

BOROUGH OF HARRINGTON PARK
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2018

BOROUGH OF HARRINGTON PARK

TABLE OF CONTENTS

<u>Exhibits</u>		<u>Page</u>
<u>PART I - Report of Audit of Financial Statements</u>		
Independent Auditor's Report		1-3
Financial Statements		
A	Comparative Balance Sheets – Regulatory Basis - Current Fund	4-5
A-1	Comparative Statements of Operations and Changes in Fund Balance - Regulatory Basis – Current Fund	6-7
A-2	Statement of Revenues – Regulatory Basis – Current Fund	8-10
A-3	Statement of Expenditures – Regulatory Basis – Current Fund	11-17
B	Comparative Balance Sheets – Regulatory Basis - Trust Funds	18-19
B-1	Statement of Revenues – Regulatory Basis – Open Space Trust Fund	20
B-2	Statement of Expenditures – Regulatory Basis – Open Space Trust Fund	20
C	Comparative Balance Sheets – Regulatory Basis - General Capital Fund	21
D	Comparative Schedules of General Fixed Assets – Regulatory Basis - General Fixed Assets Account Group	22
Notes to Financial Statements		23-58
Supplementary Schedules		
<u>Current Fund</u>		
A-4	Statement of Current Cash - Treasurer	59
A-5	Statement of Cash - Collector	60
A-6	Statement of Change Fund	60
A-7	Statement of Petty Cash Fund	60
A-8	Statement of Due To State of New Jersey - Senior Citizens' and Veterans' Deductions	61
A-9	Statement of Taxes Receivable and Analysis of Property Tax Levy	62
A-10	Statement of Tax Title Liens	63
A-11	Statement of Property Acquired for Taxes (At Assessed Valuation)	63
A-12	Statement of Revenue Accounts Receivable	64
A-13	Statement of 2017 Appropriation Reserves	65-66
A-14	Statement of Encumbrances Payable	67
A-15	Statement of Prepaid Taxes	67
A-16	Statement of Municipal Open Space Tax Payable	68
A-17	Statement of County Taxes Payable	68
A-18	Statement of Local District School Tax	69
A-19	Statement of Regional High School Tax	69
A-20	Statement of Reserve for Sale of Municipal Assets	70
A-21	Statement of Reserve for Tax Appeals	70
A-22	Statement of Grants Receivable	71

BOROUGH OF HARRINGTON PARK

TABLE OF CONTENTS (Continued)

<u>Exhibits</u>		<u>Page</u>
	Supplementary Schedules (Continued)	
	<u>Current Fund (Continued)</u>	
A-23	Statement of Appropriated Grant Reserves	72
A-24	Statement of Unappropriated Reserves	72
A-25	Statement of Tax Overpayments	73
A-26	Statement of Due to the State – DCA Fees Payable	73
	<u>Trust Funds</u>	
B-3	Statement of Cash - Treasurer	74
B-4	Statement of Reserve for Animal Control Trust Fund Expenditures – Animal Control Fund	75
B-5	Statement of Due From State of New Jersey - Animal Control Trust Fund	75
B-6	Statement of Due to Current Fund – Animal Control Trust Fund	75
B-7	Statement of Developer's Deposits – Other Trust Fund	76
B-8	Statement of Subdivision Applications – Developers – Other Trust Fund	76
B-9	Statement of Street Opening Deposits – Developers – Other Trust Fund	77
B-10	Statement of Dedicated Cat License Fees – Other Trust Fund	77
B-11	Statement of Tennis Program Reserve – Recreation – Other Trust Fund	77
B-12	Statement of Dedicated Parking Offenses Adjudication Act – Other Trust Fund	78
B-13	Statement of Recycling Program (Dedicated Under R.S. 40:12-8) – Other Trust Fund	78
B-14	Statement of Dedicated Recreation Fees – Other Trust Fund	78
B-15	Statement of Due To State of New Jersey - State Training Fees – Other Trust Fund	79
B-16	Statement of Due To State of New Jersey – Domestic Violence Fees – Other Trust Fund	79
B-17	Statement of Dedicated Unemployment Insurance Trust – Other Trust Fund	80
B-18	Statement of Due From Current Fund – Other Trust Fund	80
B-19	Statement of Reserve for World Trade Center Assistance – Other Trust Fund	81
B-20	Statement of Reserve for Affordable Housing – Developer’s Fees - Other Trust Fund	81
B-21	Statement of Reserve for Municipal Open Space – Municipal Open Space and Recreation Trust Fund	82
B-22	Statement of Reserve for Payroll Deductions – Other Trust Fund	82
B-23	Statement of Reserve for Tax Sale Premium – Other Trust Fund	83
B-24	Statement of Reserve for Green Team/Environmental Commission – Donations – Other Trust Fund	83
B-25	Statement of Reserve for Police Donations – Other Trust Fund	84
B-26	Statement of Due from Current Fund – Open Space Trust Fund	84
B-27	Statement of Reserve for Beautification – Other Trust Fund	85
B-28	Statement of Reserve for Tree Fees – Other Trust Fund	85
B-29	Statement of Contracts Payable – Municipal Open Space and Recreation Trust Fund	85
B-30	Statement of Reserve for Harrington Park Community Business Alliance – Other Trust Fund	85
	<u>General Capital Fund</u>	
C-2	Statement of General Capital Cash and Cash Equivalents - Treasurer	86
C-3	Analysis of General Capital Cash and Cash Equivalents	87
C-4	Statement of Deferred Charges to Future Taxation - Funded	87
C-5	Statement of Deferred Charges to Future Taxation - Unfunded	88
C-6	Statement of Grants/Accounts Receivable	89

BOROUGH OF HARRINGTON PARK

**TABLE OF CONTENTS
(Continued)**

<u>Exhibit</u>		<u>Page</u>
Supplementary Schedules (Continued)		
<u>General Capital Fund (Continued)</u>		
C-7	Statement of Due from NJEIT Loan Program	90
C-8	Statement of Capital Improvement Fund	90
C-9	Statement of Contracts Payable	90
C-10	Statement of Due To Current Fund	91
C-11	Statement of Reserve for Payment of Debt	91
C-12	Schedule of Improvement Authorizations	92
C-13	Statement of General Serial Bonds Payable	93
C-14	Statement of Green Trust Loan Payable	94
C-15	Statement of NJEIT Fund Loan Payable	95
C-16	Statement of Reserves for Grant Receivables	96
C-17	Statement of Bonds and Notes Authorized But Not Issued	97
 <u>PART II - Government Auditing Standards</u>		
	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	98-99
	Schedule of Expenditures of Federal Awards	100
	Schedule of Expenditures of State Financial Assistance	101
	Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance	102-103
	Schedule of Findings and Responses	104-105
	Schedule of Prior Year Audit Findings	106
 <u>PART III - Supporting Data and Letter of Comments and Recommendations</u>		
	Comparative Statement of Operations and Changes in Fund Balance - Current Fund	107
	Comparative Schedule of Tax Rate Information	108
	Comparison of Tax Levies and Current Collections	108
	Delinquent Taxes and Tax Title Liens	108
	Property Acquired by Tax Title Lien Foreclosure	109
	Comparative Schedule of Fund Balance	109
	Officials in Office and Surety Bonds	110
	General Comments	111-112
	Recommendations	113

BOROUGH OF HARRINGTON PARK

BERGEN COUNTY

PART I

REPORT OF AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of Harrington Park
Harrington Park, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Harrington Park, as of December 31, 2018 and 2017, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Current Fund for the year ended December 31, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Harrington Park on the basis of the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Basis for Qualified Opinion on Regulatory Basis of Accounting

The notes to the Borough of Harrington Park’s financial statements do not disclose the 2018 other post-employment benefit information related to post-retirement medical benefits provided to its eligible retirees and their dependents under a special funding situation as required by Government Accounting Standards Board Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. In our opinion, disclosure of that information is required to conform with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

In addition, as discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2018 and 2017. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 53 percent and 56 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2018 and 2017.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the omission of the 2018 note disclosures regarding the other postemployment health benefit information as well as the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Harrington Park as of December 31, 2018 and 2017, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the Current Fund for the year ended December 31, 2018 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Harrington Park as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary data and letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Harrington Park.

The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

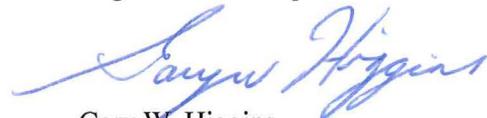
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 18, 2019 on our consideration of the Borough of Harrington Park’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Harrington Park’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Harrington Park’s internal control over financial reporting and compliance.



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
June 18, 2019

BOROUGH OF HARRINGTON PARK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Cash and Cash Equivalents	A-4	\$ 2,729,736	\$ 4,895,708
Cash - Change Funds	A-6	200	200
Cash - Petty Cash Funds	A-7	500	500
Grants Receivable	A-22	<u>10,489</u>	<u>3,975</u>
		<u>2,740,925</u>	<u>4,900,383</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes	A-9	123,586	135,779
Tax Title Liens Receivables	A-10	28,348	26,366
Property Acquired for Taxes - At Assessed Valuation	A-11	59,720	59,720
Revenue Accounts Receivable	A-12	1,778	2,149
Due from General Capital Fund	C-10	<u>171</u>	<u>132</u>
		<u>213,603</u>	<u>224,146</u>
Total Assets		<u>\$ 2,954,528</u>	<u>\$ 5,124,529</u>

**BOROUGH OF HARRINGTON PARK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Appropriation Reserves	A-3,A-13	\$ 415,237	\$ 471,246
Encumbrances Payable	A-14	53,948	8,523
Due to Other Trust Fund	B-18	4,478	4,478
Due to Municipal Open Space and Recreation Trust Fund	B-26	89,916	64,638
Prepaid Taxes	A-15	95,881	2,548,570
Tax Overpayments	A-25	56,841	30,725
Local District School Tax Payable	A-18	92,726	92,717
Due to State of New Jersey - Senior Citizens and Veterans Deductions	A-8	13,631	14,131
Reserve for Tax Appeals	A-21	126,795	76,795
Reserve for Sale of Municipal Assets	A-20	6,539	6,539
Appropriated Grant Reserves	A-23	70,373	60,777
Unappropriated Grant Reserves	A-24	19,450	23,834
		<u>1,045,815</u>	<u>3,402,973</u>
Reserve for Receivables	A	213,603	224,146
Fund Balance	A-1	<u>1,695,110</u>	<u>1,497,410</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 2,954,528</u>	<u>\$ 5,124,529</u>

BOROUGH OF HARRINGTON PARK
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 380,000	\$ 368,000
Miscellaneous Revenues Anticipated	A-2	902,319	925,913
Receipts from Delinquent Taxes	A-2	135,765	129,731
Receipts from Current Taxes	A-2	25,316,630	24,965,133
Non-Budget Revenues	A-2	77,257	170,775
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-13	<u>290,765</u>	<u>249,717</u>
		<u>27,102,736</u>	<u>26,809,269</u>
EXPENDITURES			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	2,686,970	2,637,862
Other Expenses	A-3	2,765,781	2,745,379
Capital Improvements	A-3	25,000	2,000
Municipal Debt Service	A-3	385,338	383,355
Deferred Charges and Statutory			
Expenditures - Municipal	A-3	634,395	600,181
County Taxes	A-17	2,333,129	2,404,264
County Taxes- Open Space Preservation	A-17	99,381	99,600
Due County for Added and Omitted Taxes	A-17	8,104	1,982
Local District School Tax	A-18	12,029,477	11,759,061
Regional High School Tax	A-19	5,467,506	5,467,484
Municipal Open Space Tax	A-16	89,916	89,688
Prior Year Senior and Vets Deductions Disallowed	A		500
Cancellation of Grant Receivables	A		9,385
Interfunds and Other Receivable Advanced	A	<u>39</u>	<u>-</u>
		<u>26,525,036</u>	<u>26,200,741</u>
Excess of Revenue over Expenditures		577,700	608,528

BOROUGH OF HARRINGTON PARK
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
Excess of Revenue over Expenditures (Carried Forward)		\$ 577,700	\$ 608,528
FUND BALANCE, January 1	A	<u>1,497,410</u>	<u>1,256,882</u>
Decreased by:		2,075,110	1,865,410
Utilization as Anticipated Revenues	A-1	<u>380,000</u>	<u>368,000</u>
FUND BALANCE, December 31	A	<u>\$ 1,695,110</u>	<u>\$ 1,497,410</u>

BOROUGH OF HARRINGTON PARK
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Reference</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
FUND BALANCE ANTICIPATED	A-2	\$ 380,000	\$ 380,000	-
MISCELLANEOUS REVENUES				
Licenses				
Alcoholic Beverages	A-12	1,116	1,620	\$ 504
Other	A-12	2,500	2,435	(65)
Fees and Permits				
Other	A-12	11,400	16,037	4,637
Fines and Costs				
Municipal Court	A-12	44,500	28,253	(16,247)
Interest and Costs on Taxes	A-12	35,100	38,377	3,277
Interest on Investments and Deposits	A-2	11,980	14,598	2,618
Energy Receipts Taxes	A-12	447,738	447,738	-
Watershed Moratorium Offset Aid	A-12	20,257	20,257	-
Uniform Construction Code Fees	A-12	104,000	104,951	951
Reserve for Recycling Tonnage Grant	A-24	8,606	8,606	-
Municipal Alliance on Alcoholism and Drug Abuse	A-22	7,140	7,140	-
Reserve for Body Armor Replacement Program	A-24	1,384	1,384	-
Reserve for Clean Communities	A-24	10,044	10,044	-
Reserve for Senior Citizen Activities - CDBG	A-24	3,500	3,500	-
Reserve for Bergen County Mini Grant	A-24	300	300	-
Uniform Fire Safety Act	A-12	7,000	7,209	209
Cablevision Fess	A-12	33,000	34,277	1,277
Lease of Real Property - Cell Tower	A-12	60,000	57,128	(2,872)
Donations - Borough Newsletter	A-12	3,350	4,150	800
Reserve for Payment of Debt	C-11	45,000	45,000	-
Verizon Video Fees	A-12	36,000	37,531	1,531
Sewer Payments - Old Tappan	A-12	12,000	11,784	(216)
Total Miscellaneous Revenues	A-2	905,915	902,319	(3,596)
RECEIPTS FROM DELINQUENT TAXES	A-9	136,000	135,765	(235)
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET				
Local Tax for Municipal Purposes		4,915,124	5,017,599	102,475
Minimum Library Tax		331,107	331,107	-
	A-2	5,246,231	5,348,706	102,475
Total General Revenues		\$ 6,668,146	6,766,790	\$ 98,644
Non-Budget Revenues	A-1,A-2		77,257	
			\$ 6,844,047	

