

TOWNSHIP OF SOUTH HACKENSACK

BERGEN COUNTY, NEW JERSEY

REPORT OF AUDIT

YEAR ENDED DECEMBER 31, 2017

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TOWNSHIP OF SOUTH HACKENSACK

BERGEN COUNTY, NEW JERSEY

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Township Committee
Township of South Hackensack
South Hackensack, 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 Township of South Hackensack, as of December 31, 2017 and 2016, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Current Fund for the year ended December 31, 2017, 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 Township of South Hackensack 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 Township of South Hackensack as of December 31, 2017 and 2016, 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 Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Township’s financial statements as of and for the years ended December 31, 2017 and 2016. The LOSAP Trust Fund financial activities are included in the Township’s Trust Funds, and represent 39 percent and 42 percent of the assets and liabilities, respectively, of the Township’s Trust Funds as of December 31, 2017 and 2016.

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 Township of South Hackensack as of December 31, 2017 and 2016, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the Current Fund for the year ended December 31, 2017 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

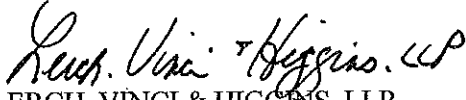
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Township of South Hackensack as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and 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 Township of South Hackensack.


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 May 30, 2018 on our consideration of the Township of South Hackensack's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township of South Hackensack'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 Township of South Hackensack's internal control over financial reporting and compliance.


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


Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
May 30, 2018

TOWNSHIP OF SOUTH HACKENSACK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2017 AND 2016

ASSETS	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Cash	A-4	\$ 6,515,508	\$ 5,286,645
Cash - Change Funds	A	200	200
Grants Receivable	A-5	96,417	96,417
Due from State of New Jersey - Seniors Citizens & Veterans	A-6	<u>500</u>	<u>-</u>
		<u>6,612,625</u>	<u>5,383,262</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes Receivable	A-7	27,131	7
Tax Title Liens Receivable	A-8	1,878	1,434
Other Accounts Receivable	A-11		2,275
Prepaid Local School Taxes	A-16	3	7
Revenue Accounts Receivable	A-9	15,150	12,029
Due from Animal Control Fund	B-3	<u>542</u>	<u>-</u>
		<u>44,704</u>	<u>15,752</u>
Deferred Charges			
Emergency Authorizations	A-10	40,000	
Overexpenditure of 2017 Appropriations	A-10	<u>2,745</u>	<u>-</u>
		<u>42,745</u>	<u>-</u>
Total Assets		<u>\$ 6,700,074</u>	<u>\$ 5,399,014</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Appropriation Reserves	A-3,A-12	\$ 866,807	\$ 1,025,143
Accounts Payable	A-14	169,105	85,137
Due to Other Trust Fund	B-10	126,440	125,290
Due to General Capital Fund	C-4	213,781	303,619
Prepaid Taxes	A-15	376,789	199,653
Prepaid Sewer Fees	A-23	26	146
Tax Overpayments	A-22		5,664
Miscellaneous Reserves and Deposits	A-13	893,601	891,173
County Taxes Payable	A-17	1,707	261
Marriage Fees Payable	A-20	50	175
DCA Training Fees Payable	A-21	1,463	1,304
Due to State of New Jersey - Seniors Citizens & Veterans	A-6		1,000
Reserve for Grants - Appropriated	A-18	348,056	290,463
Reserve for Unappropriated Grants	A-19	<u>126,623</u>	<u>14,551</u>
		<u>3,124,448</u>	<u>2,943,579</u>
Reserve for Receivables and Other Assets	A	44,704	15,752
Fund Balance	A-1	<u>3,530,922</u>	<u>2,439,683</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 6,700,074</u>	<u>\$ 5,399,014</u>

The Accompanying Notes are an Integral Part of these Financial Statements

TOWNSHIP OF SOUTH HACKENSACK
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
REVENUE AND OTHER INCOME REALIZED		
Fund Balance Anticipated	\$ 350,000	\$ 360,000
Miscellaneous Revenue Anticipated	1,777,147	1,570,932
Receipts from Current Taxes	16,464,271	16,260,651
Receipts from Delinquent Taxes		168
Non-Budget Revenue	350,664	132,291
Other Credits to Income		
Unexpended Balance of Appropriation Reserves	865,092	520,350
Statutory Excess - Animal Control Fund	542	
Reserve for Prepaid Local School Taxes	4	
Reserve for Other Accounts Receivable	2,275	
Cancellation of Accounts Payable	5,034	5,110
	<u>19,815,029</u>	<u>18,849,502</u>
EXPENDITURES		
Budget Appropriations		
Operations		
Salaries and Wages	3,446,545	3,332,000
Other Expenses	4,116,243	4,016,085
Municipal Debt Service	488,080	470,654
Deferred Charges and Statutory Expenditures	778,610	788,709
Capital Improvements	25,000	50,000
Judgments	56,332	
County Taxes	1,655,609	1,454,760
Local District School Taxes	7,849,574	7,764,959
Reserve for Other Accounts Receivable		2,275
Reserve for Prepaid Local School Taxes		7
Interfund Advances	542	-
	<u>18,416,535</u>	<u>17,879,449</u>
Excess in Revenue Before Adjustments	1,398,494	970,053
Adjustments to Income Before Fund Balance:		
Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year	<u>42,745</u>	<u>-</u>
Statutory Excess to Fund Balance	1,441,239	970,053
FUND BALANCE, JANUARY 1	<u>2,439,683</u>	<u>1,829,630</u>
	3,880,922	2,799,683
Decreased by:		
Utilization as Anticipated Revenue	<u>350,000</u>	<u>360,000</u>
FUND BALANCE, DECEMBER 31	<u>\$ 3,530,922</u>	<u>\$ 2,439,683</u>

