

BOROUGH OF HARRINGTON PARK
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2019

BOROUGH OF HARRINGTON PARK

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BOROUGH OF HARRINGTON PARK

BERGEN COUNTY

PART I

REPORT OF AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

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, 2019 and 2018, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2019, 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, 2019 and 2018, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Award 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, 2019 and 2018. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 59 percent and 53 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2019 and 2018.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for 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, 2019 and 2018, 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 various funds for the year ended December 31, 2019 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.

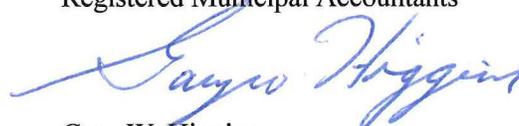
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 15, 2020 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 solely 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
September 15, 2020

BOROUGH OF HARRINGTON PARK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Cash and Cash Equivalents	A-4	\$ 2,810,961	\$ 2,729,736
Cash - Change Funds	A-6	200	200
Cash - Petty Cash Funds	A-7	500	500
Grants Receivable	A-22	<u>83,360</u>	<u>10,489</u>
		<u>2,895,021</u>	<u>2,740,925</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes	A-9	146,950	123,586
Tax Title Liens Receivables	A-10	30,367	28,348
Property Acquired for Taxes - At Assessed Valuation	A-11	59,720	59,720
Revenue Accounts Receivable	A-12	2,021	1,778
Due from General Capital Fund	C-10	<u>70,000</u>	<u>171</u>
		<u>309,058</u>	<u>213,603</u>
Total Assets		<u>\$ 3,204,079</u>	<u>\$ 2,954,528</u>

**BOROUGH OF HARRINGTON PARK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2019 AND 2018**

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Appropriation Reserves	A-3,A-13	\$ 451,760	\$ 415,237
Encumbrances Payable	A-14	29,568	53,948
Due to Other Trust Fund	B-18		4,478
Due to Municipal Open Space and Recreation Trust Fund	B-26		89,916
Prepaid Taxes	A-15	105,388	95,881
Tax Overpayments	A-25	22,333	56,841
Local District School Tax Payable	A-18	92,767	92,726
Regional School Tax Payable	A-19	91	
Due to State of New Jersey			
Senior Citizens and Veterans Deductions	A-8	14,381	13,631
DCA Fees Payable	A-26	2,662	
Reserve for Tax Appeals	A-21	201,345	126,795
Reserve for Sale of Municipal Assets	A-20	6,539	6,539
Appropriated Grant Reserves	A-23	146,251	70,373
Unappropriated Grant Reserves	A-24	<u>20,618</u>	<u>19,450</u>
		1,093,703	1,045,815
Reserve for Receivables	A	309,058	213,603
Fund Balance	A-1	<u>1,801,318</u>	<u>1,695,110</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 3,204,079</u>	<u>\$ 2,954,528</u>

BOROUGH OF HARRINGTON PARK
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 380,000	\$ 380,000
Miscellaneous Revenues Anticipated	A-2	1,258,432	902,319
Receipts from Delinquent Taxes	A-2	121,584	135,765
Receipts from Current Taxes	A-2	25,764,556	25,316,630
Non-Budget Revenues	A-2	79,391	77,257
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-13	197,584	290,765
Prior Year Interfunds Returned	A	171	-
		<u>27,801,718</u>	<u>27,102,736</u>
EXPENDITURES			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	2,795,037	2,686,970
Other Expenses	A-3	2,928,741	2,765,781
Capital Improvements	A-3	55,000	25,000
Municipal Debt Service	A-3	381,902	385,338
Deferred Charges and Statutory			
Expenditures - Municipal	A-3	693,003	634,395
County Taxes	A-17	2,331,270	2,333,129
County Taxes- Open Space Preservation	A-17	99,797	99,381
Due County for Added and Omitted Taxes	A-17	1,719	8,104
Local District School Tax	A-18	12,313,295	12,029,477
Regional High School Tax	A-19	5,555,727	5,467,506
Municipal Open Space Tax	A-16	90,019	89,916
Interfunds and Other Receivable Advanced	A	70,000	39
		<u>27,315,510</u>	<u>26,525,036</u>
Excess of Revenue over Expenditures (Brought Forward)		486,208	577,700

BOROUGH OF HARRINGTON PARK
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Excess of Revenue over Expenditures (Carried Forward)		\$ 486,208	\$ 577,700
FUND BALANCE, January 1	A	<u>1,695,110</u>	<u>1,497,410</u>
		2,181,318	2,075,110
Decreased by:			
Utilization as Anticipated Revenues	A-1	<u>380,000</u>	<u>380,000</u>
FUND BALANCE, December 31	A	<u>\$ 1,801,318</u>	<u>\$ 1,695,110</u>

BOROUGH OF HARRINGTON PARK
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Reference</u>	<u>Budget</u>	<u>Anticipated</u> Added by: <u>40A:4-87</u>	<u>Realized</u>	<u>Excess or</u> <u>(Deficit)</u>
FUND BALANCE ANTICIPATED	A-2	\$ 380,000	-	\$ 380,000	-
MISCELLANEOUS REVENUES					
Licenses					
Alcoholic Beverages	A-12	1,620		1,820	\$ 200
Other	A-12	2,430		2,978	548
Fees and Permits					
Other	A-12	16,000		23,134	7,134
Fines and Costs					
Municipal Court	A-12	28,252		35,342	7,090
Interest and Costs on Taxes	A-12	38,000		33,002	(4,998)
Interest on Investments and Deposits	A-2	14,527		14,901	374
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	103,061		100,649	(2,412)
Uniform Construction Code Fees - The Allegro at Harrington Park, LLC	A-12	130,785		243,580	112,795
Reserve for Recycling Tonnage Grant	A-24	6,342		6,342	-
Municipal Alliance on Alcoholism and Drug Abuse	A-22	7,140		7,140	-
BCUA 2019 Recycling Enhancement Grant Program	A-22	3,000		3,000	-
CDBG - ADA Bathroom	A-22		75,000	75,000	-
Reserve for Clean Communities	A-24	9,608		9,608	-
Reserve for Senior Citizen Activities - CDBG	A-24	3,200		3,200	-
Reserve for Bergen County Mini Grant	A-24	300		300	-
Uniform Fire Safety Act	A-12	7,000		7,484	484
Lease of Real Property - Cell Tower	A-12	67,000		67,590	590
Donations - Borough Newsletter	A-12	4,000		3,025	(975)
Reserve for Payment of Debt	C-11	70,000		70,000	-
Cablevision Fess	A-12	33,256		33,256	-
Verizon Video Fees	A-12	36,310		36,311	1
Sewer Payments - Old Tappan	A-12	11,000	-	12,775	1,775
 Total Miscellaneous Revenues	A-2	<u>1,060,826</u>	<u>75,000</u>	<u>1,258,432</u>	<u>122,606</u>
RECEIPTS FROM DELINQUENT TAXES	A-9	<u>127,000</u>	-	<u>121,584</u>	<u>(5,416)</u>
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET					
Local Tax for Municipal Purposes		5,049,663		5,038,061	(11,602)
Minimum Library Tax		331,261	-	331,261	-
	A-2	<u>5,380,924</u>	-	<u>5,369,322</u>	<u>(11,602)</u>
 Total General Revenues		<u>\$ 6,948,750</u>	<u>\$ 75,000</u>	<u>7,129,338</u>	<u>\$ 105,588</u>
 Non-Budget Revenues	A-1,A-2			<u>79,391</u>	
				<u>\$ 7,208,729</u>	

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, 2019**

	<u>Reference</u>	
<u>Analysis of Realized Revenue</u>		
Allocation of Current Tax Collections		
Revenue from Collections	A-1,A-9	\$ 25,792,556
Less Reserve for Tax Appeals	A-21	<u>28,000</u>
		25,764,556
Allocated to		
School, County, and Municipal Open Space Taxes	A-16,17,18,19	<u>20,565,234</u>
		5,199,322
Add: Appropriation for Reserve for Uncollected Taxes	A-3	<u>170,000</u>
Balance for Supporting Municipal Budget Appropriations	A-2	<u>\$ 5,369,322</u>
<u>Analysis of Interest on Investment and Deposits</u>		
Cash Receipts	A-12	\$ 14,878
Due from Animal Control Trust Fund	B-6	<u>23</u>
	A-2	<u>\$ 14,901</u>

**BOROUGH OF HARRINGTON PARK
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>Non-Budget Revenue</u>	<u>Reference</u>	
Police Outside Detail		\$ 50,992
Administration Fee - Homestead Rebate		315
Administration Costs - BCUA		5,420
2% Administration Fee - Senior Citizen and Veteran Deductions		765
JIF Dividends		11,972
DMV Inspection Fines		2,750
Miscellaneous Fees		<u>7,177</u>
	A-2, A-4	<u>\$ 79,391</u>

**BOROUGH OF HARRINGTON PARK
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<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	\$ 13,260	\$ 13,260	\$ 11,317	\$ 1,943	
Other Expenses	35,500	35,500	21,153	14,347	
Mayor and Council					
Other Expenses	2,500	2,500	1,158	1,342	
Municipal Clerk					
Salaries and Wages	64,739	64,739	64,502	237	
Other Expenses	5,000	5,000	4,111	889	
Financial Administration					
Salaries and Wages	159,200	159,200	156,792	2,408	
Other Expenses	24,342	24,342	18,853	5,489	
Audit Services					
Other Expenses	36,000	36,000	850	35,150	
Computerized Data Processing					
Other Expenses	17,400	17,400	15,059	2,341	
Revenue Administration (Tax Collection)					
Salaries and Wages	1	1		1	
Other Expenses	3,400	3,400	2,120	1,280	
Assessment of Taxes					
Salaries and Wages	21,420	23,420	22,868	552	
Other Expenses	3,500	1,500	561	939	
Legal Services and Costs					
Other Expenses					
Special Counsel	25,000	25,000	9,236	15,764	
Miscellaneous	50,000	50,000	43,627	6,373	
Engineering Services and Costs					
Other Expenses	13,200	13,200	12,100	1,100	
Planning Board					
Salaries and Wages	6,662	6,662	3,335	3,327	
Other Expenses	40,000	40,000	13,755	26,245	
Zoning Board of Adjustment					
Salaries and Wages	6,461	6,461	4,088	2,373	
Other Expenses	2,563	2,563	2,517	46	

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, 2019**

	<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	\$ 227,146	\$ 227,146	\$ 225,267	\$ 1,879	
Disability Insurance	6,304	6,304		6,304	
Employee Group Health	380,000	380,000	366,451	13,549	
Unemployment Insurance	7,000	7,000	5,801	1,199	
Police					
Salaries and Wages	1,585,407	1,585,407	1,562,671	22,736	
Other Expenses	50,000	50,000	46,083	3,917	
Emergency Management Services					
Other Expenses	2,050	2,050	2,000	50	
Aid to Volunteer Ambulance Companies	17,630	17,630	17,527	103	
Fire					
Other Expenses	77,000	78,500	75,567	2,933	
Fire Hydrant Services	90,955	90,955	90,247	708	
Uniform Fire Safety Act					
Salaries and Wages	5,440	5,440	5,439	1	
Other Expenses	3,280	3,280	3,273	7	
Municipal Prosecutor					
Prosecutor- Contractual	8,000	8,000	7,077	923	
PUBLIC WORKS FUNCTION					
Road Repairs and Maintenance					
Salaries and Wages	785,250	785,250	765,229	20,021	
Other Expenses	60,000	60,000	43,551	16,449	
Solid Waste Collection					
Garbage and Trash Removal - Contractual	411,000	411,000	376,750	34,250	
Public Buildings and Grounds					
Other Expenses	15,000	19,000	16,307	2,693	
Vehicle Maintenance					
Police- Other Expenses	12,000	12,000	12,000	-	
Streets and Roads- Other Expenses	12,000	12,000	11,919	81	
Other Public Works Function - Beautification					
Other Expenses	3,000	3,000	854	2,146	