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF HARRINGTON PARK
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Reference</u>	
<u>Analysis of Realized Revenue</u>		
Allocation of Current Tax Collections		
Revenue from Collections	A-1,A-9	\$ 25,316,630
Allocated to		
School, County, and Municipal Open Space Taxes	A-16,17,18,19	<u>20,137,924</u>
		5,178,706
Add: Appropriation for Reserve for Uncollected Taxes	A-3	<u>170,000</u>
Balance for Supporting Municipal Budget Appropriations	A-2	<u>\$ 5,348,706</u>
 <u>Analysis of Interest on Investment and Deposits</u>		
Cash Receipts	A-12	\$ 14,535
Due from General Capital Fund	C-10	39
Due from Animal Control Fund	B-6	<u>24</u>
	A-2	<u>\$ 14,598</u>

**BOROUGH OF HARRINGTON PARK
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Non-Budget Revenue</u>	<u>Reference</u>	
Police Outside Detail		\$ 43,772
Administration Fee - Homestead Rebate		345
2% Administration Fee - Senior Citizen and Veteran Deductions		785
JIF Dividends		7,936
Cancelled Old Outstanding Checks		13,252
Hurricane Sandy Reimbursement		231
Miscellaneous Fees		<u>10,936</u>
	A-2, A-4	<u>\$ 77,257</u>

BOROUGH OF HARRINGTON PARK
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT					
Administrative and Executive					
Salaries and Wages	\$ 13,000	\$ 13,000	\$ 11,795	\$ 1,205	
Other Expenses	43,500	44,500	44,497	3	
Mayor and Council					
Other Expenses	2,500	2,500	1,227	1,273	
Municipal Clerk					
Salaries and Wages	63,470	63,470	63,470	-	
Other Expenses	5,000	5,000	4,821	179	
Financial Administration					
Salaries and Wages	154,900	154,900	150,783	4,117	
Other Expenses	23,865	23,865	16,907	6,958	
Audit Services					
Other Expenses	35,000	35,000	2,110	32,890	
Computerized Data Processing					
Other Expenses	17,400	17,400	6,827	10,573	
Revenue Administration (Tax Collection)					
Salaries and Wages	1	1		1	
Other Expenses	3,400	3,400	3,345	55	
Assessment of Taxes					
Salaries and Wages	21,000	22,000	22,000	-	
Other Expenses	3,500	2,500	975	1,525	
Legal Services and Costs					
Other Expenses	85,000	85,000	60,404	24,596	
Engineering Services and Costs					
Other Expenses	12,000	15,000	13,790	1,210	
Planning Board					
Salaries and Wages	6,500	6,500	3,166	3,334	
Other Expenses	40,000	46,000	45,960	40	
Zoning Board of Adjustment					
Salaries and Wages	6,303	6,303	4,214	2,089	
Other Expenses	2,500	2,500	2,029	471	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HARRINGTON PARK
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS WITHIN "CAPS" (Cont'd)					
INSURANCE					
General Liability Insurance	\$ 221,606	\$ 221,606	\$ 220,588	\$ 1,018	
Disability Insurance	6,150	6,150	-	6,150	
Employee Group Health	362,000	362,000	345,927	16,073	
Unemployment Insurance	10,000	10,000	5,004	4,996	
Police					
Salaries and Wages	1,514,200	1,514,200	1,474,480	39,720	
Other Expenses	46,500	50,500	47,489	3,011	
Emergency Management Services					
Other Expenses	2,000	2,000	2,000		
Aid to Volunteer Ambulance Companies	17,200	17,200	16,418	782	
Fire					
Other Expenses	75,233	77,233	69,058	8,175	
Fire Hydrant Services	98,000	98,000	92,119	5,881	
Uniform Fire Safety Act					
Salaries and Wages	5,307	5,307	5,307	-	
Other Expenses	3,200	3,200	2,759	441	
Municipal Prosecutor					
Prosecutor- Contractual	8,500	8,500	4,500	4,000	
PUBLIC WORKS FUNCTION					
Road Repairs and Maintenance					
Salaries and Wages	770,000	770,000	765,118	4,882	
Other Expenses	60,000	55,000	41,831	13,169	
Solid Waste Collection					
Garbage and Trash Removal - Contractual	197,000	197,000	174,100	22,900	
Public Buildings and Grounds					
Other Expenses	15,000	16,100	15,286	814	
Vehicle Maintenance					
Police- Other Expenses	10,000	10,000	6,398	3,602	
Streets and Roads- Other Expenses	12,000	12,000	12,000	-	
Other Public Works Function - Beautification					
Other Expenses	2,500	2,500	575	1,925	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HARRINGTON PARK
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS WITHIN "CAPS" (Cont'd)					
HEALTH and HUMAN SERVICES					
Board of Health					
Salaries and Wages - Regular	\$ 21,403	\$ 21,403	\$ 21,403	\$ -	
Other Expenses	10,200	10,200	8,250	1,950	
Environmental Commission					
Salaries and Wages	756	756	746	10	
Other Expenses	400	400	360	40	
PARK AND RECREATION					
Recreation Services and Programs					
Salaries and Wages	1,905	1,905	1,905	-	
Other Expenses	2,000	2,000	959	1,041	
Maintenance of Parks					
Other Expenses	8,500	8,500	8,500	-	
Senior Citizen Activities	6,500	6,500	3,910	2,590	
Seniors Transportation Agreement w/Haworth	14,000	14,000	6,861	7,139	
Municipal Court					
Salaries and Wages	15,000	15,000	15,000	-	
Other Expenses	4,100	4,100	2,013	2,087	
Public Defender					
Other Expenses	1,250	1,250	700	550	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
State Uniform Construction Code					
Salaries and Wages	92,225	92,225	81,979	10,246	
Other Expenses	4,500	4,500	3,369	1,131	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HARRINGTON PARK
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS WITHIN "CAPS" (Cont'd)					
UTILITIES EXPENSE AND BULK					
PURCHASES					
Electricity	\$ 26,650	\$ 26,650	\$ 24,942	\$ 1,708	
Street Lighting	51,250	51,250	48,329	2,921	
Telephone and Telegraph	33,675	33,675	32,353	1,322	
Water	23,575	23,575	13,335	10,240	
Natural Gas	11,788	11,788	6,830	4,958	
Gasoline	50,000	44,000	34,137	9,863	
Sewage Processing and Disposal	500	500	500	-	
LANDFILL/ SOLID WASTE DISPOSAL					
COSTS					
Bergen County Landfill Dumping Fees	<u>145,000</u>	<u>138,900</u>	<u>123,143</u>	<u>15,757</u>	<u>-</u>
Total Operations Within "CAPS"	<u>4,500,412</u>	<u>4,500,412</u>	<u>4,198,801</u>	<u>301,611</u>	<u>-</u>
Detail:					
Salaries and Wages	2,685,970	2,686,970	2,621,366	65,604	-
Other Expenses	<u>1,814,442</u>	<u>1,813,442</u>	<u>1,577,435</u>	<u>236,007</u>	<u>-</u>
DEFERRED CHARGES AND STATUTORY					
EXPENDITURES - MUNICIPAL WITHIN					
"CAPS"					
Statutory Charges					
Contribution to Public Employees Retirement System	143,585	143,585	143,585	-	
Social Security System (O.A.S.I.)	115,000	115,000	107,416	7,584	
Police & Firemen's Retirement System of NJ	346,896	346,896	346,896	-	
Contribution to PERS - ERIP	25,914	25,914	7,296	18,618	
Contribution to Defined Contribution Retirement Program	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
Total Deferred Charges and Statutory					
Expenditures - Municipal					
Within "CAPS"	<u>634,395</u>	<u>634,395</u>	<u>605,193</u>	<u>29,202</u>	<u>-</u>
Total General Appropriations for					
Municipal Purposes Within "CAPS"	<u>5,134,807</u>	<u>5,134,807</u>	<u>4,803,994</u>	<u>330,813</u>	<u>-</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HARRINGTON PARK
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
NJPDES Permit - Stormwater Permit					
Engineering -Other Expenses	\$ 6,500	\$ 6,500	\$ 6,050	\$ 450	
Bergen County Utilities Authority					
Operating	267,772	267,772	267,772		
Debt Service	99,831	99,831	99,831		
EDUCATION FUNCTIONS					
Maintenance of Free Public Library	331,107	331,107	326,052	5,055	
LOSAP	75,000	75,000	-	75,000	
Reserve for Tax Appeals	50,000	50,000	50,000	-	
Recycling Tax Appropriation	7,175	7,175	4,847	2,328	-
Total Other Operations - Excluded from "CAPS"	<u>837,385</u>	<u>837,385</u>	<u>754,552</u>	<u>82,833</u>	<u>-</u>
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS					
9-1-1 Interlocal Agreement	58,600	58,600	58,589	11	
Municipal Court Administrator - Borough of Norwood	<u>23,000</u>	<u>23,000</u>	<u>21,420</u>	<u>1,580</u>	<u>-</u>
Total Interlocal Municipal Service Agreements	<u>81,600</u>	<u>81,600</u>	<u>80,009</u>	<u>1,591</u>	<u>-</u>
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES					
Clean Communities Grant	10,044	10,044	10,044		
Body Armor Replacement Program	1,384	1,384	1,384		
Senior Citizen Activities - CDBG	3,500	3,500	3,500		
Municipal Alliance Program (State and Local Match)	9,520	9,520	9,520		
Bergen County Mini Grant	300	300	300		
Recycling Tonnage Grant	8,606	8,606	8,606	-	-
Total Public and Private Programs Offset by Revenues	<u>33,354</u>	<u>33,354</u>	<u>33,354</u>	<u>-</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>952,339</u>	<u>952,339</u>	<u>867,915</u>	<u>84,424</u>	<u>-</u>
Detail:					
Other Expenses	<u>952,339</u>	<u>952,339</u>	<u>867,915</u>	<u>84,424</u>	<u>-</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HARRINGTON PARK
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 25,000	\$ 25,000	\$ 25,000	-	-
Total Capital Improvements Excluded From "CAPS"	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	305,000	305,000	305,000		
Interest on Bonds	43,000	43,000	42,647		\$ 353
Green Trust Loan Program					
Loan Repayments for Principal and Interest	4,000	4,000	3,727		273
NJEIT Loan Program					
Loan Repayments for Principal and Interest	<u>34,000</u>	<u>34,000</u>	<u>33,964</u>	<u>-</u>	<u>36</u>
Total Municipal Debt Service Excluded from "CAPS"	<u>386,000</u>	<u>386,000</u>	<u>385,338</u>	<u>-</u>	<u>662</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>1,363,339</u>	<u>1,363,339</u>	<u>1,278,253</u>	<u>\$ 84,424</u>	<u>662</u>
Subtotal General Appropriations	6,498,146	6,498,146	6,082,247	415,237	662
Reserve for Uncollected Taxes	<u>170,000</u>	<u>170,000</u>	<u>170,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 6,668,146</u>	<u>\$ 6,668,146</u>	<u>\$ 6,252,247</u>	<u>\$ 415,237</u>	<u>\$ 662</u>
<u>Reference</u>	A-2	A-2		A	

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF HARRINGTON PARK
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Reference</u>	<u>Paid or Charged</u>
Cash Disbursed	A-4	\$ 6,191,750
Less: Budget Offsets	A-4	<u>246,805</u>
		5,944,945
Reserve for Uncollected Taxes	A-2	170,000
Transferred to Appropriated Reserves	A-23	33,354
Reserve for Tax Appeals	A-21	50,000
Encumbrances Payable	A-14	<u>53,948</u>
	A-3	<u>\$ 6,252,247</u>

**BOROUGH OF HARRINGTON PARK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2018 AND 2017**

ASSETS	<u>Reference</u>	<u>2018</u>	<u>2017</u>
ANIMAL CONTROL TRUST FUND			
Cash	B-3	\$ 5,079	\$ 4,362
		<u>5,079</u>	<u>4,362</u>
OTHER TRUST FUND			
Cash	B-3	436,949	405,267
Due from Current Fund	B-18	4,478	4,478
		<u>441,427</u>	<u>409,745</u>
MUNICIPAL OPEN SPACE AND RECREATION TRUST FUND			
Cash	B-3	415,517	384,868
Due from Current Fund	B-26	89,916	64,638
		<u>505,433</u>	<u>449,506</u>
LENGTH OF SERVICE AWARD PROGRAM TRUST FUND (UNAUDITED)			
Investments	B	1,019,381	1,028,510
Contribution Receivable	B	73,735	73,452
		<u>1,093,116</u>	<u>1,101,962</u>
Total Assets		<u>\$ 2,045,055</u>	<u>\$ 1,965,575</u>

BOROUGH OF HARRINGTON PARK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
LIABILITIES AND RESERVES			
ANIMAL CONTROL TRUST FUND			
Reserve for Animal Control Fund Expenditures	B-4	\$ 5,079	\$ 4,362
		<u>5,079</u>	<u>4,362</u>
OTHER TRUST FUND			
Developer's Deposits	B-7	59,821	59,821
Street Opening Deposits - Developers	B-9	2,000	2,000
Subdivision Applications - Developers	B-8	107,724	101,374
Payroll Deductions	B-22	5,002	4,627
Dedicated Funds			
Cat License Fees	B-10	7,815	7,132
Tennis Program Reserve - Recreation	B-11	8,936	8,936
Unemployment Insurance Trust	B-17	17,633	17,538
Parking Offenses Adjudication Act	B-12	284	266
Recycling Program	B-13	306	2,239
Recreation Fees	B-14	14,446	10,226
Green Team/Environmental Commission-Donations	B-24	845	1,421
Police - Donations	B-25	2,889	2,539
World Trade Center Assistance	B-19	1,097	1,097
Beautification	B-27	12,158	5,617
Tree Fees	B-28	15,532	15,532
HP Community Business Alliance	B-30	2,622	
Due to State of New Jersey			
State Training Fees	B-15	7,018	7,018
Domestic Violence Fees	B-16	103	103
Tax Sale Premiums	B-23	82,000	87,100
Reserve for Affordable Housing - Developer's Fees	B-20	93,196	75,159
		<u>441,427</u>	<u>409,745</u>
MUNICIPAL OPEN SPACE AND RECREATION			
TRUST FUND			
Contracts Payable	B-29		5,504
Reserve for Open Space Expenditures	B-21	505,433	444,002
		<u>505,433</u>	<u>449,506</u>
LENGTH OF SERVICE AWARD PROGRAM TRUST FUND			
(UNAUDITED)			
Reserve for LOSAP	B	1,093,116	1,101,962
		<u>1,093,116</u>	<u>1,101,962</u>
Total Liabilities and Reserves		<u>\$ 2,045,055</u>	<u>\$ 1,965,575</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HARRINGTON PARK
STATEMENT OF REVENUES - REGULATORY BASIS - OPEN SPACE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018 Anticipated</u>	<u>2018 Realized</u>	<u>Excess or (Deficit)</u>
Amount to be Raised by Taxation	\$ 89,620	\$ 89,916	\$ 296
	<u>\$ 89,620</u>	<u>\$ 89,916</u>	<u>\$ 296</u>
<u>Reference</u>	B-2	B-21	

