<u>13,032,828</u>	<u>100.00%</u>	<u>13,084,136</u>	<u>100.00%</u>

EXPENDITURES

Budget Expenditures:				
Municipal Purposes	1,940,887	15.79%	2,085,523	17.12%
County Taxes	4,030,048	32.79%	3,814,408	31.31%
Local and Regional Taxes	6,078,717	49.46%	6,018,532	49.40%
Municipal Open Space Tax	239,637	1.95%	241,595	1.98%
Other Expenditures	<u>-</u>	<u>0.00%</u>	<u>22,420</u>	<u>0.18%</u>
Total Expenditures	<u>\$ 12,289,289</u>	<u>100.00%</u>	<u>\$ 12,182,478</u>	<u>100.00%</u>
Excess in Revenue	743,539		901,658	
Statutory Excess To Fund Balance	743,539		901,658	
Fund Balance January 1	1,558,866		1,391,257	
Less:				
Utilization as Anticipated Revenue	<u>740,000</u>		<u>734,049</u>	
Fund Balance December 31	<u>\$ 1,562,405</u>		<u>\$ 1,558,866</u>	

Comparative Schedule of Tax Rate Information

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Tax Rate</u>	<u>\$2.426</u>	<u>\$2.346</u>	<u>\$2.336</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	\$0.263	\$0.252	\$0.246
County	\$0.843	\$0.793	\$0.834
Local School	\$1.271	\$1.251	\$1.206
Municipal Open Space Tax	\$0.049	\$0.050	\$0.050

Assessed Valuation:

<u>Year</u>	<u>Amount</u>
2014	\$478,164,287
2013	\$481,122,416
2012	\$483,995,811

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>
2014	\$11,627,006	\$11,288,862	97.09%
2013	\$11,289,443	\$11,096,454	98.29%
2012	\$11,308,315	\$11,128,819	98.41%

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>
2014	\$207,752	\$286,772	\$494,524	4.25%
2013	\$176,786	\$164,759	\$341,545	3.03%
2012	\$154,886	\$115,738	\$270,624	2.39%

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>
2014	\$403,080
2013	\$403,080
2012	\$403,080

Comparitive Schedule of Fund Balances

<u>Year</u>	<u>Balance December 31</u>	<u>Regular</u>	<u>Utilized In Budget of Succeeding Year</u>	
				<u>Defer School Tax</u>
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
2009	\$ 1,077,144	\$ 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 Bond</u>	<u>Name Of Corporate Surety</u>
Brian Tipton	Mayor		
Richard Cornely	Committeeperson		
Diane Yamrock	Committeeperson		
Kelley D. Smith	Clerk; Registrar or Vital Statistics; Assessment 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>
2014	\$107,724

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

1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825-1192
908-996-4711 Fax: 908-996-4688
e-mail: anthony@arditoandcompany.com

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, 2014 and 2013, 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 March 30, 2015, 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.

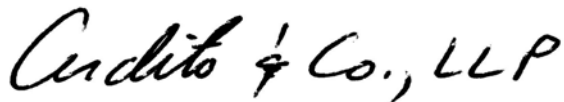
Compliance and Other Matters

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
March 30, 2015



Certified Public Accountant
Registered Municipal Accountant No.524
ARDITO & CO., LLP
Frenchtown, New Jersey
March 30, 2015

SCHEDULE OF FEDERAL/STATE AWARDS

SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

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 1/1/14</u>	<u>RECEIPTS PROGRAM</u>	<u>OTHER RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>CASH ACCRUED OR DEFERRED REVENUE BALANCE AT 12/31/14</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 Circular A-133.

SCHEDULE OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

K-4

STATE GRANTOR/PROGRAM TITLE	STATE ACCOUNT NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD	FUND REF.	CASH			CASH		TOTAL	
					ACCRUED OR DEFERRED REVENUE BALANCE AT 1/1/14	RECEIPTS PROGRAM	OTHER	DISBURSEMENTS	ACCRUED OR DEFERRED REVENUE BALANCE AT 12/31/14		DISBURSEMENTS
DEPT. OF ENVIR. PROTECTION											
Solid Waste Admin.-Clean Communities Program	042490076500410	\$ 10,129 10,798	2014 2013	A A		\$ 10,129		\$ 3,325 5,875	\$ 6,804	\$ 3,325 10,798	
OFFICE OF EMERGENCY MANAGEMENT											
NJ State Police Emergency Management Exercise pass-through Grant	N/A	8,219	2004	A		201			201	8,018	
DEPT. OF TRANSPORTATION											
NJ Transportation Fund Authority Act Garrison Road	N/A	186,246	2013	A		(46,562)	46,562		-	186,246	
OTHER STATE AIDS											
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			2,689		
Recycling Tonnage Grant		1,651	2012	A		1,651			1,651		
Recycling Tonnage Grant		517	2014	A			517		517		
Highlands-Plan Conformance	Local Grant	56,200	2014	A				3,030	(3,030)	3,030	
Highlands-Initial Assessment	Local Grant	14,000	2014	A					-		
Municipal Alliance	Local Grant	6,065	2013	A		-			-	6,065	
Historic Grant	Local Grant	47,000	2011	A		(47,000)			(47,000)	47,000	
TOTAL STATE ASSISTANCE						\$ (36,429)	\$ 57,208	\$ -	\$ 12,230	\$ 8,549	\$ 274,365

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, 2014

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 Circular A-133, 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, 2014

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 Circular A-133 and New Jersey OMB Circular NJOMB 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid for 2014 as grant expenditures were less than the single audit thresholds of \$500,000, 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

None