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, 2019**

	<u>Appropriated</u>		<u>Expended</u>		
		Budget After		Paid or	
	<u>Budget</u>	<u>Modification</u>	<u>Charged</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS WITHIN "CAPS" (Cont'd)					
HEALTH and HUMAN SERVICES					
Board of Health					
Salaries and Wages - Regular	\$ 21,938	\$ 21,938	\$ 20,644	\$ 1,294	
Other Expenses	10,455	10,455	7,918	2,537	
Environmental Commission					
Salaries and Wages	775	775	761	14	
Other Expenses	1,000	1,000	807	193	
PARK AND RECREATION					
Recreation Services and Programs					
Salaries and Wages	1,953	2,953	2,733	220	
Other Expenses	2,050	150		150	
Maintenance of Parks					
Other Expenses	8,713	9,613	9,450	163	
Senior Citizen Activities	9,000	9,000	8,200	800	
Seniors Transportation Agreement w/Haworth	14,350	14,350	10,585	3,765	
Municipal Court					
Salaries and Wages	15,000	15,000	15,000	-	
Other Expenses	3,500	3,500	1,889	1,611	
Public Defender					
Other Expenses	1,250	1,250		1,250	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
State Uniform Construction Code					
Salaries and Wages	104,531	104,531	93,648	10,883	
Other Expenses	4,613	4,613	4,368	245	

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, 2019

	<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	\$ 27,316	\$ 27,316	\$ 20,028	\$ 7,288	
Street Lighting	52,531	52,531	42,166	10,365	
Telephone and Telegraph	34,517	34,517	34,317	200	
Water	24,164	24,164	16,650	7,514	
Natural Gas	12,082	12,082	6,460	5,622	
Gasoline	51,250	45,750	29,176	16,574	
Sewage Processing and Disposal	500	500	57	443	
	<u>4,690,098</u>	<u>4,690,098</u>	<u>4,366,872</u>	<u>323,226</u>	<u>-</u>
Total Operations Within "CAPS"					
Detail:					
Salaries and Wages	2,792,037	2,795,037	2,729,027	66,010	
Other Expenses	1,898,061	1,895,061	1,637,845	257,216	-
	<u>4,690,098</u>	<u>4,690,098</u>	<u>4,366,872</u>	<u>323,226</u>	<u>-</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"					
Statutory Charges					
Contribution to Public Employees Retirement System	155,615	155,615	155,615		
Social Security System (O.A.S.I.)	117,875	117,875	112,059	5,816	
Police & Firemen's Retirement System of NJ	387,885	387,885	387,885		
Contribution to PERS - ERIP	26,628	26,628	26,628		
Contribution to Defined Contribution Retirement Program	5,000	5,000	-	5,000	-
	<u>693,003</u>	<u>693,003</u>	<u>682,187</u>	<u>10,816</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
	<u>693,003</u>	<u>693,003</u>	<u>682,187</u>	<u>10,816</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"					
	<u>5,383,101</u>	<u>5,383,101</u>	<u>5,049,059</u>	<u>334,042</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, 2019**

	<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	\$ 1,450	\$ 5,050	
Bergen County Utilities Authority					
Operating	272,518	272,518	272,518		
Debt Service	90,631	90,631	90,631		
EDUCATION FUNCTIONS					
Maintenance of Free Public Library	340,107	340,107	313,955	26,152	
LOSAP	77,000	77,000		77,000	
Reserve for Tax Appeals	50,000	50,000	50,000	-	
Recycling Tax Appropriation	7,354	7,354	-	7,354	-
	<u>844,110</u>	<u>844,110</u>	<u>728,554</u>	<u>115,556</u>	<u>-</u>
Total Other Operations - Excluded from "CAPS"					
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS					
9-1-1 Interlocal Agreement	58,600	58,600	58,589	11	
Municipal Court Administrator - Borough of Norwood	24,000	24,000	21,849	2,151	-
	<u>82,600</u>	<u>82,600</u>	<u>80,438</u>	<u>2,162</u>	<u>-</u>
Total Interlocal Municipal Service Agreements					
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES					
Clean Communities Grant	9,608	9,608	9,608		
BCUA 2019 Recycling Enhancement Grant Program	3,000	3,000	3,000		
Senior Citizen Activities - CDBG	3,200	3,200	3,200		
CDBG - ADA Bathroom		75,000	75,000		
Municipal Alliance Program (State and Local Match)	9,520	9,520	9,520		
Bergen County Mini Grant	300	300	300		
Recycling Tonnage Grant	6,342	6,342	6,342	-	-
	<u>31,970</u>	<u>106,970</u>	<u>106,970</u>	<u>-</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues					
Total Operations Excluded from "CAPS"	<u>958,680</u>	<u>1,033,680</u>	<u>915,962</u>	<u>117,718</u>	<u>-</u>
Detail:					
Other Expenses	<u>958,680</u>	<u>1,033,680</u>	<u>915,962</u>	<u>117,718</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, 2019

	<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	\$ 55,000	\$ 55,000	\$ 55,000	-	-
Total Capital Improvements Excluded From "CAPS"	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE -					
EXCLUDED FROM "CAPS"					
Payment of Bond Principal	310,000	310,000	310,000		
Interest on Bonds	38,072	38,072	38,072		
NJEIT Loan Program					
Loan Repayments for Principal and Interest	<u>33,897</u>	<u>33,897</u>	<u>33,830</u>	<u>-</u>	<u>\$ 67</u>
Total Municipal Debt Service Excluded from "CAPS"	<u>381,969</u>	<u>381,969</u>	<u>381,902</u>	<u>-</u>	<u>67</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>1,395,649</u>	<u>1,470,649</u>	<u>1,352,864</u>	<u>\$ 117,718</u>	<u>67</u>
Subtotal General Appropriations	6,778,750	6,853,750	6,401,923	451,760	67
Reserve for Uncollected Taxes	<u>170,000</u>	<u>170,000</u>	<u>170,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 6,948,750</u>	<u>\$ 7,023,750</u>	<u>\$ 6,571,923</u>	<u>\$ 451,760</u>	<u>\$ 67</u>
<u>Reference</u>	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, 2019

	<u>Reference</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>
Original Budget	A-3	\$ 6,948,750	
Added by NJSA 40A:4.87	A-2	<u>75,000</u>	
		<u>\$ 7,023,750</u>	
Cash Disbursed	A-4		\$ 6,218,498
Reserve for Uncollected Taxes	A-2		170,000
Transferred to Appropriated Reserves	A-23		106,970
Reserve for Tax Appeals	A-21		50,000
Encumbrances Payable	A-14		<u>26,455</u>
	A-3		<u>\$ 6,571,923</u>

**BOROUGH OF HARRINGTON PARK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2019 AND 2018**

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
ANIMAL CONTROL TRUST FUND			
Cash	B-3	\$ <u>2,228</u>	\$ <u>5,079</u>
		<u>2,228</u>	<u>5,079</u>
OTHER TRUST FUND			
Cash	B-3	407,371	436,949
Due from Current Fund	B-18	<u>-</u>	<u>4,478</u>
		<u>407,371</u>	<u>441,427</u>
MUNICIPAL OPEN SPACE AND RECREATION TRUST FUND			
Cash	B-3	555,893	415,517
Due from Current Fund	B-26	<u>-</u>	<u>89,916</u>
		<u>555,893</u>	<u>505,433</u>
LENGTH OF SERVICE AWARD PROGRAM TRUST FUND (UNAUDITED)			
Investments	B	1,338,471	1,019,381
Contribution Receivable	B	<u>74,526</u>	<u>73,735</u>
		<u>1,412,997</u>	<u>1,093,116</u>
Total Assets		<u>\$ 2,378,489</u>	<u>\$ 2,045,055</u>

**BOROUGH OF HARRINGTON PARK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2019 AND 2018**

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
LIABILITIES AND RESERVES			
ANIMAL CONTROL TRUST FUND			
Reserve for Animal Control Fund Expenditures	B-4	\$ 2,228	\$ 5,079
		<u>2,228</u>	<u>5,079</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	101,438	107,724
Payroll Deductions	B-22	6,579	5,002
Dedicated Funds			
Cat License Fees	B-10	8,368	7,815
Tennis Program Reserve - Recreation	B-11	8,936	8,936
Unemployment Insurance Trust	B-17	17,942	17,633
Parking Offenses Adjudication Act	B-12	314	284
Recycling Program	B-13	2,797	306
Recreation Fees	B-14	46,932	14,446
Green Team/Environmental Commission-Donations	B-24	2,205	845
Police - Donations	B-25	2,889	2,889
World Trade Center Assistance	B-19	1,097	1,097
Beautification	B-27	4,346	12,158
Tree Fees	B-28	29,431	15,532
HP Community Business Alliance	B-29	5,404	2,622
Due to State of New Jersey			
State Training Fees	B-15	7,018	7,018
Domestic Violence Fees	B-16	78	103
Tax Sale Premiums	B-23	-	82,000
Reserve for Affordable Housing - Developer's Fees	B-20	99,776	93,196
		<u>407,371</u>	<u>441,427</u>
MUNICIPAL OPEN SPACE AND RECREATION TRUST FUND			
Due to General Capital Fund	C-11	101,925	
Reserve for Open Space Expenditures	B-21	453,968	505,433
		<u>555,893</u>	<u>505,433</u>
LENGTH OF SERVICE AWARD PROGRAM TRUST FUND (UNAUDITED)			
Reserve for LOSAP	B	1,412,997	1,093,116
		<u>1,412,997</u>	<u>1,093,116</u>
Total Liabilities and Reserves		<u>\$ 2,378,489</u>	<u>\$ 2,045,055</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, 2019

	<u>2019 Anticipated</u>	<u>2019 Realized</u>	<u>Excess or (Deficit)</u>
Amount to be Raised by Taxation	\$ 89,955	\$ 90,018	\$ 63
	<u>\$ 89,955</u>	<u>\$ 90,018</u>	<u>\$ 63</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, 2019

	<u>Budget (Memorandum)</u>	<u>Paid or Charged</u>	<u>Excess or (Deficit)</u>
Maintenance of Land for Recreation and Conservation			
Other Expenses	\$ 89,955	\$ 43,308	\$ 46,647
	<u>\$ 89,955</u>	<u>\$ 43,308</u>	<u>\$ 46,647</u>
<u>Reference</u>	B-1	B-21	