EXHIBIT B-2

STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budget (Memorandum)</u>	<u>Paid or Charged</u>	<u>Excess or (Deficit)</u>
Maintenance of Land for Recreation and Conservation Other Expenses	\$ 89,620	\$ 28,485	\$ 61,135
<u>Reference</u>	B-1	B-21	

**BOROUGH OF HARRINGTON PARK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Cash and Cash Equivalents	C-2,C-3	\$ 643,285	\$ 1,020,994
Grants Receivable	C-6	247,613	290,410
Due from NJEIT Loan Program	C-7	25,150	25,150
Deferred Charges to Future Taxation			
Funded	C-4	2,119,963	2,461,855
Unfunded	C-5	<u>1,320,247</u>	<u>1,411,897</u>
 Total Assets		 <u>\$ 4,356,258</u>	 <u>\$ 5,210,306</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds Payable	C-13	\$ 1,986,000	\$ 2,291,000
Green Trust Loan Payable	C-14		3,690
NJEIT Loan Program	C-15	133,963	167,165
Improvement Authorizations			
Funded	C-12	846,320	1,057,994
Unfunded	C-12	860,790	1,411,897
Contracts Payable	C-9	297,071	20,165
Due to Current Fund	C-10	171	132
Reserve for Payment of Debt	C-11	155,624	200,624
Capital Improvement Fund	C-8	37,727	19,047
Reserve for Grants Receivable	C-16	<u>38,592</u>	<u>38,592</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 4,356,258</u>	 <u>\$ 5,210,306</u>

There were bonds and notes authorized but not issued at December 31, 2018 and 2017 amounting to \$1,320,247 and \$1,411,897, respectively. (Exhibit C-17)

BOROUGH OF HARRINGTON PARK
COMPARATIVE SCHEDULES OF GENERAL FIXED ASSETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
General Fixed Assets		
Land and Land Improvements	\$ 4,223,491	\$ 4,223,491
Buildings and Building Improvements	1,648,052	1,635,772
Machinery and Equipment	<u>4,513,709</u>	<u>4,390,759</u>
	<u>\$ 10,385,252</u>	<u>\$ 10,250,022</u>
Investment in General Fixed Assets	<u>\$ 10,385,252</u>	<u>\$ 10,250,022</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Harrington Park (the "Borough") was incorporated in 1904 and operates under an elected Mayor and Council form of government. The Mayor is elected to a four-year term and the six council members are elected at-large, two each year for terms of three years. The Mayor is the Chief Executive Officer of the Borough and as such presides over all public meetings and makes appointments to various boards. The Borough Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. A Borough Administrator is appointed by the Borough Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all Borough affairs and for the day to day operations of the Borough. The Borough Administrator is the Chief Administrative Officer for the Borough. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

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

B. Description of Regulatory Basis of Accounting

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

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. The Borough also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

The Borough has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

Trust Funds - These funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individuals, private organizations, or other governments are recorded in the Trust Funds.

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

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

Municipal Open Space and Recreation Trust Fund - This fund is used to account for the receipts and disbursements relating to taxes raised to finance the maintenance, improvement and repair of the Borough's recreation facilities and to preserve open space.

Length of Service Award Program Fund (LOSAP) – This fund is established to account for the tax-deferred income benefits to active volunteer members of emergency service organizations of the Borough.

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

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Borough. The Borough's infrastructure is not reported in the account group.

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

Reclassifications - Certain reclassifications may have been made to the December 31, 2017 balances to conform to the December 31, 2018 presentation.

Financial Statements – Regulatory Basis

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Borough presents the regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Borough of Harrington Park follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division ("regulatory basis of accounting") differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. with the exception of LOSAP Trust Fund investments which are reported at fair value and are limited by N.J.A.C. 5:30-14.19. GAAP requires that all investments be reported at fair value.

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

Property Tax Revenues/Receivables - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of December 31, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Miscellaneous Revenues/Receivables - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

Grant and Similar Award Revenues/Receivables - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

Property Acquired for Taxes – Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired, and is fully reserved. GAAP requires such property to be recorded as a capital asset in the government-wide financial statements at fair value on the date of acquisition.

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

Deferred Charges – Certain expenditures and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures and certain other items generally to be recognized when incurred, if measurable.

Funded and unfunded debt authorizations for general capital projects are also recorded as deferred charges and represent permanent long-term debt issues outstanding (funded) and temporary debt issues outstanding or unissued debt authorizations (unfunded), respectively. GAAP does not permit the recording of deferred charges for funded and unfunded debt authorizations.

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

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

**BOROUGH OF HARRINGTON PARK
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

Deferred School Taxes – School taxes raised in advance in the Current Fund for a school fiscal year (July 1 to June 30) which remain unpaid at December 31 of the calendar year levied may be deferred to fund balance to the extent of not more than 50% of the annual levy providing no requisition has been made by the school district for such amount. GAAP does not permit the deferral of unpaid school taxes to fund balance at year end.

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Harrington Park has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$1,000 and an estimated useful life in excess of two years.

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

General Fixed Assets purchased after December 31, 2002 are stated at cost. Donated fixed assets are recorded at acquisition value at the date of donation.

General Fixed Assets purchased prior to December 31, 2002 are stated as follows:

Land and Buildings	1986 Assessed Value
Building and Building Improvement	1986 Assessed Value
Machinery and Equipment	Estimated Historical Cost

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

GAAP requires that capital assets be recorded in the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in the government-wide financial statements.

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Use of Estimates - The preparation of financial statements requires management of the Borough to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services as per N.J.S.A. 40A:4 et seq.

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

- Animal Control Trust Fund
- Other Trust Fund
- Length of Service Award Program Trust Fund
- General Capital Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2018 and 2017 the Borough Council did not increase the original budget. The governing body approved several budget transfers during 2018 and 2017.

NOTE 3 CASH DEPOSITS AND INVESTMENTS

The Borough considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

A. Cash Deposits

The Borough's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Borough is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC or NCUSIF.

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

A. Cash Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2018 and 2017, the book value of the Borough's deposits were \$4,231,266 and \$6,711,899 and bank and brokerage firm balances of the Borough's deposits amounted to \$4,461,030 and \$6,782,726, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>2018</u>	<u>Bank Balance</u>	<u>2017</u>
Insured	\$ 4,424,341		\$ 6,746,698
Uninsured and Collateralized	<u>36,689</u>		<u>36,028</u>
	<u>\$ 4,461,030</u>		<u>\$ 6,782,726</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2018 and 2017, the Borough's bank balances of \$36,689 and \$36,028 were exposed to custodial credit risk as follows:

	<u>2018</u>	<u>2017</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department not in the Borough's name	<u>\$ 36,689</u>	<u>\$ 36,028</u>

**BOROUGH OF HARRINGTON PARK
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law, " (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investments in the Department of the Treasury for investment by local units; Local Government investment pools, deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

As of December 31, 2018 and 2017, the Borough had the following investments:

	<u>Fair Value LOSAP Only (Unaudited)</u>
<u>2018</u>	
VALIC - Length of Service Award Program	<u>\$ 1,019,381</u>
<u>2017</u>	
VALIC - Length of Service Award Program	<u>\$ 1,028,510</u>

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2018 and 2017, \$1,019,381 and \$1,028,510 of the Borough’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value (LOSAP)</u>	
	<u>2018</u>	<u>2017</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name	<u>\$ 1,019,381</u>	<u>\$ 1,028,510</u>

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and NJAC 5:30-14.19). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2018 and 2017, the Borough’s investment in Variable Annuity Life Insurance Company (VALIC) was rated Aa2 by Moody’s Investors.

Concentration of Credit Risk – The Borough places no limit in the amount the Borough may invest in any one issuer. More than five (5) percent of the Borough’s investments are in VALIC. These investments are 100% of the Borough’s total investments.

The fair value of the above-listed investment was based on quoted market prices

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

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
<u>Current</u>		
Property Taxes	\$ 123,586	\$ 135,779
Tax Title Liens	<u>28,348</u>	<u>26,366</u>
	<u>\$ 151,934</u>	<u>\$ 162,145</u>

In 2018 and 2017, the Borough collected \$135,765 and \$129,731 from delinquent taxes, which represented 84% and 84%, respectively of the prior year delinquent taxes receivable balance.

**BOROUGH OF HARRINGTON PARK
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	<u>2018</u>		<u>2017</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 171	\$ 94,394	\$ 132	\$ 69,116
Other Trust Fund	4,478		4,478	
Municipal Open Space and Recreation Trust Fund	89,916		64,638	
General Capital Fund	-	171	-	132
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 94,565</u>	<u>\$ 94,565</u>	<u>\$ 69,248</u>	<u>\$ 69,248</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or revenues earned in one fund which are due to another fund.

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

NOTE 6 DEFERRED SCHOOL TAXES

Under the regulatory basis of accounting, regulations allow for the deferral to fund balance of not more than 50% of the annual school levy when school taxes are raised in advance for a school year and have not been requisitioned by the school district as of December 31. The balance of unpaid school taxes levied, amount deferred and the amount reported as a liability (payable) at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
	<u>Local District School</u>	<u>Local District School</u>
Balance of Tax	\$ 6,162,670	\$ 6,052,250
Deferred Liability	<u>6,069,944</u>	<u>5,959,533</u>
Taxes Payable	<u>\$ 92,726</u>	<u>\$ 92,717</u>

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 7 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balance in the Current Fund is comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	<u>2018</u>		<u>2017</u>	
	Fund Balance <u>December 31</u>	Utilized in Subsequent Year's Budget	Fund Balance <u>December 31</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 1,684,621	\$ 380,000	\$ 1,493,435	\$ 380,000
Non-Cash Surplus	<u>10,489</u>	<u>-</u>	<u>3,975</u>	<u>-</u>
	<u>\$ 1,695,110</u>	<u>\$ 380,000</u>	<u>\$ 1,497,410</u>	<u>\$ 380,000</u>

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 8 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2018 and 2017.

	<u>Balance, January 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, December 31, 2018</u>
<u>2018</u>				
Land and Land Improvements	\$ 4,223,491			\$ 4,223,491
Buildings and Building Improvements	1,635,772	\$ 12,280		1,648,052
Machinery and Equipment	4,390,759	122,950	\$ -	4,513,709
	<u>\$ 10,250,022</u>	<u>\$ 135,230</u>	<u>\$ -</u>	<u>\$ 10,385,252</u>
	<u>Balance, January 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, December 31, 2017</u>
<u>2017</u>				
Land and Land Improvements	\$ 4,223,491			\$ 4,223,491
Buildings and Building Improvements	1,635,772			1,635,772
Machinery and Equipment	4,263,053	\$ 258,095	\$ 130,389	4,390,759
	<u>\$ 10,122,316</u>	<u>\$ 258,095</u>	<u>\$ 130,389</u>	<u>\$ 10,250,022</u>

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 9 MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

	<u>2018</u>	<u>2017</u>
Issued		
General		
Bonds and Loans	\$ 2,119,963	\$ 2,461,855
Less Funds Temporarily Held to Pay		
Bonds and Notes	<u>155,624</u>	<u>200,624</u>
Net Debt Issued	1,964,339	2,261,231
Authorized But Not Issued		
General		
Bonds and Notes	<u>1,320,247</u>	<u>1,411,897</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 3,284,586</u>	<u>\$ 3,673,128</u>

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .330 % and .372% at December 31, 2018 and 2017, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2018</u>			
General Debt	\$ 3,440,210	\$ 155,624	\$ 3,284,586
School Debt	<u>3,017,638</u>	<u>3,017,638</u>	<u>-</u>
Total	<u>\$ 6,457,848</u>	<u>\$ 3,173,262</u>	<u>\$ 3,284,586</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2017</u>			
General Debt	\$ 3,873,752	\$ 200,624	\$ 3,673,128
School Debt	<u>3,457,897</u>	<u>3,457,897</u>	<u>-</u>
Total	<u>\$ 7,331,649</u>	<u>\$ 3,658,521</u>	<u>\$ 3,673,128</u>

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Borrowing Power

The Borough's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

	<u>2018</u>	<u>2017</u>
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 34,793,427 <u>3,284,586</u>	\$ 34,585,288 <u>3,673,128</u>
Remaining Borrowing Power	<u>\$ 31,508,841</u>	<u>\$ 30,912,160</u>

A. Long-Term Debt

The Borough's long-term debt consisted of the following at December 31:

General Obligation Bonds

The Borough levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31 are as follows:

	<u>2018</u>	<u>2017</u>
\$2,876,000, 2015 Bonds due in annual installments of \$310,000 to \$351,000 through August 15, 2024, interest at 1.50% to 2.20%	\$ 1,986,000	\$ 2,291,000

Intergovernmental Loans Payable

The Borough has entered into a loan agreement with the New Jersey Green Trust for the financing relating to the acquisition of watershed lands.