**BOROUGH OF HARRINGTON PARK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2019 AND 2018**

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Cash and Cash Equivalents	C-2,C-3	\$ 182,318	\$ 643,285
Grants Receivable	C-6	400,038	247,613
Due from NJEIT Loan Program	C-7		25,150
Due from Open Space Trust Fund	C-11	101,925	
Deferred Charges to Future Taxation			
Funded	C-4	1,762,806	2,119,963
Unfunded	C-5	<u>3,111,430</u>	<u>1,320,247</u>
 Total Assets		 <u>\$ 5,558,517</u>	 <u>\$ 4,356,258</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds Payable	C-14	\$ 1,676,000	\$ 1,986,000
NJEIT Loan Program	C-15	86,806	133,963
Improvement Authorizations			
Funded	C-13	811,387	846,320
Unfunded	C-13	1,202,902	860,790
Contracts Payable	C-9	1,533,131	297,071
Due to Current Fund	C-10	70,000	171
Reserve for Payment of Debt	C-12	85,624	155,624
Capital Improvement Fund	C-8	3,575	37,727
Reserve for Grants Receivable	C-16	<u>89,092</u>	<u>38,592</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 5,558,517</u>	 <u>\$ 4,356,258</u>

There were bonds and notes authorized but not issued at December 31, 2019 and 2018 amounting to \$3,111,430 and \$1,320,247, 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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
General Fixed Assets		
Land and Land Improvements	\$ 4,223,491	\$ 4,223,491
Buildings and Building Improvements	1,648,052	1,648,052
Machinery and Equipment	<u>4,808,022</u>	<u>4,513,709</u>
	<u>\$ 10,679,565</u>	<u>\$ 10,385,252</u>
Investment in General Fixed Assets	<u>\$ 10,679,565</u>	<u>\$ 10,385,252</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, 2019 AND 2018**

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, 2018 balances to conform to the December 31, 2019 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, 2019 AND 2018**

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, 2019 AND 2018**

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, 2019 AND 2018**

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, 2019 AND 2018**

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 2019 and 2018 the Borough Council increased the original budget by \$75,000 and \$0, respectively. The 2019 increase was funded by additional aid allotted to the Borough. The governing body approved several budget transfers during 2019 and 2018.

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, 2019 AND 2018**

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, 2019 and 2018, the book value of the Borough's deposits were \$3,959,471 and \$4,231,266 and bank and brokerage firm balances of the Borough's deposits amounted to \$4,098,085 and \$4,461,030, 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>2019</u>	<u>Bank Balance</u>	<u>2018</u>
Insured	\$ 4,098,085		\$ 4,424,341
Uninsured and Collateralized	<u>-</u>		<u>36,689</u>
	<u>\$ 4,098,085</u>		<u>\$ 4,461,030</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, 2019 and 2018, the Borough's bank balances of \$0 and \$36,689 were exposed to custodial credit risk as follows:

	<u>2019</u>	<u>2018</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department not in the Borough's name	<u>\$ -</u>	<u>\$ 36,689</u>

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, 2019 and 2018, the Borough had the following investments:

	<u>Fair Value LOSAP Only (Unaudited)</u>
<u>2019</u>	
VALIC - Length of Service Award Program	<u>\$ 1,338,471</u>
<u>2018</u>	
VALIC - Length of Service Award Program	<u>\$ 1,019,381</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, 2019 and 2018, \$1,338,471 and \$1,019,381 of the Borough’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value (LOSAP)</u>	<u>2019</u>	<u>2018</u>
Uninsured and Collateralized:			
Collateral held by pledging financial institution's trust department but not in the Borough's name		<u>\$ 1,338,471</u>	<u>\$ 1,019,381</u>

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, 2019 and 2018, 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, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
<u>Current</u>		
Property Taxes	\$ 146,950	\$ 123,586
Tax Title Liens	<u>30,367</u>	<u>28,348</u>
	<u>\$ 177,317</u>	<u>\$ 151,934</u>

In 2019 and 2018, the Borough collected \$121,584 and \$135,765 from delinquent taxes, which represented 80% and 84%, respectively of the prior year delinquent taxes receivable balance.

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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>2019</u>		<u>2018</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	\$ 70,000		\$ 171	\$ 94,394
Other Trust Fund			4,478	
Municipal Open Space and Recreation Trust Fund		\$ 101,925	89,916	
General Capital Fund	<u>101,925</u>	<u>70,000</u>	<u>-</u>	<u>171</u>
Total	<u>\$ 171,925</u>	<u>\$ 171,925</u>	<u>\$ 94,565</u>	<u>\$ 94,565</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, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
	<u>Local District School</u>	<u>Local District School</u>
Balance of Tax	\$ 6,336,118	\$ 6,162,670
Deferred Liability	<u>6,243,351</u>	<u>6,069,944</u>
Taxes Payable	<u>\$ 92,767</u>	<u>\$ 92,726</u>

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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>2019</u>		<u>2018</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	\$ 1,717,958	\$ 572,500	\$ 1,684,621	\$ 380,000
Non-Cash Surplus	<u>83,360</u>	<u>-</u>	<u>10,489</u>	<u>-</u>
	<u>\$ 1,801,318</u>	<u>\$ 572,500</u>	<u>\$ 1,695,110</u>	<u>\$ 380,000</u>

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, 2019 and 2018.

	Balance, January 1, <u>2019</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2019</u>
<u>2019</u>				
Land and Land Improvements	\$ 4,223,491			\$ 4,223,491
Buildings and Building Improvements	1,648,052			1,648,052
Machinery and Equipment	<u>4,513,709</u>	\$ 294,313	\$ -	<u>4,808,022</u>
	<u>\$ 10,385,252</u>	<u>\$ 294,313</u>	<u>\$ -</u>	<u>\$ 10,679,565</u>
	Balance, January 1, <u>2018</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>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	<u>4,390,759</u>	<u>122,950</u>	\$ -	<u>4,513,709</u>
	<u>\$ 10,250,022</u>	<u>\$ 135,230</u>	<u>\$ -</u>	<u>\$ 10,385,252</u>

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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>2019</u>	<u>2018</u>
Issued		
General		
Bonds and Loans	\$ 1,762,806	\$ 2,119,963
Less Funds Temporarily Held to Pay		
Bonds and Notes	<u>85,624</u>	<u>155,624</u>
Net Debt Issued	1,677,182	1,964,339
Authorized But Not Issued		
General		
Bonds and Notes	<u>3,111,430</u>	<u>1,320,247</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 4,788,612</u>	<u>\$ 3,284,586</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 .478 % and .330% at December 31, 2019 and 2018, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2019</u>			
General Debt	\$ 4,874,236	\$ 85,624	\$ 4,788,612
School Debt	<u>2,550,023</u>	<u>2,550,023</u>	<u>-</u>
Total	<u>\$ 7,424,259</u>	<u>\$ 2,635,647</u>	<u>\$ 4,788,612</u>
	<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>

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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>2019</u>	<u>2018</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 35,042,759	\$ 34,793,427
Net Debt	<u>4,788,612</u>	<u>3,284,586</u>
Remaining Borrowing Power	<u>\$ 30,254,147</u>	<u>\$ 31,508,841</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>2019</u>	<u>2018</u>
\$2,876,000, 2015 Bonds due in annual installments of \$320,000 to \$351,000 through August 15, 2024, interest at 1.75% to 2.20%	<u>\$ 1,676,000</u>	<u>\$ 1,986,000</u>

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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:

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 New Jersey Environmental Infrastructure Trust loans outstanding at December 31 are as follows:

	<u>2019</u>	<u>2018</u>
\$348,576, 2012 Loan, due in Semi-annual installments of \$5,780 and \$16,178 through August 1, 2022, interest at 0%	\$ 62,401	\$ 97,065
\$89,732, 2012 Loan, due in Annual installments of \$5,981 to \$9,447 through August 1, 2022, interest at 1.550% to 1.930%	<u>24,405</u>	<u>36,898</u>
	<u>\$ 86,806</u>	<u>\$ 133,963</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2019 is as follows:

<u>Calendar Year</u>	<u>Bonds</u>		<u>Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
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	19,849	182	376,353
2023	345,000	14,622	-	-	359,622
2024	351,000	7,722	-	-	358,722
2025	-	-	-	-	-
	<u>\$ 1,676,000</u>	<u>\$ 104,910</u>	<u>\$ 86,806</u>	<u>\$ 1,018</u>	<u>\$ 1,868,734</u>

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, 2019 and 2018 were as follows:

	Balance January 1, <u>2019</u>	<u>Additions</u>	<u>Reductions (A)</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
<u>2019</u>					
General Capital Fund					
Bonds Payable	\$ 1,986,000		\$ 310,000	\$ 1,676,000	\$ 320,000
Intergovernmental Loans Payable	<u>133,963</u>	<u>-</u>	<u>47,157</u>	<u>86,806</u>	<u>33,408</u>
	<u>\$ 2,119,963</u>	<u>\$ -</u>	<u>\$ 357,157</u>	<u>\$ 1,762,806</u>	<u>\$ 353,408</u>
	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>

(A) Includes cancellation of \$13,863 of intergovernmental loans.

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/Commitment</u>	<u>Remaining Commitment</u>	<u>Estimated Date of Acquisition/ Completion</u>
<u>2019</u>		
Roadway Improvement Project - Hackensack Ave.	\$ 79,688	2020
2019 Road Resurfacing Program - Riverside Coop	54,507	2020
Acquisition of Fire Truck - Pierce Model TA03	1,020,564	2020
Acquisition of Fire Pumper Truck - Ford F550	301,590	2020

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

<u>2018</u>	<u>Capital Project/Commitment</u>	<u>Remaining Commitment</u>	<u>Estimated Date of Acquisition/ Completion</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 \$) and Kline Street	57,027	2019
	Acquisition of Mobile Portable Devices	126,351	2019
	Acquisition of FY50 Truck for DPW	67,419	2019

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 \$97,516 and \$95,138 at December 31, 2019 and 2018, 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, 2019 and 2018 were as follows:

	Balance, January 1, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
<u>2019</u>					
Compensated Absences	\$ 95,138	\$ 2,378		\$ 97,516	
Net Pension Liability - PERS	3,077,964		\$ 286,458	2,791,506	
Net Pension Liability - PFRS	<u>5,368,729</u>	<u>-</u>	<u>459,369</u>	<u>4,909,360</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 8,541,831</u>	<u>\$ 2,378</u>	<u>\$ 745,827</u>	<u>\$ 7,798,382</u>	<u>\$ -</u>

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities (Continued)

	Balance, January 1, 2018	Additions	Reductions	Balance, December 31, 2018	Due Within One Year
<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>

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.

**BOROUGH OF HARRINGTON PARK
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (PERS) (Continued)

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

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, 2019 AND 2018**

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 local PERS at June 30, 2019 and 2018 is \$18.1 billion and \$19.7 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 56.27% and 53.60% respectively. The collective net pension liability of the participating employers for local PFRS at June 30, 2019 and 2018 is \$14.2 billion and \$15.4 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 65.00% and 62.48%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2018 and 2017 which were rolled forward to June 30, 2019 and 2018, respectively.

Actuarial Methods and Assumptions

In the July 1, 2018 and 2017 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, 2019 AND 2018**

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 2019 and 2018 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, 2019 and 2018 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. 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 2019, 2018 and 2017 were equal to the required contributions.