	<u>2018</u>	<u>2017</u>
\$119,873, 1998 Loans, Maturing on February 18, 2018	\$ -	\$ 3,690

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

General Intergovernmental Loans Payable

The Borough has entered into loan agreements with the New Jersey Environmental Infrastructure Trust for the financing relating to the dredging and restoration of Blanch Brook. The Borough levies ad valorem taxes to pay debt service on general intergovernmental loans issued. The New Jersey Environmental Infrastructure Trust loans outstanding at December 31 are as follows:

	<u>2018</u>	<u>2017</u>
\$348,576, 2012 Loan, due in Semi-annual installments of \$8,088 and \$16,178 through August 1, 2022, interest at 0%	\$ 97,065	\$ 121,332
\$89,732, 2012 Loan, due in Annual installments of \$9,027 to \$9,447 through August 1, 2022, interest at 1.270% to 1.930%	<u>36,898</u>	<u>45,833</u>
	<u>\$ 133,963</u>	<u>\$ 167,165</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2018 is as follows:

Calendar Year	<u>Bonds</u>		<u>Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 310,000	\$ 38,072	\$ 33,294	\$ 603	\$ 381,969
2020	320,000	33,422	33,408	488	387,318
2021	325,000	27,822	33,549	348	386,719
2022	335,000	21,322	33,712	182	390,216
2023	345,000	14,622	-	-	359,622
2024	<u>351,000</u>	<u>7,722</u>	<u>-</u>	<u>-</u>	<u>358,722</u>
	<u>\$ 1,986,000</u>	<u>\$ 142,982</u>	<u>\$ 133,963</u>	<u>\$ 1,621</u>	<u>\$ 2,264,566</u>

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2018 and 2017 were as follows:

	Balance January 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<u>2018</u>					
General Capital Fund					
Bonds Payable	\$ 2,291,000		\$ 305,000	\$ 1,986,000	\$ 310,000
Intergovernmental Loans Payable	<u>170,855</u>	<u>-</u>	<u>36,892</u>	<u>133,963</u>	<u>33,294</u>
	<u>\$ 2,461,855</u>	<u>\$ -</u>	<u>\$ 341,892</u>	<u>\$ 2,119,963</u>	<u>\$ 343,294</u>
	Balance January 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>2017</u>					
General Capital Fund					
Bonds Payable	\$ 2,586,000		\$ 295,000	\$ 2,291,000	\$ 305,000
Intergovernmental Loans Payable	<u>211,257</u>	<u>-</u>	<u>40,402</u>	<u>170,855</u>	<u>36,892</u>
	<u>\$ 2,797,257</u>	<u>\$ -</u>	<u>\$ 335,402</u>	<u>\$ 2,461,855</u>	<u>\$ 341,892</u>

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, the Borough had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2018</u>		
2018 Road Resurfacing Program	\$10,932	2019
ADA Accessible Ramps & Sidewalks at Borough Hall and Library	11,537	2019
Roadway Improvements Project – Hackensack Ave. (Section S) and Kline Street	57,027	2019
Acquisition of Mobile Portable Devices	126,351	2019
Acquisition of FY50 Truck for DPW	67,419	2019

2017

There were none.

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 11 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Members of the Police Department after serving the required number of years and reaching the prescribed age as set forth by the Police and Firemen’s Retirement System of the State of New Jersey are entitled to six (6) months leave with pay. This payout will be charged to the current year budget at that time.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$95,138 and \$92,817 at December 31, 2018 and 2017, respectively. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability.

Changes in Other Long-Term Liabilities

Under the regulatory basis of accounting, certain other long-term liabilities which may be considered material to the financial statements are not reported either as an expenditure or a liability. However, under the regulatory basis of accounting, these other long-term liabilities and related information are required to be disclosed in the notes to the financial statements in conformity with the disclosure requirements of the Governmental Accounting Standards Board.

The Borough’s changes in other long-term liabilities for the years ended December 31, 2018 and 2017 were as follows:

	Balance, January 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<u>2018</u>					
Compensated Absences	\$ 92,817	\$ 2,321		\$ 95,138	
Net Pension Liability - PERS	3,598,002		\$ 520,038	3,077,964	
Net Pension Liability - PFRS	<u>6,051,177</u>	<u>-</u>	<u>682,448</u>	<u>5,368,729</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 9,741,996</u>	<u>\$ 2,321</u>	<u>\$ 1,202,486</u>	<u>\$ 8,541,831</u>	<u>\$ -</u>
	Balance, January 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>2017</u>					
Compensated Absences	\$ 90,554	\$ 77,124	\$ 74,861	\$ 92,817	
Net Pension Liability - PERS	4,608,999		1,010,997	3,598,002	
Net Pension Liability - PFRS	<u>7,024,930</u>	<u>-</u>	<u>973,753</u>	<u>6,051,177</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 11,724,483</u>	<u>\$ 77,124</u>	<u>\$ 2,059,611</u>	<u>\$ 9,741,996</u>	<u>\$ -</u>

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Borough employees who are eligible for pension coverage.

Police and Firemen’s Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after December 31, 1944. Membership is mandatory for such employees. PFRS is a cost-sharing multi-employer defined benefit pension plan with a special funding situation. For additional information about PFRS, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement benefits as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

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

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

Public Employees’ Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost-sharing multi-employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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

The following represents the membership tiers for PERS:

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

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (PERS) (Continued)

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

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Borough employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not earn the minimum salary required or do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at www.state.nj/treasury/doinvest.

Collective Net Pension Liability

The collective net pension liability of the participating employers for PERS at June 30, 2018 and 2017 is \$43.4 billion and \$48.9 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 40.45% and 36.78%, respectively. The collective net pension liability of the participating employers for PFRS at June 30, 2018 and 2017 is \$19.7 billion and \$21.6 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 57.91% and 54.52%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2017 and 2016 which were rolled forward to June 30, 2018 and 2017, respectively.

Actuarial Methods and Assumptions

In the July 1, 2017 and 2016 PERS and PFRS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions for 2018 and 2017 based on 10.0% for PFRS, 7.50% (effective July 1, 2018) and 7.34% (effective July 1, 2017) for PERS and 5.50% for DCRP of employee’s annual compensation.

For the years ended December 31, 2018 and 2017 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans. Employers’ contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability and in the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Borough for 2018, 2017 and 2016 were equal to the required contributions.

During the years ended December 31, 2018, 2017 and 2016, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>
2018	\$ 346,896	\$ 143,187
2017	299,840	138,250
2016	346,687	130,109

In addition for the years ended December 31, 2018 and 2017 the Borough contributed for long-term disability insurance premiums (LTDI) \$398 and \$186, respectively for PERS. Also, for the years ended December 31, 2018, 2017 and 2016, the Borough contributed for Early Retirement Incentive Program Contributions (ERIP) \$25,914, \$25,288 and \$24,551, respectively for PERS

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

The regulatory basis of accounting requires participating employers in PERS and PFRS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No.68) their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS and PFRS during the fiscal years ended June 30, 2018 and 2017. Employer allocation percentages have been rounded for presentation purposes.

**BOROUGH OF HARRINGTON PARK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS)

At December 31, 2018 and 2017, the Borough reported a liability of \$3,077,964 and \$3,598,002, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2018, the Borough's proportionate share was .01563 percent, which was an increase of .00017 percent from its proportionate share measured as of June 30, 2017 of .01546 percent.

For the years ended December 31, 2018 and 2017, the pension system has determined the Borough's pension expense to be \$226,618 and \$311,397, respectively, for PERS based on the actuarial valuations which are more than the actual contributions reported in the Borough's financial statements of \$143,187 and \$138,250, respectively. At December 31, 2018 and 2017, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	2018		2017	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 58,697	\$ 15,871	\$ 84,721	
Changes of Assumptions	507,197	984,169	724,873	\$ 722,216
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		28,871	24,500	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	135,134	14,612	154,726	18,811
Total	<u>\$ 701,028</u>	<u>\$ 1,043,523</u>	<u>\$ 988,820</u>	<u>\$ 741,027</u>

At December 31, 2018 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2019	\$ 73,004
2020	15,478
2021	(198,355)
2022	(178,155)
2023	(54,467)
Thereafter	-
	<u>\$ (342,495)</u>

**BOROUGH OF HARRINGTON PARK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Borough’s total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2018</u>	<u>2017</u>
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	1.65-4.15%	1.65-4.15%
	Based on Age	Based on Age
Thereafter	2.65%-5.15%	2.65-5.15%
	Based on Age	Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014, respectively.

**BOROUGH OF HARRINGTON PARK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2018</u>		<u>2017</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%	5.00%	5.51%
Cash Equivalents	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%	10.00%	3.78%
US Equity	30.00%	8.19%	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%	6.50%	11.64%
High Yield	2.50%	6.82%	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%	1.00%	6.61%
Private Real Asset	2.50%	11.83%	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	5.66%
2017	June 30, 2017	5.00%

**BOROUGH OF HARRINGTON PARK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

	<u>2018</u>	<u>2017</u>
Period of Projected Benefit		
Payments for which the Following		
Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2046	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2046 and Thereafter	From July 1, 2040 and Thereafter

* The municipal bond return rate used is 3.87% and 3.58% as of the measurement dates of June 30, 2018 and 2017, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Borough's proportionate share of the PERS net pension liability as of December 31, 2018 and 2017 calculated using the discount rate of 5.66% and 5.00%, respectively, as well as what the Borough's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 4.66% and 4.00%, respectively or 1-percentage-point higher 6.66% and 6.00%, respectively than the current rate:

	1% Decrease <u>(4.66%)</u>	Current Discount Rate <u>(5.66%)</u>	1% Increase <u>(6.66%)</u>
<u>2018</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>3,870,185</u>	\$ <u>3,077,964</u>	\$ <u>2,413,341</u>
	1% Decrease <u>(4.00%)</u>	Current Discount Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
<u>2017</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>4,463,566</u>	\$ <u>3,598,002</u>	\$ <u>2,876,880</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2018 and 2017. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

**BOROUGH OF HARRINGTON PARK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

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

Police and Firemen’s Retirement System (PFRS)

At December 31, 2018 and 2017, the Borough reported a liability of \$5,368,729 and \$6,051,177, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The Borough’s proportionate share of the net pension liability was based on a projection of the Borough’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2018, the Borough’s proportionate share was .03968 percent, which was an increase of .00048 percent from its proportionate share measured as of June 30, 2017 of .03920 percent.

For the years ended December 31, 2018 and 2017, the pension system has determined the Borough pension expense to be \$498,460 and \$618,342, respectively, for PFRS based on the actuarial valuations which are more than the actual contributions reported in the Borough’s financial statements of \$346,896 and \$299,840, respectively. At December 31, 2018 and 2017, the Borough’s deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough’s financial statements are from the following sources:

	2018		2017	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 54,620	\$ 22,217	\$ 39,256	\$ 35,515
Changes of Assumptions	460,833	1,375,913	746,178	991,006
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		29,372	115,471	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>475,564</u>	<u>380,760</u>	<u>629,743</u>	<u>528,342</u>
Total	<u>\$ 991,017</u>	<u>\$ 1,808,262</u>	<u>\$ 1,530,648</u>	<u>\$ 1,554,863</u>

**BOROUGH OF HARRINGTON PARK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen’s Retirement System (PFRS) (Continued)

At December 31, 2018 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2019	\$ 131,920
2020	(209,647)
2021	(440,953)
2022	(220,525)
2023	(78,040)
Thereafter	<u>-</u>
	<u>\$ (817,245)</u>

Actuarial Assumptions

The Borough’s total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2018</u>	<u>2017</u>
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	2.10%-8.98% Based on Age	2.10-8.98% Based on Age
Thereafter	3.10%-9.98% Based on Age	3.10-9.98% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA and one year using Scale BB.

The actuarial assumptions used in the July 1, 2017 and July 1, 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

**BOROUGH OF HARRINGTON PARK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen’s Retirement System (PFRS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans’ target asset allocation as of June 30, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2018</u>		<u>2017</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%	5.00%	5.51%
Cash	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment Grade Credit	10.00%	3.87%	10.00%	3.78%
US Equity	30.00%	8.19%	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%	6.50%	11.64%
High Yield	2.50%	6.82%	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%	1.00%	6.61%
Private Real Asset	2.50%	11.83%	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liabilities of the PFRS plan was as follows:

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	6.51%
2017	June 30, 2017	6.14%

**BOROUGH OF HARRINGTON PARK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen’s Retirement System (PFRS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PFRS defined benefit plan:

	<u>2018</u>	<u>2017</u>
Period of Projected Benefit		
Payments for which the Following		
Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2062	Through June 30, 2057
Municipal Bond Rate *	From July 1, 2062 and Thereafter	From July 1, 2057 and Thereafter

* The municipal bond return rate used is 3.87% and 3.58% as of the measurement dates of June 30, 2018 and 2017, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Borough’s proportionate share of the PFRS net pension liability as of December 31, 2018 and 2017 calculated using the discount rate of 6.51% and 6.14%, respectively, as well as what the Borough’s proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 5.51% and 5.14%, respectively or 1-percentage-point higher 7.51% and 7.14%, respectively than the current rate:

	1% Decrease (5.51%)	Current Discount Rate (6.51%)	1% Increase (7.51%)
<u>2018</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>7,185,378</u>	\$ <u>5,368,729</u>	\$ <u>3,870,325</u>
	1% Decrease (5.14%)	Current Discount Rate (6.14%)	1% Increase (7.14%)
<u>2017</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>7,972,924</u>	\$ <u>6,051,177</u>	\$ <u>4,472,243</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2018 and 2017. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.

**BOROUGH OF HARRINGTON PARK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen's Retirement System (PFRS) (Continued)

Special Funding Situation – PFRS

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

At December 31, 2018 and 2017, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$729,253 and \$677,783, respectively. For the years ended December 31, 2018 and 2017, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$86,379 and \$82,908, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$43,189 and \$33,892, respectively. At December 31, 2018 (measurement date June 30, 2018) the State's share of the PFRS net pension liability attributable to the Borough was .03968 percent, which was an increase of .00048 percent from its proportionate share measured as of December 31, 2017 (measurement date June 30, 2017) of .03920 percent. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

Pension Plan Fiduciary Net Position

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

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for participating municipalities including the Borough.

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the following post-retirement health benefit program covering substantially all eligible local government employees from local participating employers. The Borough only participates in the Special Funding Situation.

State Health Benefit Program Fund – Local Government Retired (the Plan) (including Prescription Drug Program Fund) – The Plan is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retires with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retires and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

State Health Benefit Program Fund – Local Government Retired (the Plan) (Continued)

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level coverage.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be assessed via, the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Measurement Focus and Basis of Accounting

The financial statements of the OPEB plan are prepared in accordance with U.S. generally accepted accounting principles as applicable to government organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the other postemployment benefit plan. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Special Funding Situation

Under N.J.S.A. 43:3C-24 the Borough is responsible for their own OPEB contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 330, P.L. 1997 and Chapter 271, P.L., 1989. Under Chapter 330, P.L. 1997, the State pays the premiums or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium of periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989. The amounts contributed on behalf of the Borough by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 75 is zero percent and the State's proportionate share is 100% of OPEB under this legislation.

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Special Funding Situation (Continued)

The State's proportionate share of the OPEB liability and expense attributable to the Borough for the OPEB special funding situation for 2018 was not made available by the State of New Jersey.