During the years ended December 31, 2019, 2018 and 2017, 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>
2019	\$ 387,885	\$ 155,493
2018	346,896	143,187
2017	299,840	138,250

In addition for the years ended December 31, 2019, 2018 and 2017 the Borough contributed for long-term disability insurance premiums (LTDI) \$122, \$398 and \$186, respectively for PERS. The Borough also contributed for Early Retirement Incentive Program Contributions (ERIP) for the years ended December 31, 2019, 2018 and 2017, \$26,628, \$25,914 and \$25,288, 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, 2019 and 2018. Employer allocation percentages have been rounded for presentation purposes.

Public Employees Retirement System (PERS)

At December 31, 2019 and 2018, the Borough reported a liability of \$2,791,506 and \$3,077,964, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Borough’s proportionate share of the net pension liability was based on the ratio of the Borough’s contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2019, the Borough’s proportionate share was .01549 percent, which was a decrease of .00014 percent from its proportionate share measured as of June 30, 2018 of .01563 percent.

**BOROUGH OF HARRINGTON PARK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough’s pension expense to be \$179,478 and \$226,618 respectively, for PERS based on the actuarial valuations which are more than the actual contributions reported in the Borough’s financial statements of \$155,493 and \$143,187, respectively. At December 31, 2019 and 2018, 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:

	2019		2018	
	<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	\$ 50,104	\$ 12,332	\$ 58,697	\$ 15,871
Changes of Assumptions	278,742	968,923	507,197	984,169
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		44,065		28,871
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>75,820</u>	<u>36,048</u>	<u>135,134</u>	<u>14,612</u>
Total	<u>\$ 404,666</u>	<u>\$ 1,061,368</u>	<u>\$ 701,028</u>	<u>\$ 1,043,523</u>

At December 31, 2019 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense (benefit) as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2020	\$ (41,721)
2021	(255,554)
2022	(235,354)
2023	(111,665)
2024	(12,408)
Thereafter	<u>-</u>
	<u>\$ (656,702)</u>

**BOROUGH OF HARRINGTON PARK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Borough's total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The 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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2019</u>	<u>2018</u>
Inflation Rate:		2.25%
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through 2026	2.00-6.00% Based on Years of Service	1.65-4.15% Based on Age
Thereafter	3.00%-7.00% Based on Years of Service	2.65%-5.15% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	Pub-2010	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2019 and AA for 2018.

The actuarial assumptions used in the July 1, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018 and July 1, 2011 to June 30, 2014, respectively.

**BOROUGH OF HARRINGTON PARK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, 2019 and 2018, as reported for the years ended December 31, 2019 and 2018, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2019</u>		<u>2018</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	3.00%	4.67%	5.00%	5.51%
Cash Equivalents	5.00%	2.00%	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	3.00%	1.87%
Investment Grade Credit	10.00%	4.25%	10.00%	3.78%
US Equity	28.00%	8.26%	30.00%	8.19%
Non-US Developed Markets Equity	12.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.37%	6.50%	11.64%
High Yield	2.00%	5.37%	2.50%	6.82%
Global Diversified Credit	-	-	5.00%	7.10%
Credit Oriented Hedge Funds	-	-	1.00%	6.60%
Debt Related Private Equity	-	-	2.00%	10.63%
Debt Related Real Estate	-	-	1.00%	6.61%
Real Assets	2.50%	9.31%	2.50%	11.83%
Equity Related Real Estate	-	-	6.25%	9.23%
Buyouts/Venture Capital	-	-	8.25%	13.08%
Private Credit	6.00%	7.92%	-	-
Real Estate	7.50%	8.33%	-	-
Private Equity	12.00%	10.85%	-	-

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>
2019	June 30, 2019	6.28%
2018	June 30, 2018	5.66%

**BOROUGH OF HARRINGTON PARK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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>2019</u>	<u>2018</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2057	Through June 30, 2046
Municipal Bond Rate *	From July 1, 2057 and Thereafter	From July 1, 2046 and Thereafter

* The municipal bond return rate used is 3.50% and 3.87% as of the measurement dates of June 30, 2019 and 2018, 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, 2019 and 2018 calculated using the discount rate of 6.28% and 5.66%, 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 5.28% and 4.66%, respectively or 1-percentage-point higher 7.28% and 6.66%, respectively than the current rate:

<u>2019</u>	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 3,526,126</u>	<u>\$ 2,791,506</u>	<u>\$ 2,172,485</u>
<u>2018</u>	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
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>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2019 and 2018. 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, 2019 AND 2018**

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, 2019 and 2018, the Borough reported a liability of \$4,909,360 and \$5,368,729, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Borough’s proportionate share of the net pension liability was based on the ratio of the Borough’s contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2019, the Borough’s proportionate share was .04012 percent, which was an increase of .00044 percent from its proportionate share measured as of June 30, 2018 of .03968 percent.

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough pension expense to be \$540,483 and \$498,460, respectively, for PFRS based on the actuarial valuations which are more than the actual contributions reported in the Borough’s financial statements of \$387,885 and \$346,896, respectively. At December 31, 2019 and 2018, 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:

	<u>2019</u>		<u>2018</u>	
	<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	\$ 41,441	\$ 31,082	\$ 54,620	\$ 22,217
Changes of Assumptions	168,221	1,586,660	460,833	1,375,913
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		66,520		29,372
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>303,934</u>	<u>233,178</u>	<u>475,564</u>	<u>380,760</u>
Total	<u>\$ 513,596</u>	<u>\$ 1,917,440</u>	<u>\$ 991,017</u>	<u>\$ 1,808,262</u>

**BOROUGH OF HARRINGTON PARK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, 2019 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense (benefit) as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2020	\$ (299,298)
2021	(530,604)
2022	(310,176)
2023	(167,691)
2024	(96,075)
Thereafter	<u>-</u>
	<u>\$ (1,403,844)</u>

Actuarial Assumptions

The Borough’s total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The 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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2019</u>	<u>2018</u>
Inflation Rate:		2.25%
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through	All Future Years 3.25%-15.25% Based on Years of Service	2026 2.10%-8.98% Based on Age
Thereafter	Not Applicable	3.10%-9.98% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	Pub - 2010	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2019 and AA for 2018.

The actuarial assumptions used in the July 1, 2018 and July 1, 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018 and July 1, 2010 to June 30, 2013, respectively.

**BOROUGH OF HARRINGTON PARK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, 2019 and 2018, as reported for the years ended December 31, 2019 and 2018, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2019</u>		<u>2018</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	3.00%	4.67%	5.00%	5.51%
Cash Equivalents	5.00%	2.00%	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	3.00%	1.87%
Investment Grade Credit	10.00%	4.25%	10.00%	3.87%
US Equity	28.00%	8.26%	30.00%	8.19%
Non-US Developed Markets Equity	12.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.37%	6.50%	11.64%
High Yield	2.00%	5.37%	2.50%	6.82%
Global Diversified Credit	-	-	5.00%	7.10%
Credit Oriented Hedge Funds	-	-	1.00%	6.60%
Debt Related Private Equity	-	-	2.00%	10.63%
Debt Related Real Estate	-	-	1.00%	6.61%
Real Assets	2.50%	9.31%	2.50%	11.83%
Equity Related Real Estate	-	-	6.25%	9.23%
Buyouts/Venture Capital	-	-	8.25%	13.08%
Private Credit	6.00%	7.92%	-	-
Real Estate	7.50%	8.33%	-	-
Private Equity	12.00%	10.85%	-	-

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>
2019	June 30, 2019	6.85%
2018	June 30, 2018	6.51%

**BOROUGH OF HARRINGTON PARK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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>2019</u>	<u>2018</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2076	Through June 30, 2062
Municipal Bond Rate *	From July 1, 2076 and Thereafter	From July 1, 2062 and Thereafter

* The municipal bond return rate used is 3.50% and 3.87% as of the measurement dates of June 30, 2019 and 2018, 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, 2019 and 2018 calculated using the discount rate of 6.85% and 6.51%, 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 5.85% and 5.51%, respectively or 1-percentage-point higher 7.85% and 7.51%, respectively than the current rate:

<u>2019</u>	<u>1% Decrease (5.85%)</u>	<u>Current Discount Rate (6.85%)</u>	<u>1% Increase (7.85%)</u>
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ 6,635,666	\$ 4,909,360	\$ 3,480,593
<u>2018</u>	<u>1% Decrease (5.51%)</u>	<u>Current Discount Rate (6.51%)</u>	<u>1% Increase (7.51%)</u>
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ 7,185,378	\$ 5,368,729	\$ 3,870,325

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2019 and 2018. 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, 2019 AND 2018**

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, 2019 and 2018, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$775,197 and \$729,253, respectively. For the years ended December 31, 2019 and 2018, 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 \$90,072 and \$86,379, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$52,232 and \$43,189, respectively. At December 31, 2019 (measurement date June 30, 2019) the State's share of the PFRS net pension liability attributable to the Borough was .04012 percent, which was an increase of .00044 percent from its proportionate share measured as of December 31, 2018 (measurement date June 30, 2018) of .03968 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, 2019 AND 2018**

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.

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.

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.

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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 or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989. 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.

At December 31, 2019 and 2018, the State's proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation is \$3,521,706 and \$4,154,825, respectively. For the years ended December 31, 2019 and 2018 the plan has determined the State's proportionate share of the OPEB expense attributable to the Borough for the OPEB special funding situation is \$46,681 and \$125,771, respectively. At December 31, 2019, (measurement date June 30, 2019), the State's share of the OPEB liability attributable to the Borough was .06373 percent, which was a decrease of .00313 percent from its proportionate share measured as of December 31, 2018 (measurement date June 30, 2018) of .06686 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 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.

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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.

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>
2019	\$ 5,801	\$ 309	\$ 5,801	\$ 17,942
2018	5,004	95	5,004	17,633
2017			290	17,538

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.

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 15 CONTINGENT LIABILITIES (Continued)

Pending Tax Appeals - Certain tax appeal cases were pending in the New Jersey Tax Court at December 31, 2019 and 2018. 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, 2019 and 2018, the Borough reserved \$201,345 and \$126,795, 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, 2019 and 2018, 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.

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, 2019 and 2018, 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.

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

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 \$1,438 and \$1,411 for 2019 and 2018, respectively, for each eligible volunteer fire department member into the Program. The Borough also contributed up to a maximum of \$1,216 and \$1,193 for 2019 and 2018, respectively for each eligible volunteer ambulance corps member into the Program. The total Borough contributions were \$71,237 and \$70,446 for 2019 and 2018, 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.

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.

**BOROUGH OF HARRINGTON PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 18 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC

The World Health Organization has declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first discovered in China and has since spread to other countries, including the United States (and to the Borough) (the “COVID-19 Crisis”). On March 13, 2020, President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy, of the State of New Jersey, has also instituted mandatory measures via various executive orders to contain the spread of the virus, including closing schools and nonessential businesses and limiting social gatherings. These measures, which alter the behavior of businesses and people, are expected to have negative impacts on regional, state and local economies and significant declines in the financial markets in the United States and volatility attributed to concerns about the duration of the pandemic and its continued economic impact. Recently, the United States Congress has passed relief and stimulus legislation. This legislation is intended to address the financial impact of the pandemic on the U.S. economy and financial markets. It is too early to predict if the legislation will have its intended affect.

In compliance with the Governor’s executive orders, the Borough has instituted necessary precautions and procedures, so as to allow the Borough to continue to provide services during this time. The Borough is functioning administratively, and its departments continue to operate both remotely and on-site, where safe and practicable. The Borough will continue to collect property taxes and other municipal revenues. At this time, it is not possible to predict any other financial impacts as a result of this pandemic on the Borough’s operations; however, such amounts, if any, could be material.

NOTE 19 SUBSEQUENT EVENTS

Bond Anticipation Notes

On September 15, 2020 the Borough issued bond anticipation notes in the amount of \$3,830,000 to temporarily finance expenditures related to various capital projects. The Borough awarded the sale of said notes to BNY Mellon at an interest rate of 2% with a net interest cost after premium of 0.4871%. These notes dated September 15, 2020 will mature on May 20, 2021.

Debt Authorized

On June 22, 2020 the Borough adopted a bond ordinance authorizing the issuance \$791,404 in bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

CURRENT FUND

BOROUGH OF HARRINGTON PARK
STATEMENT OF CURRENT CASH - TREASURER

Balance, January 1, 2019		\$	2,729,736
Increased by Receipts:			
Tax Collector Receipts	\$	25,925,202	
Revenue Accounts Receivable		1,050,817	
Miscellaneous Revenue Not Anticipated		79,390	
Federal and State Grants Received		12,269	
State of New Jersey Senior Citizens' and Veterans' Deductions		38,250	
Unappropriated Grant Reserves		20,618	
Due to State - DCA Fees Payable		15,549	
Receipts from General Capital Fund		171	
Receipts from Animal Control Trust Fund		<u>23</u>	
			<u>27,142,289</u>
			29,872,025
Decreased by Disbursements:			
2019 Budget Appropriations		6,218,498	
2018 Appropriation Reserves		271,601	
Local District School Tax		12,313,254	
Regional High School Tax		5,555,636	
County Taxes		2,432,786	
Payments to Other Trust Fund		4,478	
Payments to Municipal Open Space and Recreation Trust Fund		179,934	
Appropriated Grant Reserves		27,979	
Tax Appeal Refunds		3,450	
Tax Overpayment Refunds		40,561	
Due to State - DCA Fees Payable		<u>12,887</u>	
			<u>27,061,064</u>
Balance, December 31, 2019		\$	<u>2,810,961</u>

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

Increased by Receipts:		
Taxes Receivable	\$	25,780,759
Revenue Accounts Receivable		
Interest and Costs on Taxes		33,002
Tax Overpayments		6,053
Prepaid Taxes		<u>105,388</u>
	\$	<u>25,925,202</u>
Decreased by Transfers to Treasurer		\$ <u>25,925,202</u>

STATEMENT OF CHANGE FUND

	Balance, January 1, 2019	Balance, December 31, 2019
<u>Office</u>		
Tax Collector	\$ <u>200</u>	\$ <u>200</u>

STATEMENT OF PETTY CASH FUND

Balance, January 1, 2019	\$ <u>500</u>
Balance, December 31, 2019	\$ <u>500</u>

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

Balance, January 1, 2019		\$	13,631
Increased by:			
Cash Receipts			38,250
			51,881
Decreased by:			
Senior Citizens' Deductions Per Tax Billings	\$	2,750	
Veterans' Deductions per Tax Billings		34,250	
Senior Citizens' and Veterans' Deductions Allowed by Tax Collector		500	
			37,500
Balance, December 31, 2019		\$	14,381

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

Year	Balance January 1, 2019	2019 Levy	2018 <u>Collected in</u>	2019	Senior Citizens' and Veterans' Deductions <u>Allowed</u>	Remitted or Cancelled	Transferred to Tax Title Liens	Balance, December 31, 2019
2017	\$ 14							\$ 14
2018	<u>123,572</u>	-	-	\$ 121,584	-	\$ 1,974	-	<u>14</u>
	123,586	-	-	121,584	-	1,974	-	28
2019	<u>-</u>	\$ 25,970,513	\$ 95,881	25,659,175	\$ 37,500	\$ 29,016	\$ 2,019	<u>146,922</u>
	<u>\$ 123,586</u>	<u>\$ 25,970,513</u>	<u>\$ 95,881</u>	<u>\$ 25,780,759</u>	<u>\$ 37,500</u>	<u>\$ 30,990</u>	<u>\$ 2,019</u>	<u>\$ 146,950</u>

Analysis of 2019 Property Tax Levy

Tax Yield	
General Purpose	\$ 25,952,140
Added Taxes (R.S. 54:4-63.1 et seq.)	<u>18,373</u>
	<u>\$ 25,970,513</u>
Tax Levy	
Regional High School Tax (Abstract)	\$ 5,555,727
Local District School Tax (Abstract)	12,486,702
County Tax (Abstract)	\$ 2,331,270
County Tax for Open Space Preservation	99,797
County Tax for Added and Omitted Taxes (R.S. 54:4-63.1 et seq.)	<u>63</u>
	<u>1,656</u>
	2,432,786
Local Tax for Municipal Purposes (Abstract)	5,049,663
Minimum Library Tax Levy (Abstract)	331,261
Additional Tax Levied	7,765
Added Taxes (54:4-63.1 et seq.)	<u>16,590</u>
	5,405,279
Open Space Tax	89,955
Additional Tax Levy - Open Space Tax	<u>64</u>
	<u>90,019</u>
	<u>\$ 25,970,513</u>

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

Balance, January 1, 2019	\$ 28,348
Increased by:	
Transfer from Taxes Receivable	<u>2,019</u>
Balance, December 31, 2019	<u><u>\$ 30,367</u></u>

STATEMENT OF PROPERTY ACQUIRED FOR TAXES (AT ASSESSED VALUATION)

Balance, January 1, 2019	<u>\$ 59,720</u>
Balance, December 31, 2019	<u><u>\$ 59,720</u></u>

BOROUGH OF HARRINGTON PARK
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, January 1, <u>2019</u>	Accrued in 2019	<u>Collected</u>	Balance, December 31, <u>2019</u>
Licenses				
Alcoholic Beverages		\$ 1,820	\$ 1,820	
Other		2,978	2,978	
Fees and Permits		23,134	23,134	
Construction Code Official				
Fees and Permits		344,229	344,229	
Fines and Costs				
Municipal Court	\$ 1,778	35,585	35,342	\$ 2,021
Interest on Costs on Taxes		33,002	33,002	
Interest in Investments and Deposits		14,878	14,878	
Cablevision Fees		33,256	33,256	
Energy Receipts Taxes		447,738	447,738	
Watershed Moratorium Offset Aid		20,257	20,257	
Uniform Fire Safety Act		7,484	7,484	
Lease of Real Property - Cell Tower		67,590	67,590	
Donations - Borough Newsletter		3,025	3,025	
Verizon Video Fees		36,311	36,311	
Sewer Payments - Old Tappan	-	12,775	12,775	-
	<u>\$ 1,778</u>	<u>\$ 1,084,062</u>	<u>\$ 1,083,819</u>	<u>\$ 2,021</u>

Cash Receipts:

Treasurer	\$ 1,050,817
Collector	<u>33,002</u>
	<u>\$ 1,083,819</u>

**BOROUGH OF HARRINGTON PARK
STATEMENT OF 2018 APPROPRIATION RESERVES**

	Balance, January 1, <u>2019</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Salaries and Wages				
Administrative and Executive	\$ 1,205	\$ 1,205		\$ 1,205
Financial Administration	4,117	4,117	\$ 665	3,452
Revenue Administration	1	1		1
Planning Board	3,334	3,334	323	3,011
Zoning Board of Adjustment	2,089	889	544	345
Police	39,720	39,720	37,961	1,759
Road Repairs and Maintenance	4,882	4,882	4,322	560
Environmental Commission	10	10		10
State Uniform Construction Code	10,246	10,246		10,246
Other Expenses				
Administrative and Executive	3	3		3
Mayor and Council	1,273	1,273	500	773
Municipal Clerk	179	179	75	104
Financial Administration	6,958	6,958	964	5,994
Audit Services	32,890	32,890	27,345	5,545
Computerized Data Processing	10,573	11,473	2,707	8,766
Revenue Administration	55	615	560	55
Assessment of Taxes	1,525	1,525	995	530
Legal Services and Costs	24,596	25,890	19,078	6,812
Engineering Services and Costs	1,210	2,875	2,665	210
Planning Board	40	1,240	1,122	118
Zoning Board of Adjustment	471	601	280	321
General Liability Insurance	1,018	1,018		1,018
Disability Insurance	6,150	6,150		6,150
Employee Group Health	16,073	16,073		16,073
Unemployment Insurance	4,996	4,996	338	4,658
Police	3,011	3,971	1,158	2,813
Aid to Volunteer Ambulance Companies	782	6,867	5,917	950
Fire - Other Expenses	8,175	14,805	11,321	3,484
Fire Hydrant Services	5,881	1,881		1,881
Uniform Fire Safety Act	441	669	12	657
Municipal Prosecutor - Contractual	4,000	4,000	2,423	1,577
Road Repair and Maintenance	13,169	18,071	4,847	13,224
Public Buildings and Grounds	814	2,145	1,331	814
Vehicle Maintenance				
Police - Other Expenses	3,602	5,120	4,649	471
Streets and Roads - Other Expenses		1,874	1,874	
Other Public Works Function - Beautification	1,925	1,925	293	1,632
Board of Health	1,950	1,950		1,950
Environmental Commission	40	40		40
Recreation Services and Programs	1,041	1,493	277	1,216
Municipal Court	2,087	2,087	50	2,037

**BOROUGH OF HARRINGTON PARK
STATEMENT OF 2018 APPROPRIATION RESERVES**

	Balance, January 1, <u>2019</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Other Expenses (continued)				
Utilities:				
Electricity	\$ 1,708	\$ 4,062	\$ 2,354	\$ 1,708
Street Lighting	2,921	6,779	3,858	2,921
Telephone and Telegraph	1,322	1,446	390	1,056
Water	10,240	10,853	652	10,201
Natural Gas	4,958	4,958	1,282	3,676
Gasoline	9,863	9,512	2,645	6,867
Bergen County Landfill Dumping Fees	15,757	23,685	10,272	13,413
Contribution to Public Employees Retirement System		9,067	9,067	
Social Security System (O.A.S.I.)	7,584	7,584		7,584
Contribution to PERS - ERIP	18,618	9,551		9,551
Contribution to Defined Contribution Retirement Program	3,000	3,000		3,000
Engineering - Other Expenses	450	450		450
Maintenance of Free Public Library	5,055	5,055	5,042	13
LOSAP	75,000	75,000	70,446	4,554
Recycling Tax Appropriation	2,328	2,692	478	2,214
9-1-1 Interlocal Agreement	11	11		11
Municipal Court Administrator - Borough of Norwood	<u>1,580</u>	<u>1,580</u>	<u>-</u>	<u>1,580</u>
	<u>\$ 415,237</u>	<u>\$ 469,185</u>	<u>\$ 271,601</u>	<u>\$ 197,584</u>
		\$ 415,237		
Appropriation Reserves		<u>53,948</u>		
Encumbrances Payable		<u>\$ 469,185</u>		
			<u>\$ 271,601</u>	
Cash Disbursements				

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

Balance, January 1, 2019		\$	53,948
Increased by:			
Charged to 2019 Budget Appropriations		\$	26,455
Charged to Appropriated Grant Reserves			<u>3,113</u>
			<u>29,568</u>
			83,516
Decreased by:			
Restored to Appropriation Reserves			<u>53,948</u>
Balance, December 31, 2019		\$	<u><u>29,568</u></u>