At December 31, 2017, the State's proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation is \$6,247,838. For the year ended December 31, 2017 the plan has determined the State's proportionate share of the OPEB expense attributable to the Borough for the OPEB special funding situation is \$447,133. At December 31, 2017, (measurement date June 30, 2017), the State's share of the OPEB liability attributable to the Borough was .07185 percent. The State's proportionate share attributable to the Borough was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

OPEB Plan Fiduciary Net Position

Detailed information about the June 30, 2017 OPEB plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

NOTE 14 RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Borough has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Borough should they occur.

The Borough of Harrington Park is a member of the Bergen County Municipal Joint Insurance Fund (BJIF) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The BJIF and MEL coverage amounts are on file with the Borough.

The relationship between the Borough and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Borough is contractually obligated to make all annual and supplementary contributions to the insurance funds, to report claims on a timely basis, to cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which the municipality was a member.

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund's Treasurer.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 14 RISK MANAGEMENT (Continued)

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State. The following is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Borough’s unemployment compensation trust fund for the current and previous two years:

<u>Year Ended December 31</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ 5,004	\$ 95	\$ 5,004	\$ 17,633
2017			290	17,538
2016			3,376	17,828

NOTE 15 CONTINGENT LIABILITIES

The Borough is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the Borough’s Attorney, the potential claims against the Borough not covered by insurance policies would not materially affect the financial condition of the Borough.

Pending Tax Appeals - Certain tax appeal cases were pending in the New Jersey Tax Court at December 31, 2018 and 2017. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2018 and 2017, the Borough reserved \$126,795 and \$76,795, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years’ budget, from fund balance and/or a refunding bond ordinance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2018 and 2017, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 16 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2018 and 2017, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

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

The Borough of Harrington Park Length of Service Award Program (the Program) was created by a Borough ordinance adopted on June 19, 2000 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of Harrington Park approved the adoption of the Program at the general election held on November 7, 2000.

The implementation of the Emergency Services Volunteer Length of Service Award Program for the Harrington Park Volunteer Ambulance Corps was created by a Borough ordinance adopted on June 16, 2014. The voters of the Borough of Harrington Park approved the adoption of the Program at the general election held on November 4, 2014.

The first year of eligibility for entrance into the Program was calendar year 2001 and 2015 for the Volunteer Fire Department and Volunteer Ambulance Corps, respectively. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the Volunteer Ambulance Corps, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a Program created by the governing body.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services issues the permitted maximum increase annually.

The Borough of Harrington Park has elected to contribute up to a maximum of \$1,411 and \$1,389 for 2018 and 2017, respectively, for each eligible volunteer fire department member into the Program. The Borough also contributed up to a maximum of \$1,193 and \$1,174 for 2018 and 2017, respectively for each eligible volunteer ambulance corps member into the Program. The total Borough contributions were \$70,446 and \$71,254 for 2018 and 2017, respectively.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Borough has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

Variable Annuity Life Insurance Company (VALIC) is the administrator of the Program. The Borough's practical involvement in administering the Program is essentially limited to verifying the eligibility of each participant and remitting the funds to the Program administrator.

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

Vesting and Benefits

A volunteer is eligible to receive a distribution of funds upon completing 5 (five) cumulative years as an active member of the volunteer organization. Certain restrictions and tax implications may result in the event of a withdrawal of funds from the Program.

If a volunteer member does not vest and terminates their association with the emergency service organization, the funds are returned to the sponsoring agency's surplus.

Reporting Requirements

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the Borough perform a separate review report of the Program in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Accounting and Auditing Review Services. Since a review does not constitute an audit, the financial statements pertaining to the Program are presented as unaudited in this report as part of the Borough's Trust Fund.

CURRENT FUND

**BOROUGH OF HARRINGTON PARK
STATEMENT OF CURRENT CASH - TREASURER**

Balance, January 1, 2018		\$	4,895,708
Increased by Receipts:			
Tax Collector Receipts	\$	23,036,429	
Revenue Accounts Receivable		787,905	
Miscellaneous Revenue Not Anticipated		77,257	
Federal and State Grants Received		626	
Budget Offsets		246,805	
State of New Jersey Senior Citizens' and Veterans' Deductions		39,250	
Unappropriated Grant Reserves		19,450	
Due to State - DCA Fees Payable		3,984	
Receipts from General Capital Fund		45,000	
Receipts from Animal Control Trust Fund		<u>24</u>	
			<u>24,256,730</u>
			29,152,438
Decreased by Disbursements:			
2018 Budget Appropriations		6,191,750	
2017 Appropriation Reserves		189,004	
Local District School Tax		12,029,468	
Regional High School Tax		5,467,506	
County Taxes		2,440,614	
Payments to Municipal Open Space and Recreation Trust Fund		64,638	
Appropriated Grant Reserves		23,758	
Tax Overpayment Refunds		11,980	
Due to State - DCA Fees Payable		<u>3,984</u>	
			<u>26,422,702</u>
Balance, December 31, 2018		\$	<u><u>2,729,736</u></u>

**BOROUGH OF HARRINGTON PARK
STATEMENT OF CASH - COLLECTOR**

Increased by Receipts:		
Taxes Receivable	\$ 22,864,075	
Revenue Accounts Receivable		
Interest and Costs on Taxes	38,377	
Tax Overpayments	38,096	
Prepaid Taxes	<u>95,881</u>	
		\$ <u>23,036,429</u>
Decreased by Transfers to Treasurer		\$ <u>23,036,429</u>

EXHIBIT A-6

STATEMENT OF CHANGE FUND

	Balance, January 1, 2018	Balance, December 31, 2018
<u>Office</u>		
Tax Collector	\$ <u>200</u>	\$ <u>200</u>

EXHIBIT A-7

STATEMENT OF PETTY CASH FUND

Balance, January 1, 2018	\$ <u>500</u>
Balance, December 31, 2018	\$ <u>500</u>

**BOROUGH OF HARRINGTON PARK
STATEMENT OF DUE TO STATE OF NEW JERSEY
SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, January 1, 2018		\$ 14,131
Increased by:		
Cash Receipts		<u>39,250</u>
		53,381
Decreased by:		
Senior Citizens' Deductions Per Tax Billings	\$ 2,250	
Veterans' Deductions per Tax Billings	36,250	
Senior Citizens' and Veterans' Deductions Allowed by Tax Collector	<u>1,250</u>	
		<u>39,750</u>
Balance, December 31, 2018		<u><u>\$ 13,631</u></u>

**BOROUGH OF HARRINGTON PARK
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

<u>Year</u>	<u>Balance January 1, 2018</u>	<u>2018 Levy</u>	<u>Collected in 2017</u>	<u>2018</u>	<u>Senior Citizens' and Veterans' Deductions Allowed</u>	<u>Remitted or Cancelled</u>	<u>Transferred to Tax Title Liens</u>	<u>Balance, December 31, 2018</u>
2017	135,779	-	-	\$ 135,765	-	-	-	14
	135,779	-	-	135,765	-	-	-	14
2018	-	\$ 25,463,850	\$ 2,548,570	22,728,310	\$ 39,750	\$ 21,666	\$ 1,982	\$ 123,572
	\$ 135,779	\$ 25,463,850	\$ 2,548,570	\$ 22,864,075	\$ 39,750	\$ 21,666	\$ 1,982	\$ 123,586

Analysis of 2018 Property Tax Levy

Tax Yield	
General Purpose	\$ 25,380,240
Added Taxes (R.S. 54:4-63.1 et seq.)	83,610
	<u>\$ 25,463,850</u>
Tax Levy	
Regional High School Tax (Abstract)	\$ 5,467,506
Local District School Tax (Abstract)	12,139,888
County Tax (Abstract)	\$ 2,333,129
County Tax for Open Space Preservation	99,381
County Tax for Added and Omitted Taxes (R.S. 54:4-63.1 et seq.)	<u>8,104</u>
	2,440,614
Local Tax for Municipal Purposes (Abstract)	4,915,124
Minimum Library Tax Levy (Abstract)	331,107
Additional Tax Levy	<u>79,695</u>
	5,325,926
Open Space Tax	89,620
Additional Tax Levy - Open Space Tax	<u>296</u>
	89,916
	<u>\$ 25,463,850</u>

**BOROUGH OF HARRINGTON PARK
STATEMENT OF TAX TITLE LIENS**

Balance, January 1, 2018	\$ 26,366
Increased by:	
Transfer from Taxes Receivable	<u>1,982</u>
Balance, December 31, 2018	<u>\$ 28,348</u>

STATEMENT OF PROPERTY ACQUIRED FOR TAXES (AT ASSESSED VALUATION)

Balance, January 1, 2018	<u>\$ 59,720</u>
Balance, December 31, 2018	<u>\$ 59,720</u>

BOROUGH OF HARRINGTON PARK
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, January 1, <u>2018</u>	Accrued in <u>2018</u>	<u>Collected</u>	Balance, December 31, <u>2018</u>
Licenses				
Alcoholic Beverages		\$ 1,620	\$ 1,620	
Other		2,435	2,435	
Fees and Permits		16,037	16,037	
Construction Code Official				
Fees and Permits		104,951	104,951	
Fines and Costs				
Municipal Court	\$ 2,149	27,882	28,253	\$ 1,778
Interest on Costs on Taxes		38,377	38,377	
Interest in Investments and Deposits		14,535	14,535	
Cablevision Fees		34,277	34,277	
Energy Receipts Taxes		447,738	447,738	
Watershed Moratorium Offset Aid		20,257	20,257	
Uniform Fire Safety Act		7,209	7,209	
Lease of Real Property - Cell Tower		57,128	57,128	
Donations - Borough Newsletter		4,150	4,150	
Verizon Video Fees		37,531	37,531	
Sewer Payments - Old Tappan	-	11,784	11,784	-
	<u>\$ 2,149</u>	<u>\$ 825,911</u>	<u>\$ 826,282</u>	<u>\$ 1,778</u>
Cash Receipts:				
Treasurer			\$ 787,905	
Collector			<u>38,377</u>	
			<u>\$ 826,282</u>	

**BOROUGH OF HARRINGTON PARK
STATEMENT OF 2017 APPROPRIATION RESERVES**

	Balance, January 1, <u>2018</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Salaries and Wages				
Administrative and Executive	\$ 2,000	\$ 1,947		\$ 1,947
Municipal Clerk		53	\$ 53	
Financial Administration	1,953	1,953	825	1,128
Revenue Administration	1	1		1
Assessment of Taxes	79	216	216	
Planning Board	403	403	175	228
Zoning Board of Adjustment	2,755	2,755		2,755
Police	46,037	46,037	5,188	40,849
Uniform Fire Safety Act	26	26		26
Road Repairs and Maintenance	9,593	9,593	3,282	6,311
Board of Health	37	371	371	
Environmental Commission	4	4		4
Recreation Services and Programs	33	33		33
Municipal Court	10	10		10
State Uniform Construction Code	3,200	3,200		3,200
Other Expenses				
Administrative and Executive	668	824	824	
Mayor and Council	778	778		778
Municipal Clerk	199	199		199
Financial Administration	1,450	1,519	69	1,450
Audit Services	28,500	28,500	27,300	1,200
Computerized Data Processing	466	466		466
Revenue Administration				
Other Expenses	1,503	1,503	735	768
Assessment of Taxes	3	71	71	
Legal Services and Costs				
Special Counsel	7,419	7,281	2,681	4,600
Engineering Services and Costs	1,000	1,000	1,000	
Planning Board	10,053	10,053	3,072	6,981
Zoning Board of Adjustment	601	601	12	589
General Liability Insurance	2,370	2,370		2,370
Disability Insurance	6,150	6,150		6,150
Employee Group Health	61,798	61,798		61,798
Unemployment Insurance	2,215	7,215	3,992	3,223
Police	6,257	9,647	9,646	1
Aid to Volunteer Ambulance Companies	2,491	2,747	2,589	158
Fire - Other Expenses	6,016	8,316	2,953	5,363
Fire Hydrant Services	5,994	5,994		5,994
Uniform Fire Safety Act	1,585	1,585		1,585
Road Repair and Maintenance	16,823	19,714	3,642	16,072
Solid Waste Collection	31,267	31,267	25,067	6,200
Public Buildings and Grounds	822	854	32	822
Vehicle Maintenance				
Police - Other Expenses	207	2,133	1,881	252
Streets and Roads - Other Expenses		1,664	1,664	
Other Public Works Function - Beautification	1,525	1,525		1,525
Board of Health	1,193	1,260	106	1,154
Environmental Commission	100	100		100
Maintenance of Parks	90	338		338
Seniors Transportation Agreement w/ Haworth	11,000	11,000		11,000
Municipal Court	821	821		821
Public Defender	1,100	1,100	400	700
State Uniform Construction Code	999	999		999

BOROUGH OF HARRINGTON PARK
STATEMENT OF 2017 APPROPRIATION RESERVES

	Balance, January 1, <u>2018</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Other Expenses (continued)				
Utilities:				
Electricity	\$ 3,383	\$ 3,383	\$ 1,824	\$ 1,559
Street Lighting	8,305	6,005	6,005	
Telephone and Telegraph	2,962	2,962	190	2,772
Water	9,319	9,319	1,612	7,707
Natural Gas	9,131	9,131		9,131
Gasoline	22,904	20,327	2,846	17,481
Bergen County Landfill Dumping Fees	36,692	31,692	6,615	25,077
Contribution to Public Employees Retirement System	19,785	19,785	876	18,909
Social Security System (O.A.S.I.)	9	9		9
Contribution to Defined Contribution Retirement Program	2,000	2,000		2,000
NJPDES Permit - Stormwater Permit				
Engineering - Other Expenses	650	650		650
Maintenance of Free Public Library	79	79		79
LOSAP	73,000	73,000	70,867	2,133
Recycling Tax Appropriation	981	981	323	658
9-1-1 Interlocal Agreement	60	60		60
Municipal Court Administrator - Borough of Norwood	<u>2,392</u>	<u>2,392</u>	<u>-</u>	<u>2,392</u>
	<u>\$ 471,246</u>	<u>\$ 479,769</u>	<u>\$ 189,004</u>	<u>\$ 290,765</u>
		\$ 471,246		
		<u>8,523</u>		
		<u>\$ 479,769</u>		
			<u>\$ 189,004</u>	
Cash Disbursements				

**BOROUGH OF HARRINGTON PARK
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, January 1, 2018	\$ 8,523
Increased by:	
Charged to 2018 Budget Appropriations	53,948
	62,471
Decreased by:	
Restored to Appropriation Reserves	8,523
Balance, December 31, 2018	\$ 53,948