STATEMENT OF PREPAID TAXES

Balance, January 1, 2019		\$	95,881
Increased by:			
Collection - 2020 Taxes			<u>105,388</u>
			201,269
Decreased by:			
Application to 2019 Taxes			<u>95,881</u>
Balance, December 31, 2019		\$	<u><u>105,388</u></u>

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

Increased by:		
Tax Levied	\$ 89,955	
Added Taxes	<u>64</u>	
		<u>\$ 90,019</u>
Decreased by:		
Due to Municipal Open Space and Recreation Trust Fund		<u>\$ 90,019</u>

STATEMENT OF COUNTY TAXES PAYABLE

Increased by:		
County Tax	\$ 2,331,270	
County Open Space Preservation	99,797	
Due County for Added and Omitted Taxes	1,656	
Due County Open Space Preservation Added and Omitted Taxes	<u>63</u>	
		<u>\$ 2,432,786</u>
Decreased by:		
Payments		<u>\$ 2,432,786</u>

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

Balance, January 1, 2019		
School Tax Payable	\$ 92,726	
School Tax Deferred	<u>6,069,944</u>	
		\$ 6,162,670
Increased by:		
Levy School Year July 1, 2019 to June 30, 2020		<u>12,486,702</u>
		18,649,372
Decreased by:		
Payments		<u>12,313,254</u>
Balance, December 31, 2019		
School Tax Payable	92,767	
School Tax Deferred	<u>6,243,351</u>	
		<u>\$ 6,336,118</u>
2019 Liability for Local District School Tax		
Tax Paid		\$ 12,313,254
Add Tax Payable, December 31, 2019		<u>92,767</u>
		12,406,021
Less Tax Payable, January 1, 2019		<u>92,726</u>
Amount Charged to Operations		<u>\$ 12,313,295</u>

STATEMENT OF REGIONAL HIGH SCHOOL TAX

Increased by:		
Levy - Calendar Year 2019		\$ 5,555,727
Decreased by:		
Payments		<u>\$ 5,555,636</u>
Balance, December 31, 2019		<u>\$ 91</u>

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

Balance, January 1, 2019	\$ <u>6,539</u>
Balance, December 31, 2019	\$ <u><u>6,539</u></u>

EXHIBIT A-21

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, January 1, 2019	\$ 126,795
Increased by:	
Transfer from 2019 Appropriations	50,000
Transfer from 2019 Tax Collections	<u>28,000</u>
	<u>78,000</u>
	204,795
Decreased by:	
Tax Appeal Refunds	<u>3,450</u>
Balance, December 31, 2019	\$ <u><u>201,345</u></u>

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

	Balance, January 1, <u>2019</u>	<u>Accrued</u>	Cash <u>Collections</u>	Balance, December 31, <u>2019</u>
Municipal Alliance on Alcoholism and Drug Abuse-2017	\$ 3,349		\$ 2,269	\$ 1,080
Municipal Alliance on Alcoholism and Drug Abuse-2018	7,140		7,000	140
Municipal Alliance on Alcoholism and Drug Abuse-2019		\$ 7,140		7,140
BCUA 2019 Recycling Enhancement Grant Program		3,000	3,000	
CDBG - ADA Bathroom	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>75,000</u>
	<u>\$ 10,489</u>	<u>\$ 85,140</u>	<u>\$ 12,269</u>	<u>\$ 83,360</u>
		Cash Receipts	<u>\$ 12,269</u>	

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

	Balance, January 1, <u>2019</u>	Increased By:		Balance, December 31, <u>2019</u>
		Transferred from 2019 <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		\$ 7,140	\$ 5,474	1,666
Municipal Alliance Program - Local	4,317	2,380		6,697
Recycling Tonnage Grant	10,491	6,342	6,557	10,276
CDBG - ADA Bathroom		75,000		75,000
BCUA 2019 Recycling Enhancement Grant Program		3,000	3,000	
Body Armor Replacement Program	4,495		3,113	1,382
Highway Safety Grant	4,713			4,713
Bergen County Mini Grant	1,500	300		1,800
Senior Citizen Activities - CDBG		3,200	1,300	1,900
Anjec Grant	935			935
Clean Communities Grant	<u>37,063</u>	<u>9,608</u>	<u>11,648</u>	<u>35,023</u>
	<u>\$ 70,373</u>	<u>\$ 106,970</u>	<u>\$ 31,092</u>	<u>\$ 146,251</u>
		Cash Disbursements	\$ 27,979	
		Encumbrances Payable	<u>3,113</u>	
			<u>\$ 31,092</u>	

EXHIBIT A-24

STATEMENT OF UNAPPROPRIATED GRANT RESERVES

Balance, January 1, 2019	\$ 19,450
Increased by:	
Cash Receipts	<u>20,618</u>
	40,068
Decreased by:	
Revenue Realized in 2019 Budget	<u>19,450</u>
Balance, December 31, 2019	<u>\$ 20,618</u>
	Senior Citizen Activities - CDBG \$ 1,300
	Recycling Tonnage Grant 6,693
	Bergen County Mini Grant 400
	Body Armor Grant 1,500
	Clean Communities Grant <u>10,725</u>
	<u>\$ 20,618</u>

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

Balance, January 1, 2019	\$ 56,841
Increased by:	
Overpayments in 2019	6,053
	62,894
Decreased by:	
Overpayments Refunded	40,561
Balance, December 31, 2019	\$ 22,333

STATEMENT OF DUE TO THE STATE - DCA FEES PAYABLE

Increased by:	
Cash Receipts	\$ 15,549
Decreased by:	
Cash Disbursements	12,887
Balance, December 31, 2019	\$ 2,662

TRUST FUNDS

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

	<u>Animal Control Trust Fund</u>	<u>Other Trust Fund</u>	<u>Municipal and Recreation Trust Fund</u>
Balance, January 1, 2019	\$ 5,079	\$ 436,949	\$ 415,517
Increased by:			
Dog License Fees	\$ 6,684		
Due State of New Jersey			
Dog License Fees	785		
Domestic Violence Fees		\$ 150	
Late Charges/Other	2,488		\$ 3,750
Interest on Deposits	23		
Unemployment Insurance Trust		6,110	
Open Space Taxes			179,934
Subdivision Applications		41,800	
Cat License Fees		750	
Tree Fees		20,000	
Parking Offenses Adjudication Act Fees		30	
Recycling Program Receipts		6,253	
Harrington Park Community Business Alliance		4,095	
Dedicated Recreation Fees		68,151	
Payroll Deductions		3,357,487	
Beautification Reserve		2,010	
Reserve for Affordable Housing		6,580	
Green Team/Environmental Commission - Donations		1,940	
Cash Receipts From Current Fund	<u>-</u>	<u>4,478</u>	<u>-</u>
	<u>9,980</u>	<u>3,519,834</u>	<u>183,684</u>
	15,059	3,956,783	599,201
Decreased by:			
Due State of New Jersey			
Domestic Violence Fees		175	
Dog License Fees	785		
Unemployment Insurance Trust		5,801	
Animal Control Fund Expenditures	12,023		
Subdivision Applications		48,086	
Cat License Expenditures		197	
Payroll Deductions		3,355,910	
Recycling Program Expenditures		3,762	
Dedicated Recreation Fees		35,665	
Tree Fees		6,101	
Harrington Park Community Business Alliance		1,313	
Green Team/Environmental Commission - Expenditures		580	
Tax Sale Premiums		82,000	
Open Space Expenditures			43,308
Beautification Reserve		9,822	
Cash Disbursements to Current Fund	<u>23</u>	<u>-</u>	<u>-</u>
	<u>12,831</u>	<u>3,549,412</u>	<u>43,308</u>
Balance, December 31, 2019	<u>\$ 2,228</u>	<u>\$ 407,371</u>	<u>\$ 555,893</u>

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

Balance, January 1, 2019		\$ 5,079
Increased by:		
Dog License Fees Collected	\$ 6,684	
Late Fees and Other Fees	<u>2,488</u>	
		<u>9,172</u>
		14,251
Decreased by:		
Expenditures Under R.S. 4:19-15.11		<u>12,023</u>
Balance, December 31, 2019		<u><u>\$ 2,228</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2018	\$ 9,065
2017	<u>9,977</u>
	<u><u>\$ 19,042</u></u>

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

Increased by:		
Payments to State of New Jersey		<u>\$ 785</u>
Decreased by:		
State License Fees	\$ 557	
Pilot Clinic Control	111	
Animal Population Control	<u>117</u>	
		<u>\$ 785</u>

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

Increased by:		
Interest on Deposits		<u>\$ 23</u>
Decreased by:		
Cash Disbursements		<u><u>\$ 23</u></u>

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

Balance, January 1, 2019	\$ <u>59,821</u>
Balance, December 31, 2019	\$ <u><u>59,821</u></u>

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

Balance, January 1, 2019	\$ 107,724
Increase by:	
Cash Receipts	<u>41,800</u>
	149,524
Decreased by:	
Cash Disbursements	<u>48,086</u>
Balance, December 31, 2019	\$ <u><u>101,438</u></u>

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

Balance, January 1, 2019	\$ <u>2,000</u>
Balance, December 31, 2019	\$ <u><u>2,000</u></u>

EXHIBIT B-10

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

Balance, January 1, 2019	\$ 7,815
Increase by:	
Cash Receipts	<u>750</u>
	8,565
Decreased by:	
Cash Disbursements	<u>197</u>
Balance, December 31, 2019	\$ <u><u>8,368</u></u>

EXHIBIT B-11

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

Balance, January 1, 2019	\$ <u>8,936</u>
Balance, December 31, 2019	\$ <u><u>8,936</u></u>

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

Balance, January 1, 2019	\$ 284
Increased by:	
Cash Receipts	<u>30</u>
Balance, December 31, 2019	<u>\$ 314</u>

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

Balance, January 1, 2019	\$ 306
Increased by:	
Cash Receipts	<u>6,253</u>
	6,559
Decreased by:	
Cash Disbursements	<u>3,762</u>
Balance, December 31, 2019	<u>\$ 2,797</u>

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

Balance, January 1, 2019	\$ 14,446
Increased by:	
Cash Receipts	<u>68,151</u>
	82,597
Decreased by:	
Cash Disbursements	<u>35,665</u>
Balance, December 31, 2019	<u>\$ 46,932</u>

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

Balance, January 1, 2019	\$	<u>7,018</u>
Balance, December 31, 2019	\$	<u><u>7,018</u></u>

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

Balance, January 1, 2019	\$	103
Increased by:		
Cash Receipts		<u>150</u>
		253
Decreased by:		
Cash Disbursements - Payments to the State of New Jersey		<u>175</u>
Balance, December 31, 2019	\$	<u><u>78</u></u>

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

Balance, January 1, 2019		\$ 17,633
Increased by:		
Employee Contributions	\$ 309	
Borough Contributions	<u>5,801</u>	
		<u>6,110</u>
		23,743
Decreased by:		
Cash Disbursements - Payments to the State of New Jersey		<u>5,801</u>
Balance, December 31, 2019		<u><u>\$ 17,942</u></u>

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

Balance, January 1, 2019		\$ <u>4,478</u>
Decreased by:		
Cash Receipts		<u>4,478</u>
Balance, December 31, 2019		<u><u>\$ -</u></u>

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

Balance, January 1, 2019		\$ <u>1,097</u>
Balance, December 31, 2019		\$ <u><u>1,097</u></u>

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

Balance, January 1, 2019		\$ 93,196
Increased by:		
Cash Receipts	\$ 6,415	
Interest on Deposits	<u>165</u>	
		<u>6,580</u>
Balance, December 31, 2019		\$ <u><u>99,776</u></u>

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

Balance, January 1, 2019		\$ 505,433
Increased by:		
2019 Tax Levy	\$ 89,955	
Added Tax Levy	63	
Cash Receipts	<u>3,750</u>	
		<u>93,768</u>
		599,201
Decreased by:		
Improvement Authorization Funded	101,925	
Cash Disbursements	<u>43,308</u>	
		<u>145,233</u>
Balance, December 31, 2019		<u>\$ 453,968</u>

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

Balance, January 1, 2019		\$ 5,002
Increased by:		
Cash Receipts		<u>3,357,487</u>
		3,362,489
Decreased by:		
Cash Disbursements		<u>3,355,910</u>
Balance, December 31, 2019		<u>\$ 6,579</u>

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

Balance, January 1, 2019	\$ 82,000
Decreased by:	
Cash Disbursements	<u>\$ 82,000</u>

EXHIBIT B-24

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

Balance, January 1, 2019	\$ 845
Increased by:	
Cash Receipts	<u>1,940</u>
	2,785
Decreased by:	
Cash Disbursements	<u>580</u>
Balance, December 31, 2019	<u>\$ 2,205</u>

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

Balance, January 1, 2019	\$	2,889
Balance, December 31, 2019	\$	<u>2,889</u>

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

Balance, January 1, 2019	\$	89,916
Increased by:		
2019 Tax Levy	\$	89,955
Added Tax Levy		<u>63</u>
		<u>90,018</u>
		179,934
Decreased by:		
Cash Receipts		<u>179,934</u>
Balance, December 31, 2019	\$	<u>-</u>

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

Balance, January 1, 2019	\$ 12,158
Increased by:	
Cash Receipts	<u>2,010</u>
	14,168
Decreased by:	
Cash Disbursements	<u>9,822</u>
Balance, December 31, 2019	<u>\$ 4,346</u>

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

Balance, January 1, 2019	\$ 15,532
Increased by:	
Cash Receipts	<u>20,000</u>
	35,532
Decreased by:	
Cash Disbursements	<u>6,101</u>
Balance, December 31, 2019	<u>\$ 29,431</u>

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

Balance, January 1, 2019	\$ 2,622
Increased by:	
Cash Receipts	<u>4,095</u>
	6,717
Decreased by:	
Cash Disbursements	<u>1,313</u>
Balance, December 31, 2019	<u>\$ 5,404</u>

GENERAL CAPITAL FUND

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

Balance, January 1, 2019		\$ 643,285
Increased by Receipts:		
Budget Appropriation		
Capital Improvement Fund	\$ 55,000	
Grant Proceeds:		
Grants/Other Accounts Receivable	206,500	
Deferred Charged-Unfunded	<u>42,345</u>	
		<u>303,845</u>
		947,130
Decreased by Disbursements:		
Improvement Authorizations	478,676	
Contracts Payable	285,965	
Payments to Current Fund	<u>171</u>	
		<u>764,812</u>
Balance, December 31, 2019		<u>\$ 182,318</u>

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

	Balance, December 31, <u>2019</u>
Capital Improvement Fund	\$ 3,575
Contracts Payable	1,533,131
Reserve for Payment of Debt	85,624
Grants Receivable	(310,946)
Due to Current Fund	70,000
Due from Open Space Trust Fund	(101,925)
Improvement Authorizations:	
598 Acquisition of DPW Equipment	6,463
659/679 Various Capital Improvements	26,470
665 Dredging and Restoration of Blanch Brook	40,777
675 Various Capital Improvements	9,889
691 Various Capital Improvements	704,869
698 Various Capital Improvements	22,919
713 Various Roadway Improvements and Acquisition of Certain Fire Department Equipment	(1,682)
720 Various Capital Improvements	(336,072)
724 Acquisition of Various Mobile and Portable Radios and Related Equipment and Accessories	(109,600)
731 Various Capital Improvements	(192,086)
733 Acquisition of Two (2) Fire Trucks & Miscellaneous Equipment	<u>(1,269,088)</u>
	<u>\$ 182,318</u>

EXHIBIT C-4

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, January 1, 2019		\$ 2,119,963
Decreased by:		
2019 Budget Appropriations:		
Serial Bonds	\$ 310,000	
NJEIT Loan	33,294	
Cancelled NJEIT Loan Payable	<u>13,863</u>	
		<u>357,157</u>
Balance, December 31, 2019		<u>\$ 1,762,806</u>

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

							<u>Analysis of Balance, December 31, 2019</u>		
<u>Ord. No.</u>	<u>Improvement Description</u>	Balance, January 1, <u>2019</u>	2019 <u>Authorizations</u>	Funded by <u>Grant Proceeds</u>	Balance, December 31, <u>2019</u>	<u>Expenditures</u>	Unexpended Improvement <u>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	\$ 1,682	118,318		
720	Various Capital Improvements	1,002,000		\$ 42,345	959,655	336,072	623,583		
724	Acquisition of Various Mobile and Portable Radios and Related Equipment and Accessories	126,350			126,350	109,600	16,750		
731	Various Capital Improvements		\$ 648,838	151,500	497,338	192,086	305,252		
733	Acquisition of Two (2) Fire Trucks & Miscellaneous Equipment	-	1,336,190	-	1,336,190	1,269,088	67,102		
		<u>\$ 1,320,247</u>	<u>\$ 1,985,028</u>	<u>\$ 193,845</u>	<u>\$ 3,111,430</u>	<u>\$ 1,908,528</u>	<u>\$ 1,202,902</u>		
						Improvement Authorizations - Unfunded	<u>\$ 1,202,902</u>		
				Cash Receipts \$ 42,345					
				Reserve for Grants Receivable <u>151,500</u>					
				<u>\$ 193,845</u>					

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

	<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>Department of Transportation 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. 731 - Hackensack Ave. Project</u>	<u>Dept. of Office Emergency Mgmt.</u>	<u>Bergen County Open Space Grant</u>	<u>Rockland Electric Company Contribution</u>
Balance, January 1, 2019	\$ 247,613	\$ 24,282	\$ 37,250	\$ 61,909	\$ 41,407	\$ 81,423	\$ 1,342			
Increased by:										
Grant Award	358,925	-	-	-	-	-	202,000	-	101,925	55,000
Decreased by:										
Cash Receipts	206,500	24,282	37,250	61,909	41,407	81,423	1,342	101,925	55,000	55,000
Balance, December 31, 2019	<u>\$ 400,038</u>	<u>\$ 24,282</u>	<u>\$ 37,250</u>	<u>\$ 61,909</u>	<u>\$ 41,407</u>	<u>\$ 81,423</u>	<u>\$ 50,500</u>	<u>\$ 1,342</u>	<u>\$ 101,925</u>	<u>\$ -</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	81,423									
Ord. 731	101,925									
	310,946									
<u>Reserve for Grant Receivable</u>										
Ord. 691	38,592									
Ord. 731	50,500									
	89,092									
	<u>\$ 400,038</u>									

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

Balance, January 1, 2019	\$	25,150
Decreased by:		
Cancelled against NJEIT Loan Payable against Improvement Authorization - Ord. 665		25,150
Balance, December 31, 2019	\$	-

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, January 1, 2019	\$	37,727
Increased by:		
2019 Budget Appropriation		55,000
		92,727
Decreased by:		
Appropriations to Finance Improvement Authorizations		89,152
Balance, December 31, 2019	\$	3,575

STATEMENT OF CONTRACTS PAYABLE

Balance, January 1, 2019	\$	297,071
Increased by:		
Contract Awards		1,533,131
		1,830,202
Decreased by:		
Cancelled Payables	\$	11,106
Cash Disbursements		285,965
		297,071
Balance, December 31, 2019	\$	1,533,131

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

Balance, January 1, 2019	\$ 171
Increased by:	
Reserve for Payment of Debt Anticipated as Revenue in Current Fund	<u>\$ 70,000</u>
	70,171
Decreased by:	
Payments to Current Fund	<u>171</u>
Balance, December 31, 2019	<u>\$ 70,000</u>

**STATEMENT OF DUE FROM MUNICIPAL OPEN SPACE AND
RECREATION TRUST FUND**

Increased by:	
Improvement Authorization Funded by Municipal Open Space and Recreation Trust Fund	<u>\$ 101,925</u>
Balance, December 31, 2019	<u>\$ 101,925</u>

STATEMENT OF RESERVE FOR PAYMENT OF DEBT

Balance, January 1, 2019	\$ 155,624
Decreased by:	
Anticipated Revenue - Current Fund	<u>70,000</u>
Balance, December 31, 2019	<u>\$ 85,624</u>

**BOROUGH OF HARRINGTON PARK
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

<u>Improvements</u>	<u>Balance, January 1, 2019</u>		<u>2019</u>	<u>Canceled</u>	<u>Cancelled</u>	<u>Expended</u>	<u>Balance, December 31, 2019</u>	
	<u>Funded</u>	<u>Unfunded</u>	<u>Improvement</u> <u>Authorizations</u>	<u>Prior Year</u> <u>Payables</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			\$ 25,150		40,777	\$ 71,424
675 Various Capital Improvements	9,889						9,889	
691 Various Capital Improvements	704,869						704,869	
698 Various Capital Improvements	32,702	473				\$ 9,783	22,919	473
713 Various Roadway Improvements and Acquisition of Certain Fire Department Equipment		119,718				1,400		118,318
720 Various Capital Improvements		663,531				39,948		623,583
724 Acquisition of Various Mobile and Portable Radios and Related Equipment and Accessories		5,644		\$ 11,106				16,750
731 Various Capital Improvements			\$ 930,030			624,778		305,252
733 Acquisition of Two (2) Fire Trucks & Miscellaneous Equipment	-	-	1,403,000	-	-	1,335,898	-	67,102
	<u>\$ 846,320</u>	<u>\$ 860,790</u>	<u>\$ 2,333,030</u>	<u>\$ 11,106</u>	<u>\$ 25,150</u>	<u>\$ 2,011,807</u>	<u>\$ 811,387</u>	<u>\$ 1,202,902</u>

Analysis of Funding:

Debt Authorized	\$ 1,985,028
Due from Municipal Open Space and Recreation Trust Fund	101,925
Bergen County Open Space Trust Fund	101,925
Rockland Electric Company Local Contribution	55,000
Capital Improvement Fund	<u>89,152</u>
	<u>\$ 2,333,030</u>

Due from NJEIT \$ 25,150

Cash Disbursements	\$ 478,676
Contracts Payable	<u>1,533,131</u>
	<u>\$ 2,011,807</u>