STATEMENT OF PREPAID TAXES

Balance, January 1, 2018	\$ 2,548,570
Increased by:	
Collection - 2019 Taxes	95,881
	2,644,451
Decreased by:	
Application to 2018 Taxes	2,548,570
Balance, December 31, 2018	\$ 95,881

**BOROUGH OF HARRINGTON PARK
STATEMENT OF MUNICIPAL OPEN SPACE TAX PAYABLE**

Increased by:		
Tax Levied	\$	89,620
Added Taxes		<u>296</u>
		<u>\$ 89,916</u>
Decreased by:		
Due to Municipal Open Space and Recreation Trust Fund		<u>\$ 89,916</u>

STATEMENT OF COUNTY TAXES PAYABLE

Increased by:		
County Tax	\$	2,333,129
County Open Space Preservation		99,381
Due County for Added and Omitted Taxes		7,778
Due County Open Space Preservation Added and Omitted Taxes		<u>326</u>
		<u>\$ 2,440,614</u>
Decreased by:		
Payments		<u>\$ 2,440,614</u>

**BOROUGH OF HARRINGTON PARK
STATEMENT OF LOCAL DISTRICT SCHOOL TAX**

Balance, January 1, 2018		
School Tax Payable	\$ 92,717	
School Tax Deferred	<u>5,959,533</u>	
		\$ 6,052,250
Increased by:		
Levy School Year July 1, 2018 to June 30, 2019		<u>12,139,888</u>
		18,192,138
Decreased by:		
Payments		<u>12,029,468</u>
Balance, December 31, 2018		
School Tax Payable	92,726	
School Tax Deferred	<u>6,069,944</u>	
		<u>\$ 6,162,670</u>
2018 Liability for Local District School Tax		
Tax Paid		\$ 12,029,468
Add Tax Payable, December 31, 2018		<u>92,726</u>
		12,122,194
Less Tax Payable, January 1, 2018		<u>92,717</u>
Amount Charged to Operations		<u>\$ 12,029,477</u>

STATEMENT OF REGIONAL HIGH SCHOOL TAX

Increased by:		
Levy - Calendar Year 2018		<u>\$ 5,467,506</u>
Decreased by:		
Payments		<u>\$ 5,467,506</u>

**BOROUGH OF HARRINGTON PARK
STATEMENT OF RESERVE FOR SALE OF MUNICIPAL ASSETS**

Balance, January 1, 2018	\$ <u>6,539</u>
Balance, December 31, 2018	\$ <u><u>6,539</u></u>

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, January 1, 2018	\$ 76,795
Increased by:	
Transfer from 2018 Appropriations	<u>50,000</u>
Balance, December 31, 2018	\$ <u><u>126,795</u></u>

**BOROUGH OF HARRINGTON PARK
STATEMENT OF GRANTS RECEIVABLE**

	Balance, January 1, <u>2018</u>	<u>Accrued</u>	Cash <u>Collections</u>	Balance, December 31, <u>2018</u>
Municipal Alliance on Alcoholism and Drug Abuse-2017	3,975		\$ 626	\$ 3,349
Municipal Alliance on Alcoholism and Drug Abuse-2018	<u>-</u>	<u>\$ 7,140</u>	<u>-</u>	<u>7,140</u>
	<u>\$ 3,975</u>	<u>\$ 7,140</u>	<u>\$ 626</u>	<u>\$ 10,489</u>
		Cash Receipts	<u>\$ 626</u>	

**BOROUGH OF HARRINGTON PARK
STATEMENT OF APPROPRIATED GRANT RESERVES**

	Balance, January 1, <u>2018</u>	Increased By:		Balance, December 31, <u>2018</u>
		Transferred from 2018 <u>Appropriations</u>	<u>Expended</u>	
NJ-DOT-2010	\$ 2,411			\$ 2,411
Alcohol Education and Rehabilitation	4,448			4,448
Municipal Alliance Program - State	893	\$ 7,140	\$ 8,033	
Municipal Alliance Program - Local	2,380	2,380	443	4,317
Recycling Tonnage Grant	4,205	8,606	2,320	10,491
Body Armor Replacement Program	3,111	1,384		4,495
Highway Safety Grant	4,713			4,713
Bergen County Mini Grant	1,200	300		1,500
Senior Citizen Activities - CDBG	1,000	3,500	4,500	-
Anjec Grant	935			935
Clean Communities Grant	<u>35,481</u>	<u>10,044</u>	<u>8,462</u>	<u>37,063</u>
	<u>\$ 60,777</u>	<u>\$ 33,354</u>	<u>\$ 23,758</u>	<u>\$ 70,373</u>
		Cash Disbursements	<u>\$ 23,758</u>	

EXHIBIT A-24

STATEMENT OF UNAPPROPRIATED GRANT RESERVES

Balance, January 1, 2018	\$ 23,834
Increased by:	
Cash Receipts	<u>19,450</u>
	43,284
Decreased by:	
Revenue Realized in 2018 Budget	<u>23,834</u>
Balance, December 31, 2018	<u>\$ 19,450</u>
	Senior Citizen Activities - CDBG \$ 3,200
	Recycling Tonnage Grant 6,342
	Bergen County Mini Grant 300
	Clean Communities Grant <u>9,608</u>
	<u>\$ 19,450</u>

**BOROUGH OF HARRINGTON PARK
STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2018	\$ 30,725
Increased by:	
Overpayments in 2018	<u>38,096</u>
	68,821
Decreased by:	
Overpayments Refunded	<u>11,980</u>
Balance, December 31, 2018	<u>\$ 56,841</u>

STATEMENT OF DUE TO THE STATE - DCA FEES PAYABLE

Increased by:	
Cash Receipts	<u>\$ 3,984</u>
Decreased by:	
Cash Disbursements	<u>\$ 3,984</u>

TRUST FUNDS

**BOROUGH OF HARRINGTON PARK
STATEMENT OF CASH - TREASURER**

	Animal Control <u>Trust Fund</u>	<u>Other Trust Fund</u>	<u>Open Space</u>
Balance, January 1, 2018	\$ 4,362	\$ 405,267	\$ 384,868
Increased by:			
Dog License Fees	\$ 6,828		
Due State of New Jersey			
Dog License Fees	803		
Domestic Violence Fees		\$ 225	
Late Charges/Other	2,237		
Interest on Deposits	24		
Unemployment Insurance Trust		5,099	
Open Space Taxes			\$ 64,638
Subdivision Applications		61,860	
Cat License Fees		880	
Recycling Program Receipts		7,929	
Harrington Park Community Business Alliance		4,727	
Dedicated Parking Offenses Adjudication Act		18	
Dedicated Recreation Fees		13,569	
Payroll Deductions		3,202,823	
Beautification Reserve		6,848	
Police Donations		350	
Reserve for Affordable Housing		18,037	
Green Team/Environmental Commission - Donations		274	
Tax Sale Premiums	-	33,000	-
	<u>9,892</u>	<u>3,355,639</u>	<u>64,638</u>
	14,254	3,760,906	449,506
Decreased by:			
Due State of New Jersey			
Domestic Violence Fees		225	
Dog License Fees	803		
Unemployment Insurance Trust		5,004	
Animal Control Fund Expenditures	8,348		
Subdivision Applications		55,510	
Cat License Expenditures		197	
Payroll Deductions		3,202,448	
Recycling Program Expenditures		9,862	
Dedicated Recreation Fees		9,349	
Harrington Park Community Business Alliance		2,105	
Green Team/Environmental Commission - Expenditures		850	
Open Space Expenditures			28,485
Contracts Payable			5,504
Beautification Reserve		307	
Tax Sale Premiums		38,100	
Cash Disbursements to Current Fund	24	-	-
	<u>9,175</u>	<u>3,323,957</u>	<u>33,989</u>
Balance, December 31, 2018	<u>\$ 5,079</u>	<u>\$ 436,949</u>	<u>\$ 415,517</u>

**BOROUGH OF HARRINGTON PARK
STATEMENT OF RESERVE FOR ANIMAL CONTROL TRUST FUND EXPENDITURES
ANIMAL CONTROL FUND**

Balance, January 1, 2018		\$	4,362
Increased by:			
Dog License Fees Collected	\$		6,828
Late Fees and Other Fees		<u>2,237</u>	
			<u>9,065</u>
			13,427
Decreased by:			
Expenditures Under R.S. 4:19-15.11			<u>8,348</u>
Balance, December 31, 2018		\$	<u>5,079</u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2017	\$ 9,977
2016	<u>8,037</u>
	<u>\$ 18,014</u>

**STATEMENT OF DUE FROM STATE OF NEW JERSEY
ANIMAL CONTROL TRUST FUND**

Increased by:			
Payments to State of New Jersey		\$	<u>803</u>
Decreased by:			
State License Fees	\$		569
Pilot Clinic Control			114
Animal Population Control		<u>120</u>	
		\$	<u>803</u>

**STATEMENT OF DUE TO CURRENT FUND
ANIMAL CONTROL TRUST FUND**

Increased by:			
Interest on Deposits		\$	<u>24</u>
Decreased by:			
Cash Disbursements		\$	<u>24</u>

**BOROUGH OF HARRINGTON PARK
STATEMENT OF DEVELOPER'S DEPOSITS
OTHER TRUST FUND**

Balance, January 1, 2018	\$ <u>59,821</u>
Balance, December 31, 2018	\$ <u>59,821</u>

**STATEMENT OF SUBDIVISION APPLICATIONS - DEVELOPER'S
OTHER TRUST FUND**

Balance, January 1, 2018	\$ 101,374
Increase by:	
Cash Receipts	<u>61,860</u>
	163,234
Decreased by:	
Cash Disbursements	<u>55,510</u>
Balance, December 31, 2018	\$ <u>107,724</u>

**BOROUGH OF HARRINGTON PARK
STATEMENT OF STREET OPENING DEPOSITS - DEVELOPER'S
OTHER TRUST FUND**

Balance, January 1, 2018	\$ <u>2,000</u>
Balance, December 31, 2018	\$ <u>2,000</u>

EXHIBIT B-10

**STATEMENT OF DEDICATED CAT LICENSE FEES
OTHER TRUST FUND**

Balance, January 1, 2018	\$ 7,132
Increase by:	
Cash Receipts	<u>880</u>
	8,012
Decreased by:	
Cash Disbursements	<u>197</u>
	7,815
Balance, December 31, 2018	\$ <u>7,815</u>

EXHIBIT B-11

**STATEMENT OF TENNIS PROGRAM RESERVE - RECREATION
OTHER TRUST FUND**

Balance, January 1, 2018	\$ <u>8,936</u>
Balance, December 31, 2018	\$ <u>8,936</u>

**BOROUGH OF HARRINGTON PARK
STATEMENT OF DEDICATED PARKING OFFENSES ADJUDICATION ACT
OTHER TRUST FUND**

Balance, January 1, 2018	\$	266
Increased by:		
Cash Receipts		18
Balance, December 31, 2018	\$	284

**STATEMENT OF RECYCLING PROGRAM
(DEDICATED UNDER R.S. 40:12-8)
OTHER TRUST FUND**

Balance, January 1, 2018	\$	2,239
Increased by:		
Cash Receipts		7,929
		10,168
Decreased by:		
Cash Disbursements		9,862
Balance, December 31, 2018	\$	306

**STATEMENT OF DEDICATED RECREATION FEES
OTHER TRUST FUND**

Balance, January 1, 2018	\$	10,226
Increased by:		
Cash Receipts		13,569
		23,795
Decreased by:		
Cash Disbursements		9,349
Balance, December 31, 2018	\$	14,446

**BOROUGH OF HARRINGTON PARK
STATEMENT OF DUE TO STATE OF NEW JERSEY
STATE TRAINING FEES
OTHER TRUST FUND**

Balance, January 1, 2018	\$ <u>7,018</u>
Balance, December 31, 2018	\$ <u>7,018</u>

**STATEMENT OF DUE TO STATE OF NEW JERSEY - DOMESTIC VIOLENCE FEES
OTHER TRUST FUND**

Balance, January 1, 2018	\$ 103
Increased by:	
Cash Receipts	<u>225</u>
	328
Decreased by:	
Cash Disbursements - Payments to the State of New Jersey	<u>225</u>
Balance, December 31, 2018	\$ <u>103</u>

**BOROUGH OF HARRINGTON PARK
STATEMENT OF DEDICATED UNEMPLOYMENT INSURANCE TRUST
OTHER TRUST FUND**

Balance, January 1, 2018		\$ 17,538
Increased by:		
Employee Contributions	\$ 95	
Borough Contributions	<u>5,004</u>	
		<u>5,099</u>
		22,637
Decreased by:		
Cash Disbursements - Payments to the State of New Jersey		<u>5,004</u>
Balance, December 31, 2018		<u><u>\$ 17,633</u></u>

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

Balance, January 1, 2018		<u>\$ 4,478</u>
Balance, December 31, 2018		<u><u>\$ 4,478</u></u>

**BOROUGH OF HARRINGTON PARK
STATEMENT OF RESERVE FOR WORLD TRADE CENTER ASSISTANCE
OTHER TRUST FUND**

Balance, January 1, 2018	\$ <u>1,097</u>
Balance, December 31, 2018	\$ <u><u>1,097</u></u>

**STATEMENT OF RESERVE FOR AFFORDABLE HOUSING - DEVELOPER'S FEES
OTHER TRUST FUND**

Balance, January 1, 2018	\$ 75,159
Increased by:	
Cash Receipts	<u>18,037</u>
Balance, December 31, 2018	\$ <u><u>93,196</u></u>

**BOROUGH OF HARRINGTON PARK
STATEMENT OF RESERVE FOR MUNICIPAL OPEN SPACE
MUNICIPAL OPEN SPACE AND RECREATION TRUST FUND**

Balance, January 1, 2018		\$ 444,002
Increased by:		
2018 Tax Levy	\$ 89,620	
Added Tax Levy	<u>296</u>	
		<u>89,916</u>
		533,918
Decreased by:		
Cash Disbursements		<u>28,485</u>
Balance, December 31, 2018		<u>\$ 505,433</u>

EXHIBIT B-22

**STATEMENT OF RESERVE FOR PAYROLL DEDUCTIONS
OTHER TRUST FUND**

Balance, January 1, 2018		\$ 4,627
Increased by:		
Cash Receipts		<u>3,202,823</u>
		3,207,450
Decreased by:		
Cash Disbursements		<u>3,202,448</u>
Balance, December 31, 2018		<u>\$ 5,002</u>

**BOROUGH OF HARRINGTON PARK
STATEMENT OF RESERVE FOR TAX SALE PREMIUM
OTHER TRUST FUND**

Balance, January 1, 2018	\$	87,100
Increased by:		
Cash Receipts		33,000
		120,100
Decreased by:		
Cash Disbursements		38,100
Balance, December 31, 2018	\$	82,000

**STATEMENT OF RESERVE FOR GREEN TEAM/ENVIRONMENTAL COMMISSION -
DONATIONS
OTHER TRUST FUND**

Balance, January 1, 2018	\$	1,421
Increased by:		
Cash Receipts		274
		1,695
Decreased by:		
Cash Disbursements		850
Balance, December 31, 2018	\$	845

**BOROUGH OF HARRINGTON PARK
STATEMENT OF RESERVE FOR POLICE DONATIONS
OTHER TRUST FUND**

Balance, January 1, 2018	\$	2,539
Increased by:		
Cash Receipts		350
Balance, December 31, 2018	\$	2,889

**STATEMENT OF DUE FROM CURRENT FUND
OPEN SPACE TRUST FUND**

Balance, January 1, 2018	\$	64,638
Increased by:		
2018 Tax Levy	\$	89,620
Added Tax Levy		296
		89,916
		154,554
Decreased by:		
Cash Receipts		64,638
Balance, December 31, 2018	\$	89,916

EXHIBIT B-27

**BOROUGH OF HARRINGTON PARK
STATEMENT OF RESERVE FOR BEAUTIFICATION
OTHER TRUST FUND**

Balance, January 1, 2018	\$	5,617
Increased by:		
Cash Receipts		<u>6,848</u>
		12,465
Decreased by:		
Cash Disbursements		<u>307</u>
Balance, December 31, 2018	\$	<u>12,158</u>

EXHIBIT B-28

**STATEMENT OF RESERVE FOR TREE FEES
OTHER TRUST FUND**

Balance, January 1, 2018	\$	<u>15,532</u>
Balance, December 31, 2018	\$	<u>15,532</u>

EXHIBIT B-29

**STATEMENT OF CONTRACTS PAYABLE
MUNICIPAL OPEN SPACE AND RECREATION TRUST FUND**

Balance, January 1, 2018	\$	<u>5,504</u>
Decreased by:		
Cash Disbursements	\$	<u>5,504</u>

EXHIBIT B-30

**STATEMENT OF RESERVE FOR HARRINGTON PARK COMMUNITY BUSINESS ALLIANCE
OTHER TRUST FUND**

Increased by:		
Cash Receipts	\$	4,727
Decreased by:		
Cash Disbursements		<u>2,105</u>
Balance, December 31, 2018	\$	<u>2,622</u>

GENERAL CAPITAL FUND

BOROUGH OF HARRINGTON PARK
STATEMENT OF GENERAL CAPITAL CASH AND CASH EQUIVALENTS - TREASURER

Balance, January 1, 2018		\$ 1,020,994
Increased by Receipts:		
Budget Appropriation		
Capital Improvement Fund	\$ 25,000	
Grant Receipts	260,797	
Interest on Deposits	<u>39</u>	
		<u>285,836</u>
		1,306,830
Decreased by Disbursements:		
Improvement Authorizations	598,380	
Contracts Payable	20,165	
Payment to Current Fund as Anticipated Revenue	<u>45,000</u>	
		<u>663,545</u>
Balance, December 31, 2018		<u><u>\$ 643,285</u></u>

**BOROUGH OF HARRINGTON PARK
ANALYSIS OF GENERAL CAPITAL CASH AND CASH EQUIVALENTS**

	Balance, December 31, <u>2018</u>
Capital Improvement Fund	\$ 37,727
Contracts Payable	297,071
Reserve for Payment of Debt	155,624
Grants Receivable	(209,021)
Due to Current Fund	171
Due from NJEIT Loan Program	(25,150)
Improvement Authorizations:	
598 Acquisition of DPW Equipment	6,463
659/679 Various Capital Improvements	26,470
665 Dredging and Restoration of Blanch Brook	65,927
675 Various Capital Improvements	9,889
691 Various Capital Improvements	704,869
698 Various Capital Improvements	32,702
713 Various Roadway Improvements and Acquisition of Certain Fire Department Equipment	(282)
720 Various Capital Improvements	(338,469)
724 Acquisition of Various Mobile and Portable Radios and Related Equipment and Accessorie	<u>(120,706)</u>
	<u>\$ 643,285</u>

EXHIBIT C-4

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, January 1, 2018		\$ 2,461,855
Decreased by:		
2018 Budget Appropriations:		
Serial Bonds	\$ 305,000	
Green Trust Loan	3,690	
NJEIT Loan	<u>33,202</u>	
		<u>341,892</u>
Balance, December 31, 2018		<u>\$ 2,119,963</u>

**BOROUGH OF HARRINGTON PARK
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION- UNFUNDED**

		<u>Analysis of Balance, December 31, 2018</u>					
<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Balance, January 1, 2018</u>	<u>2018 Authorizations</u>	<u>Grant Award</u>	<u>Balance, December 31, 2018</u>	<u>Expenditures</u>	<u>Unexpended Improvement Authorizations</u>
665	Dredging & Restoration Blanch Brook	\$ 71,424			\$ 71,424		\$ 71,424
698	Various Capital Improvements	473			473		473
713	Various Roadway Improvements and Acquisition of Certain Fire Department Equipment	120,000			120,000	\$ 282	119,718
720	Various Capital Improvements	1,220,000		\$ 218,000	1,002,000	338,469	663,531
724	Acquisition of Various Mobile and Portable Radios and Related Equipment and Accessories	-	\$ 126,350	-	126,350	120,706	5,644
		<u>\$ 1,411,897</u>	<u>\$ 126,350</u>	<u>\$ 218,000</u>	<u>\$ 1,320,247</u>	<u>\$ 459,457</u>	<u>\$ 860,790</u>
							<u>Improvement Authorizations</u>
							<u>\$ 860,790</u>

**BOROUGH OF HARRINGTON PARK
STATEMENT OF GRANTS/ACCOUNTS RECEIVABLE**

	Department of Transportation						Dept of Office Emergency Mgmt.
<u>Total</u>	<u>Ord. 675 - Laroche Ave - Section 5 and Parkside - Section 3</u>	<u>Ord. 691 - Lynn Street</u>	<u>Ord. 691 - Parkside Rd - Section 4 and Harriot Place</u>	<u>Ord. 713 - Various Roadway Improvements and Acquisition of Certain Fire Equipment</u>	<u>Ord. 720 - Hackensack Ave (Section 4) and Kline Street</u>	<u>Ord. 691 - Emergency Generators</u>	
Balance, January 1, 2018	\$ 290,410	\$ 24,282	\$ 37,250	\$ 61,909	\$ 165,627	\$ 1,342	
Increased by: Grant Award	218,000	-	-	-	-	-	
Decreased by: Cash Receipts	508,410	24,282	37,250	61,909	165,627	218,000	
	<u>260,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,220</u>	<u>136,577</u>	
Balance, December 31, 2018	<u>\$ 247,613</u>	<u>\$ 24,282</u>	<u>\$ 37,250</u>	<u>\$ 61,909</u>	<u>\$ 41,407</u>	<u>\$ 81,423</u>	
<u>Analysis of Balance</u>							
<u>Pledged to Ordinance</u>							
Ord. 675	\$ 24,282						
Ord. 691	61,909						
Ord. 713	41,407						
Ord. 720	<u>81,423</u>						
	209,021						
<u>Reserve for Grant Receivable</u>							
Ord. 691	<u>38,592</u>						
	<u>\$ 247,613</u>						

**BOROUGH OF HARRINGTON PARK
STATEMENT OF DUE FROM NJEIT LOAN PROGRAM**

Balance, January 1, 2018	\$ <u>25,150</u>
Balance, December 31, 2018	\$ <u>25,150</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, January 1, 2018	\$ 19,047
Increased by:	
2018 Budget Appropriation	<u>25,000</u>
	44,047
Decreased by:	
Appropriations to Finance Improvement Authorizations	<u>6,320</u>
Balance, December 31, 2018	\$ <u>37,727</u>

STATEMENT OF CONTRACTS PAYABLE

Balance, January 1, 2018	\$ 20,165
Increased by:	
Contract Awards	<u>297,071</u>
	317,236
Decreased by:	
Cash Disbursements	<u>20,165</u>
Balance, December 31, 2018	\$ <u>297,071</u>

**BOROUGH OF HARRINGTON PARK
STATEMENT OF DUE TO CURRENT FUND**

Balance, January 1, 2018	\$ 132
Increased by:	
Interest on Deposits	<u>39</u>
Balance, December 31, 2018	<u>\$ 171</u>

STATEMENT OF RESERVE FOR PAYMENT OF DEBT

Balance, January 1, 2018	\$ 200,624
Decreased by:	
Payment to Current Fund as Anticipated Revenue	<u>45,000</u>
Balance, December 31, 2018	<u>\$ 155,624</u>

BOROUGH OF HARRINGTON PARK
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

<u>Improvements</u>	<u>Balance, January 1, 2018</u>		<u>2018</u>		<u>Balance, December 31, 2018</u>	
	<u>Funded</u>	<u>Unfunded</u>	<u>Improvement Authorizations</u>	<u>Expended</u>	<u>Funded</u>	<u>Unfunded</u>
598 Acquisition of DPW Equipment	\$ 6,463				\$ 6,463	
659/679 Various Capital Improvements	26,470				26,470	
665 Dredging & Restoration of Blanch Brook	65,927	\$ 71,424			65,927	\$ 71,424
675 Various Capital Improvements	9,889				9,889	
691 Various Capital Improvements	704,869				704,869	
698 Various Capital Improvements	33,724	473		\$ 1,022	32,702	473
713 Various Roadway Improvements and Acquisition of Certain Fire Department Equipment	148,277	120,000		148,559		119,718
720 Various Capital Improvements	62,375	1,220,000		618,844		663,531
724 Acquisition of Various Mobile and Portable Radios and Related Equipment and Accessories	-	-	\$ 132,670	127,026	-	5,644
	<u>\$ 1,057,994</u>	<u>\$ 1,411,897</u>	<u>\$ 132,670</u>	<u>\$ 895,451</u>	<u>\$ 846,320</u>	<u>\$ 860,790</u>

Analysis of Funding:

Debt Authorized	\$ 126,350
Capital Improvement Fund	<u>6,320</u>

\$ 132,670

Cash Disbursements	\$ 598,380
Contracts Payable	<u>297,071</u>

\$ 895,451

**BOROUGH OF HARRINGTON PARK
STATEMENT OF GREEN TRUST LOAN PAYABLE**

<u>Ord. Number</u>	<u>Improvement Description</u>	<u>Date Issued</u>	<u>Amount of Original Issue</u>	<u>Maturities Outstanding</u>		<u>Interest Rate</u>	<u>Balance,</u>	<u>Decreased</u>	<u>Balance,</u>
				<u>December 31, 2018</u>	<u>Date</u>		<u>2018</u>		<u>2018</u>
483	Acq. Of Watershed Lands	5/18/1998	\$ 119,873				\$ 3,690	\$ 3,690	\$ -

Paid by Budget Appropriation \$ 3,690

**BOROUGH OF HARRINGTON PARK
STATEMENT OF NJEIT FUND LOAN PAYABLE**

Ord. Number	Improvement Description	Date Issued	Amount of Original Issue	Maturities Outstanding		Interest Rate	Balance, January 1, 2018	Decreased	Balance, December 31, 2018
				Date	Amount				
665	Dredging & Restoration Blanch Brook	5/23/2012	\$ 348,576	2/1/2019	\$ 8,089	0.00%			
				8/1/2019	16,178				
				2/1/2020	8,089				
				8/1/2020	16,178				
				2/1/2021	8,089				
				8/1/2021	16,177				
				2/1/2022	8,088				
				8/1/2022	16,177				
						\$ 121,332	\$ 24,267	\$ 97,065	
665	Dredging & Restoration Blanch Brook	5/23/2012	89,732	8/1/2019	9,027	1.270%			
				8/1/2020	9,141	1.550%			
				8/1/2021	9,283	1.770%			
				8/1/2022	9,447	1.930%			
						<u>\$ 167,165</u>	<u>\$ 33,202</u>	<u>\$ 133,963</u>	
Paid by Budget Appropriation							<u>\$ 33,202</u>		

**BOROUGH OF HARRINGTON PARK
STATEMENT OF RESERVE FOR GRANT RECEIVABLES**

Balance, January 1, 2018	\$ <u>38,592</u>
Balance, December 31, 2018	\$ <u><u>38,592</u></u>
<u>Ord. 691</u>	
Lynn Street	\$ 37,250
OEM Emergency Generators	<u>1,342</u>
	<u>\$ 38,592</u>

BOROUGH OF HARRINGTON PARK
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ord. No.	<u>Improvement Description</u>	Balance, January 1, <u>2018</u>	2018 Improvement <u>Authorizations</u>	Grant <u>Award</u>	Balance, December 31, <u>2018</u>
665	Dredging & Restoration Blanch Brook	\$ 71,424			\$ 71,424
698	Various Capital Improvements	473			473
713	Various Roadway Improvements and Acquisition of Certain Fire Department Equipment	120,000			120,000
720	Various Capital Improvements	1,220,000		\$ 218,000	1,002,000
724	Acquisition of Various Mobile and Portable Radios and Related Equipment and Accessories	-	\$ 126,350	-	126,350
		<u>\$ 1,411,897</u>	<u>\$ 126,350</u>	<u>\$ 218,000</u>	<u>\$ 1,320,247</u>

BOROUGH OF HARRINGTON PARK
COUNTY OF BERGEN

PART II

GOVERNMENT AUDITING STANDARDS



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
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MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
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CHRIS SOHN, CPA

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

INDEPENDENT AUDITOR’S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Harrington Park
Harrington Park, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Harrington Park as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 18, 2019. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the omission of the 2018 note disclosures regarding the other postemployment health benefit information related to post-retirement medical benefits and the presentation of the unaudited LOSAP Trust Fund financial statements.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Harrington Park's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

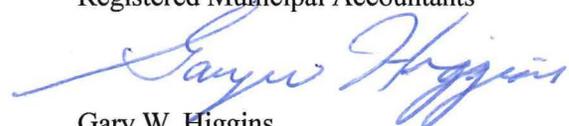
However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Harrington Park in Part III of this report of audit entitled, "Letter of Comments and Recommendations".