**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, 2019	Decreased	Balance, December 31, 2019
				Date	Adjusted Amount				
665	Dredging & Restoration Blanch Brook	5/23/2012	\$ 348,576	2/1/2020	8,089	0.00%	\$ 97,065	\$ 34,664	\$ 62,401
				8/1/2020	16,178				
				2/1/2021	8,089				
				8/1/2021	16,177				
				2/1/2022	8,088				
				8/1/2022	5,780				
665	Dredging & Restoration Blanch Brook	5/23/2012	89,732	8/1/2020	9,141	1.550%	<u>36,898</u>	<u>12,493</u>	<u>24,405</u>
				8/1/2021	9,283	1.770%			
				8/1/2022	5,981	1.930%			
							<u>\$ 133,963</u>	<u>\$ 47,157</u>	<u>\$ 86,806</u>
Cancelled against Deferred Charges to Future Taxation - Funded							\$ 13,863		
Paid by Budget Appropriation							<u>33,294</u>		
								<u>\$ 47,157</u>	

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

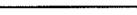
Balance, January 1, 2019	\$	38,592
Increased by:		
Grant Awards		202,000
		240,592
Decreased by:		
Cash Receipts		151,500
Balance, December 31, 2019	\$	89,092
 <u>Analysis:</u>		
Ord. 691 - Lynn Street	\$	37,250
Ord. 691 - OEM Emergency Generators		1,342
Ord. 731 - 2019 Riverside Cooperative Rd. Improvement Project		50,500
	\$	89,092

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

Ord. No.	<u>Improvement Description</u>	Balance, January 1, 2019	2019 Improvement Authorizations	Grant Award	Balance, December 31, 2019
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	1,002,000		\$ 42,345	959,655
724	Acquisition of Various Mobile and Portable Radios and Related Equipment and Accessories	126,350			126,350
731	Various Capital Improvements		\$ 648,838	151,500	497,338
733	Acquisition of Two (2) Fire Trucks & Miscellaneous Equipment	-	1,336,190	-	1,336,190
		<u>\$ 1,320,247</u>	<u>\$ 1,985,028</u>	<u>\$ 193,845</u>	<u>\$ 3,111,430</u>

BOROUGH OF HARRINGTON PARK

COUNTY OF BERGEN



PART II

GOVERNMENT AUDITING STANDARDS

LMH LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
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, 2019, and the related notes to the financial statements, and have issued our report thereon dated September 15, 2020. 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 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.

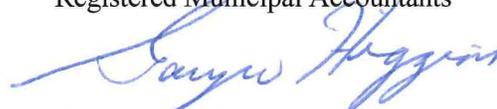
However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Harrington Park in Part III of this report of audit entitled, "Letter of Comments and Recommendations".

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
September 15, 2020

**BOROUGH OF HARRINGTON PARK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Grant Year	CFDA Number	Grant Award Amount	2019 Grant Receipts	Balance, January 1, 2019	Revenue Realized	Expenditures	Balance, December 31, 2019	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
Department of Transportation									
Trust Fund Authority Act - 2015 Lynn Street - Section 2 - Ord No. 691	2014	20.205	149,000		37,250			37,250	111,750
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	2018	14.218	3,500			\$ 3,200	\$ 1,300	1,900	1,600
Senior Citizen Activities	2019	14.218	1,300	\$ 1,300					
ADA Bathroom	2019	14.218	75,000		-	75,000	-	75,000	
Total Community Development Block Grant					-	78,200	1,300	76,900	
					\$ 105,214	\$ 78,200	\$ 1,300	\$ 182,114	

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, 2019**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Award Amount</u>	<u>2019 Grant Receipts</u>	<u>Balance, January 1, 2019</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2019</u>	<u>Cumulative Expenditures</u>
Department of Transportation								
Trust Fund Authority Act - 2010	2010	\$ 9,153		\$ 2,411			\$ 2,411	\$ 6,742
Trust Fund Authority Act - Glen Avenue East - Ord No. 713	2017-6320-480-AMQ-078	165,627		41,407			41,407	124,220
Trust Fund Authority Act - Hackensack Avenue (Section 4) and Kline Street - Ord No. 720	2018-6320-480-AM2-078	218,000		81,423		\$ 81,423	-	218,000
Riverside Cooperative Road Improvement Project - Ord No. 731	2019-6320-480-ANP-078	202,000	151,500	-	\$ 202,000	202,000	-	202,000
Total NJ DOT Grant				<u>125,241</u>	<u>202,000</u>	<u>283,423</u>	<u>43,818</u>	
Clean Communities Grant Program								
2015	4900-765-178900	18,849		15,196		11,648	3,548	15,301
2016		11,823		11,823			11,823	
2017		10,044		10,044			10,044	
2018		9,608			9,608		9,608	
2019		10,725	10,725	-	-	-	-	
Total Clean Communities Grant Program				<u>37,063</u>	<u>9,608</u>	<u>11,648</u>	<u>35,023</u>	
Body Armor Replacement Fund								
2015	*	1,729		1,729		1,729		1,729
2016		1,382		1,382		1,382		1,382
2017		1,384		1,384		2	1,382	2
2018		1,500	1,500	-	-	-	-	
Total Body Armor Replacement Fund				<u>4,495</u>	<u>-</u>	<u>3,113</u>	<u>1,382</u>	
Alcohol Education Rehabilitation & Enforcement	9735-760-098	4,948		4,448	-	-	4,448	500
Recycling Tonnage Grant								
2016	4910-100-224-042	7,969		1,885		1,885		7,969
2017		8,606		8,606		4,672	3,934	4,672
2018		6,342		-	6,342		6,342	
2019		6,693	6,693	-	-	-	-	
Total Recycling Tonnage Grant				<u>10,491</u>	<u>6,342</u>	<u>6,557</u>	<u>10,276</u>	
ANJEC Grant Program	*	935		935			935	
Passed Through County of Bergen								
Municipal Alliance Program								
2019	*	7,140		-	7,140	5,474	1,666	5,474
				<u>\$ 182,673</u>	<u>\$ 225,090</u>	<u>\$ 310,215</u>	<u>\$ 97,548</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, 2019**

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	\$ 23,090	\$ 78,200	\$ 101,290
General Capital Fund	<u>202,000</u>	<u>-</u>	<u>202,000</u>
	<u>\$ 225,090</u>	<u>\$ 78,200</u>	<u>\$ 303,290</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.

NOTE 5 STATE LOAN OUTSTANDING

The Borough's state loan outstanding at December 31, 2019, 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>\$ 86,806</u>

**BOROUGH OF HARRINGTON PARK
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Part I – Summary of Auditor’s Results

Financial Statements

Type of auditors' report issued on financial statements Modified - Presentation of Unaudited LOSAP Fund

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, 2019**

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, 2019**

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, 2019

**BOROUGH OF HARRINGTON PARK
SUPPORTING DATA**

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

	<u>Year 2019</u>			<u>Year 2018</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Utilized	\$ 380,000	1.37 %	\$	380,000	1.40 %
Miscellaneous - From Other Than Local					
Property Tax Levies	1,337,823	4.81		979,576	3.62
Collection of Delinquent Taxes and Tax Title Liens	121,584	0.44		135,765	0.50
Collection of Current Tax Levy	25,764,556	92.67		25,316,630	93.41
Other Credits	<u>197,755</u>	<u>0.71</u>		<u>290,765</u>	<u>1.07</u>
Total Income	<u>27,801,718</u>	<u>100.00</u> %		<u>27,102,736</u>	<u>100.00</u> %
EXPENDITURES					
Budget Expenditures					
Municipal Purposes	6,853,683	25.09 %		6,497,484	24.50 %
County Taxes	2,432,786	8.90		2,440,614	9.20
Local and Regional School Taxes	17,869,022	65.42		17,496,983	65.96
Municipal Open Space Tax	90,019	0.33		89,916	0.34
Other Expenditures	<u>70,000</u>	<u>0.26</u>		<u>39</u>	<u>0.00</u>
Total Expenditures	<u>27,315,510</u>	<u>100.00</u> %		<u>26,525,036</u>	<u>100.00</u> %
Excess in Revenue over Expenditures	486,208			577,700	
Fund Balance, January 1	<u>1,695,110</u>			<u>1,497,410</u>	
	2,181,318			2,075,110	
Less Utilization as Anticipated Revenue	<u>380,000</u>			<u>380,000</u>	
Fund Balance, December 31	<u>\$ 1,801,318</u>			<u>\$ 1,695,110</u>	

**BOROUGH OF HARRINGTON PARK
SUPPORTING DATA**

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Tax Rate</u>	<u>\$2.885</u>	<u>\$2.832</u>	<u>\$2.802</u>
<u>Apportionment of Tax Rate</u>			
Municipal (Includes Municipal Library)	.598	.585	.572
Municipal Open Space Tax	.010	.010	.010
Regional High School	.618	.610	.610
Local School	1.389	1.355	1.330
County (Includes County Open Space Tax)	.270	.272	.280
<u>Assessed Valuation Basis</u>			
2019	<u>\$899,554,100</u>		
2018		<u>\$896,194,900</u>	
2017			<u>\$896,173,600</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>
2019	\$ 25,970,513	\$ 25,792,556	99.31%
2018	25,463,850	25,316,630	99.42%
2017	25,130,622	24,965,133	99.34%

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>
2019	\$ 30,367	\$ 146,950	\$ 177,317	0.68%
2018	28,348	123,586	151,934	0.60%
2017	26,366	135,779	162,145	0.65%

**BOROUGH OF HARRINGTON PARK
SUPPORTING DATA**

Property Acquired By Tax Title Lien Foreclosure

No properties have been acquired in 2019 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>
2019	\$59,720
2018	59,720
2017	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	2019	\$1,801,318	\$572,500
	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		
Joon Chung	Council President		
Jorden Nick Pedersen	Councilman		
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

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 of certain trust fund reserve balances at year end indicated they were not supported by a detail analysis and certain reserves are inactive. It is recommended that a detail analysis be maintained for all escrow deposits and inactive reserves be reviewed and cleared of record.

Current Year Comments

The audit of the tax overpayments disclosed certain balances relate to prior years. It is recommended that the prior year tax overpayment balances be refunded or applied to outstanding tax balances.

The audit disclosed that encumbrances for the estimated amount of certain recurring expenses were not recorded in the Current Fund and open purchase orders recorded in the General Capital Fund purchase order report were not reflected in the general ledger. It is recommended that purchase orders for recurring expenses be recorded in the Current Fund and the purchase order report for the General Capital Fund be integrated with the General Ledger.

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:

- Acquisition of Truck for DPW
- Hackensack Avenue Improvement Project
- 2019 Road Resurfacing Program

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 5, 2019, 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.
- Current Fund detail budget accounts in the appropriation report be in agreement with the adopted budget.

Delinquent Taxes And Tax Title Liens

The tax sale was held on December 19, 2019.

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>
2019	4
2018	4
2017	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. Old outstanding grant receivables and grant reserves be reviewed and cleared of record.
- * 2. A detail analysis be maintained for all escrow deposits and inactive reserves be reviewed and cleared of record.
- 3. The prior year tax overpayments be refunded or applied to outstanding tax balances.
- 4. Purchase orders for recurring expenses be recorded in the Current Fund and the purchase order report for the General Capital Fund be integrated with the general ledger.

Status of Prior Years' Audit Findings/Recommendations

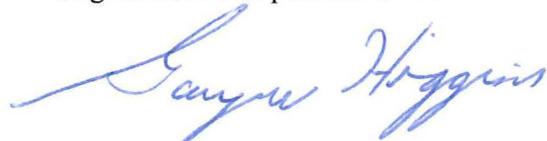
A review was performed on all prior years' recommendations and corrective action was taken on all recommendations except those denoted by an asterisk (*).

* * * * *

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