Purpose of this Report

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



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
June 18, 2019

**BOROUGH OF HARRINGTON PARK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Grant Year	CFDA Number	Grant Award Amount	2018 Grant Receipts	Balance, January 1, 2018	Revenue Realized	Expenditures	Balance, December 31, 2018	Cumulative Expenditures
Division of Highway Safety									
Highway Safety Grant	2014	20.616	\$ 5,150		\$ 1,863			\$ 1,863	\$ 2,850
Highway Safety Grant	2015	20.616	2,850		2,850			2,850	
U.S. Department of Law and Public Safety (Passed Through State Department of Law and Public Safety)									
FEMA - Hazard Mitigation - Ordinance No. 691	2014	97.039	75,000		1,342			1,342	73,658
FEMA - Hurricane Sandy	2013	97.036	231	\$ 231		\$ 231	\$ 231		231
Department of Transportation									
Trust Fund Authority Act - 2015 Lynn Street - Section 2 - Ord No. 691	2014	20.205	149,000		37,250			37,250	
Trust Fund Authority Act - Parkside Rd - Section 4 and Harriot Place - Ord No. 691	2013	20.205	150,000		61,909			61,909	88,091
U.S. Department of Housing and Urban Development (Passed Through Bergen County Dept. of Community Development)									
Community Development Block Grant									
Senior Citizen Activities	2016	14.218	3,500		1,000		1,000		3,500
Senior Citizen Activities	2017	14.218	3,500			3,500	3,500		3,500
Senior Citizen Activities	2018	14.218		3,200	-	-	-	-	
Total CDBG-Senior Citizen Activities					1,000	3,500	4,500	-	
					<u>\$ 106,214</u>	<u>\$ 3,731</u>	<u>\$ 4,731</u>	<u>\$ 105,214</u>	

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

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**BOROUGH OF HARRINGTON PARK
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>2018 Grant Receipts</u>	<u>Balance, January 1, 2018</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2018</u>	<u>Cumulative Expenditures</u>
Department of Transportation							
Trust Fund Authority Act - 2010	2010		\$ 2,411			\$ 2,411	\$ 6,742
Trust Fund Authority Act - Glen Avenue East - Ord No. 713	2017-6320-480-AMQ-078	\$ 124,220	165,627		\$ 124,220	41,407	124,220
Trust Fund Authority Act - Hackensack Avenue (Section 4) and Kline Street - Ord No. 720	2018-6320-480-AM2-078	136,577	-	\$ 218,000	136,577	81,423	136,577
Total NJ DOT Grant			<u>168,038</u>	<u>218,000</u>	<u>260,797</u>	<u>125,241</u>	
Clean Communities Grant Program							
	4900-765-178900						
2013							
2014			4,809		4,809		9,072
2015			18,849		3,653	15,196	3,653
2016			11,823			11,823	
2017				10,044		10,044	
2018		9,608	-	-	-	-	
Total Clean Communities Grant Program			<u>35,481</u>	<u>10,044</u>	<u>8,462</u>	<u>37,063</u>	
Body Armor Replacement Fund							
	*						
2015			1,729			1,729	1,124
2016			1,382			1,382	
2017				1,384		1,384	
Alcohol Education Rehabilitation & Enforcement	9735-760-098		4,448			4,448	500
Recycling Tonnage Grant							
	4910-100-224-042						
2017			4,205		2,320	1,885	6,084
2018				8,606		8,606	
2019		6,342					
ANJEC Grant Program	*		935			935	
<u>Passed Through County of Bergen</u>							
Municipal Alliance Program							
	*						
2017		626	893		893		7,140
2018			-	7,140	7,140	-	7,140
Total Municipal Alliance Program			<u>893</u>	<u>7,140</u>	<u>8,033</u>	<u>-</u>	
			<u>\$ 217,111</u>	<u>\$ 245,174</u>	<u>\$ 279,612</u>	<u>\$ 182,673</u>	

*Not Available

Note: The schedule was not subject to Single Audit as defined by OMB Circular 15-08.

See Accompanying Notes to Schedule of Expenditures of State Financial Assistance

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

**BOROUGH OF HARRINGTON PARK
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2018**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Borough of Harrington Park. The Borough is defined in Note 1(A) to the Borough's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the regulatory basis of accounting as prescribed for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1 to the Borough's financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Borough's financial statements. Financial assistance revenues are reported in the Borough's financial statements on a basis of accounting described above as follows:

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Current Fund	\$ 27,174	\$ 3,731	\$ 30,905
General Capital Fund	<u>218,000</u>	<u>-</u>	<u>218,000</u>
	<u>\$ 245,174</u>	<u>\$ 3,731</u>	<u>\$ 248,905</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Borough's fiscal year and grant program year.

**BOROUGH OF HARRINGTON PARK
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2018**

NOTE 5 STATE LOAN OUTSTANDING

The Borough's state loan outstanding at December 31, 2018, which is not required to be reported on the schedule of state financial assistance, is as follows:

<u>Loan Program</u>	<u>State Account Number</u>	<u>State</u>
NJEIT Program		\$ <u>133,963</u>

NOTE 6 RECLASSIFICATION

A certain grant program has been reclassified at December 31, 2017 from federal (Schedule A) to state program (Schedule B) for the following:

<u>Federal/State Grant Program</u>	<u>Account Number</u>	<u>Balance, December 31, 2017</u>
Department of Transportation Trust Fund Authority Act – Glen Avenue East – Ord. No. 713	2017-6320-480-AMQ-078	\$165,627

**BOROUGH OF HARRINGTON PARK
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Part I – Summary of Auditor’s Results

Financial Statements

Type of auditors' report issued on financial statements Modified - Presentation of Unaudited LOSAP Fund
and Omission of Certain Footnote Disclosures

Internal control over financial reporting:

1) Material weakness(es) identified _____ yes X no

2) Significant deficiency(ies) that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to the financial statements noted? _____ yes X no

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

**BOROUGH OF HARRINGTON PARK
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Part 2 – Schedule of Financial Statement Findings

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

There are none.

**BOROUGH OF HARRINGTON PARK
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

STATUS OF PRIOR YEAR FINDINGS

There were none.

BOROUGH OF HARRINGTON PARK

BERGEN COUNTY

PART III

SUPPORTING DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2018

**BOROUGH OF HARRINGTON PARK
SUPPORTING DATA**

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE - CURRENT FUND

	<u>Year 2018</u>			<u>Year 2017</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Utilized	\$ 380,000	1.40 %	\$	368,000	1.37 %
Miscellaneous - From Other Than Local					
Property Tax Levies	979,576	3.62		1,096,688	4.09
Collection of Delinquent Taxes and Tax Title Liens	135,765	0.50		129,731	0.49
Collection of Current Tax Levy	25,316,630	93.41		24,965,133	93.12
Other Credits	290,765	1.07		249,717	0.93
	<u>27,102,736</u>	<u>100.00</u> %		<u>26,809,269</u>	<u>100.00</u> %
EXPENDITURES					
Budget Expenditures					
Municipal Purposes	6,497,484	24.50 %		6,368,777	24.31 %
County Taxes	2,440,614	9.20		2,505,846	9.56
Local and Regional School Taxes	17,496,983	65.96		17,226,545	65.75
Municipal Open Space Tax	89,916	0.34		89,688	0.34
Other Expenditures	39	0.00		9,885	0.04
	<u>26,525,036</u>	<u>100.00</u> %		<u>26,200,741</u>	<u>100.00</u> %
Excess in Revenue over Expenditures	577,700			608,528	
Fund Balance, January 1	<u>1,497,410</u>			<u>1,256,882</u>	
	2,075,110			1,865,410	
Less Utilization as Anticipated Revenue	<u>380,000</u>			<u>368,000</u>	
Fund Balance, December 31	<u>\$ 1,695,110</u>			<u>\$ 1,497,410</u>	

**BOROUGH OF HARRINGTON PARK
SUPPORTING DATA**

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Tax Rate</u>	<u>\$2.832</u>	<u>\$2.802</u>	<u>\$2.722</u>
<u>Apportionment of Tax Rate</u>			
Municipal (Includes Municipal Library)	.585	.572	.558
Municipal Open Space Tax	.010	.010	.010
Regional High School	.610	.610	.591
Local School	1.355	1.330	1.295
County (Includes County Open Space Tax)	.272	.280	.268
<u>Assessed Valuation Basis</u>			
2018	<u>\$896,194,900</u>		
2017		<u>\$896,173,600</u>	
2016			<u>\$895,869,000</u>

Comparison Of Tax Levies And Current Collections

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2018	\$ 25,463,850	\$ 25,316,630	99.42%
2017	25,130,622	24,965,133	99.34%
2016	24,419,566	24,257,163	99.33%

Delinquent Taxes and Tax Title Liens

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

<u>December 31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total</u>	<u>Percentage of Tax Levy</u>
2018	\$ 28,348	\$ 123,586	\$ 151,934	0.60%
2017	26,366	135,779	162,145	0.65%
2016	24,404	129,231	153,635	0.63%

**BOROUGH OF HARRINGTON PARK
SUPPORTING DATA**

Property Acquired By Tax Title Lien Foreclosure

No properties have been acquired in 2018 by foreclosure or deed, as a result of liquidation of tax title liens.

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

<u>Year</u>	<u>Amount</u>
2018	\$59,720
2017	59,720
2016	59,720

Comparative Schedule Of Fund Balance

	<u>Year</u>	<u>Balance, December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund	2018	\$1,695,110	\$380,000
	2017	1,497,410	380,000
	2016	1,256,882	368,000

**BOROUGH OF HARRINGTON PARK
SUPPORTING DATA**

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>Type of Bond</u>
Paul Hoelscher	Mayor		
Jorden Nick Pedersen	Council President		
Joon Chung	Councilwoman		
Greg Evanella	Councilman		
Laura Fitzgerald	Councilwoman		
Allan Napolitano	Councilman		
Diane Walker	Councilwoman		
Ann H. Bistriz	Borough Clerk/Administrator		
Debra Rielly	Payroll/Construction Clerk		
Kunjesh Trivedi	Tax Collector, Tax Search Officer, Chief Financial Officer		
Patrick Wilkins	Assessor		
Joseph Zavarino	Construction Official		
Mark Kiernan	Superintendent of Public Works		
Albert Maalouf	Chief of Police		
Matthew Fierro	Magistrate		
Katherine Vigor	Court Administrator		

The Bergen County Municipal Joint Insurance Fund provides public employee dishonesty coverage for all employees in the amount of \$50,000.

The Bergen County Municipal Excess Liability Joint Insurance Fund provides public employee dishonesty coverage in the amount of \$950,000 for all employees.

BOROUGH OF HARRINGTON PARK SUPPORTING DATA

GENERAL COMMENTS

Prior Year Unresolved Comments

The audit of the Current Fund summary budget appropriation account status report (the "Report") indicated certain detail budget line item accounts were not in agreement with the adopted budget. It should be noted that the total budget per the report is in agreement with the adopted budget. It is recommended that the detail budget per the summary budget appropriations account status report be in agreement with the adopted budget.

Current Year Comments

Our audit indicated there exists certain old outstanding grant receivables in both the Current Fund and General Capital Fund and prior year grant reserves in the Current Fund at year end. It is recommended that the old outstanding grant receivables and grant reserves be reviewed and cleared of record.

Our audit revealed that in certain instances the employee health benefit contributions were not calculated in accordance with Chapter 78 of the Public Laws of 2011. It is recommended that employee contributions toward health benefits be calculated and withheld in accordance with Chapter 78 of the Public Laws of 2011.

Our audit revealed that several purchase orders examined had invoice dates that preceded the purchase order dates. It is recommended that efforts be made to ensure all purchase orders be issued prior to the ordering of goods or services.

Our audit of certain trust fund reserve balances at year end indicated they were not supported by a detail analysis. It is recommended that a detail analysis be maintained for all escrow deposits.

Contracts and Agreements Required To Be Advertised For N.J.S. 40a:11-4

N.J.S. 40A:11-4 states, "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the bid threshold, except by contract or agreement".

If the Borough's purchasing agent is qualified pursuant to subsection b. of Section 9 of P.L. 1971, c.198 (C.40A:11-9), the Borough may establish the bid threshold up to a maximum of \$40,000. 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. The Governing Body has designated the Chief Municipal Finance Officer as the qualified purchasing agent.

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$17,500 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Attorney's opinion should be sought before a commitment is made.

The minutes indicate that bids were solicited by public advertising for the following items:

- Glenn Avenue East Roadway Improvements
- 2018 Road Resurfacing Program
- ADA Accessible Ramps and Sidewalks at borough Hall and Library
- Hackensack Ave. (Section 4) and Kline Street Improvements
- Solid Waste and Recycling Collection

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.

**BOROUGH OF HARRINGTON PARK
SUPPORTING DATA**

GENERAL COMMENTS

Contracts and Agreements Required To Be Advertised For N.J.S. 40a:11-4 (Continued)

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishings or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed to determine whether any clear-cut violations existed and no violations of the Local Public Contracts Law were found.

Collection of Interest on Delinquent Taxes and Assessments

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

The Governing Body on January 6, 2018, adopted the following resolution authorizing interest to be charged on delinquent taxes:

"BE IT RESOLVED, by the Mayor and Council of the Borough of Harrington Park, that pursuant to Title 54:4-67 of the Revised Statutes of New Jersey, the Mayor and Council hereby fixed the rate of interest to be charged for the non-payment of taxes and assessments on or before the date when the same would become delinquent at the rate not to exceed 8% per annum on the first \$1,500 of the delinquency, and 18% per annum of any amount in excess of \$1,500 becoming delinquent after the due date.

BE IT FURTHER RESOLVED, that after the 10 day grace period, interest reverts back to the due date at the rate of 8% on the first \$1,500, etc.

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

Suggestions to Management

- Adjustments on Borough bank reconciliations be reviewed and cleared of record.
- Inactive bank accounts be closed.

Delinquent Taxes And Tax Title Liens

The tax sale was held on December 20, 2018.

Inspection of tax sale certificates revealed that all tax sale certificates 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>
2018	4
2017	4
2016	4

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax-paying basis.

**BOROUGH OF HARRINGTON PARK
SUPPORTING DATA**

RECOMMENDATIONS

It is recommended that:

- * 1. The detail budget per the summary budget appropriation account status report be in agreement with the adopted budget.
- 2. Old outstanding grant receivables and grant reserves be reviewed and cleared of record.
- 3. Employee contributions toward health benefits be calculated and withheld in accordance with Chapter 78 of the Public Laws of 2011.
- 4. Efforts be made to ensure all purchase orders be issued prior to the ordering of good or services.
- 5. A detail analysis be maintained for all escrow deposits.

Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior years' recommendations and corrective action was taken on all recommendations except those denoted by an asterisk (*).

* * * * *

Should any questions arise as to our comments or recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to contact us.



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405