The Accompanying Notes are an Integral Part of these Financial Statements

TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget	Added by: NJS 40A:4-87	Realized	Excess or (Deficit)
FUND BALANCE ANTICIPATED	\$ 350,000	-	\$ 350,000	-
MISCELLANEOUS REVENUES				
Licenses				
Alcoholic Beverages	15,500		14,358	\$ (1,142)
Other	43,000		23,676	(19,324)
Fees and Permits	7,000		14,676	7,676
Municipal Court	130,000		196,599	66,599
Interest and Cost on Taxes	30,000		26,333	(3,667)
Interest on Investments & Deposits	5,000		23,350	18,350
Sewer Charges	322,587		323,807	1,220
Biodegradable and Suspended Solids Fee	79,204		79,189	(15)
Cable Television Franchise Fees	20,000		33,989	13,989
Consolidated Municipal Property Tax Relief	24,756		22,286	(2,470)
Energy Receipts Tax	459,967		462,437	2,470
Uniform Fire Safety Act	30,000		43,173	13,173
Uniform Construction Code Fees	90,000		246,458	156,458
Highway Safety Grant	589		589	-
Body Armor Grant	3,245		3,245	-
Clean Communities Program	5,567		5,567	-
Click It or Ticket It	5,000		5,000	-
Hotel Occupancy Tax	90,000		132,813	42,813
Reserve for Sale of Municipal Assets	100,000		100,000	-
Sewer Connection - Little Ferry	19,602	-	19,602	-
Total Miscellaneous Revenues	<u>1,481,017</u>	<u>-</u>	<u>1,777,147</u>	<u>296,130</u>
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET	<u>7,258,936</u>	<u>-</u>	<u>7,175,088</u>	<u>(83,848)</u>
Total Budget Revenues	<u>\$ 9,089,953</u>	<u>\$ -</u>	<u>9,302,235</u>	<u>\$ 212,282</u>
Non-Budget Revenue			<u>350,664</u>	
			<u>\$ 9,652,899</u>	

**TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

ANALYSIS OF REALIZED REVENUES

Allocation of Current Tax Collections	
Revenue from Collections	\$ 16,714,271
Less: Transfer to Reserve for Tax Appeals	<u>250,000</u>
	16,464,271
Current Taxes Realized in Cash	
Allocated to	
School, County and Open Space Taxes	<u>9,505,183</u>
	6,959,088
	<u>216,000</u>
Add: Appropriation for Reserve for Uncollected Taxes	
	<u>\$ 7,175,088</u>
Interest on Investments and Deposits	
Revenue Accounts Receivable	\$ 23,205
Due from General Capital Fund	<u>145</u>
	<u>\$ 23,350</u>
Non-Budget Revenue	
Recycling	\$ 5,033
Traffic Details - Vehicles and Admin	137,128
2% Administrative Fee - Senior Citizen and Veterans'	318
LOSAP Returned	1,444
Insurance Dividend	160,542
FEMA Reimbursements	16,642
DMV Inspection Fines	1,590
Reimbursement of Prior Year Expense - Snow Plowing Services	6,840
2016 Sewer Connection Fees	2,063
Cancelled Prior Year Outstanding Checks	468
Police Officer Application Fee	2,900
Homestead Benefit - Administrative Fee	97
Miscellaneous	<u>15,599</u>
	<u>\$ 350,664</u>

**TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>	<u>Overexpended</u>
OPERATIONS - WITHIN "CAPS"						
GENERAL GOVERNMENT FUNCTIONS						
Mayor and Township Committee						
Salaries and Wages	\$ 27,000	\$ 30,100	\$ 30,000	\$ 100		
Other Expenses	3,000	3,000	2,748	252		
Municipal Clerk						
Salaries and Wages	135,000	135,000	119,044	15,956		
Other Expenses	46,000	46,000	39,477	6,523		
Financial Administration						
Salaries & Wages	79,000	79,000	72,041	6,959		
Other Expenses	29,000	29,000	26,572	2,428		
Audit Services						
Other Expenses	60,000	60,000	37,031	22,969		
Technology and Information Systems						
Other Expenses	5,000	5,000	4,001	999		
Revenue Administration						
Salaries and Wages	54,000	54,000	51,958	2,042		
Other Expenses	10,000	10,000	3,183	6,817		
Tax Assessment Administration						
Other Expenses	30,000	30,000	7,753	22,247		
Legal Services and Costs						
Other Expenses	190,000	202,000	155,512	46,488		
Engineering Services & Costs						
Other Expenses	30,000	30,000	22,496	7,504		
Municipal Land Use Law (NJSA 40:55D-1)						
Planning Board						
Salaries and Wages	5,000	8,000	7,812	188		
Other Expenses	6,000	6,000	100	5,900		
Zoning Board of Adjustment						
Salaries & Wages	5,000	5,000	-	5,000		
Other Expenses	6,000	6,000	703	5,297		
Unemployment Insurance	12,000	12,000	137	11,863		
Liability Insurance	175,000	175,000	163,315	11,685		
Workmen's Compensation Insurance	180,000	180,000	159,773	20,227		
Employee Group Insurance	1,440,000	1,440,000	1,156,329	283,671		
Municipal Court						
Salaries and Wages	79,000	79,000	81,745		\$ 2,745	
Other Expenses	11,000	11,000	5,257	5,743	-	-
Subtotal General Government	<u>2,617,000</u>	<u>2,635,100</u>	<u>2,146,987</u>	<u>490,858</u>	<u>-</u>	<u>2,745</u>

**TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>	<u>Overexpended</u>
OPERATIONS - WITHIN "CAPS" (Continued)						
GENERAL GOVERNMENT FUNCTIONS						
PUBLIC SAFETY FUNCTIONS						
Police Department						
Salaries and Wages	\$ 2,225,000	\$ 2,333,700	\$ 2,297,814	\$ 35,886		
Other Expenses	112,000	72,000	63,253	8,747		
Police Dispatch/911						
Salaries and Wages	182,000	157,000	149,549	7,451		
Other Expenses	2,000	2,000	-	2,000		
Office of Emergency Management						
Salaries and Wages	8,000	8,000	5,218	2,782		
Other Expenses	3,000	3,000	2,152	848		
Aid to Volunteer Fire Companies						
Other Expenses	85,000	85,000	83,318	1,682		
Aid to Volunteer Ambulance Companies						
Salaries and Wages	-	-	-	-		
Other Expenses	25,000	25,000	14,250	10,750		
Fire Department						
Salaries and Wages	62,000	62,000	57,960	4,040		
Other Expenses	52,000	52,000	49,136	2,864		
Municipal Prosecutor						
Salaries and Wages	15,000	15,000	9,500	5,500		
Public Defender						
Salaries and Wages	10,000	10,000	6,000	4,000	-	-
Subtotal Public Safety	2,781,000	2,824,700	2,738,150	86,550	-	-
Streets and Road Maintenance						
Salaries & Wages	445,000	367,000	339,971	27,029		
Other Expenses	96,000	148,000	141,378	6,622		
Solid Waste Collection						
Other Expenses	125,000	125,000	97,989	27,011		
Public Buildings and Grounds						
Other Expenses	61,000	63,000	62,992	8		
Vehicle Maintenance						
Other Expenses	90,000	90,000	78,222	11,778		
Dump Fees						
Other Expenses	100,000	100,000	78,493	21,507	-	-
Subtotal Streets and Roads	917,000	893,000	799,045	93,955	-	-

**TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>	<u>Overexpended</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)						
HEALTH AND WELFARE						
Public Health Services						
Salaries and Wages	\$ 11,000	\$ 11,000	\$ 9,418	\$ 1,582		
Other Expenses	23,000	23,000	14,381	8,619		
Animal Control						
Other Expenses	5,000	5,000	3,536	1,464	-	-
Subtotal Health and Welfare	39,000	39,000	27,335	11,665	-	-
RECREATION AND EDUCATION						
Recreation Services and Programs						
Salaries and Wages	22,000	22,000	18,454	3,546		
Other Expenses	21,000	21,000	17,387	3,613		
Senior Citizens						
Other Expenses	3,000	3,000	3,000	-	-	-
Subtotal Recreation and Education	46,000	46,000	38,841	7,159	-	-
OTHER COMMON OPERATING FUNCTIONS						
Celebration of Public Events, Anniversary or Holiday						
Other Expenses	7,000	7,000	6,221	779	-	-
Subtotal Other Common Operating Functions	7,000	7,000	6,221	779	-	-
ADMINISTRATION						
Salaries and Wages	68,000	68,000	64,260	3,740		
Other Expenses	5,000	5,000	1,376	3,624	-	-
Subtotal Code Enforcement	73,000	73,000	65,636	7,364	-	-
UTILITY EXPENSES AND BULK PURCHASES						
Electricity	70,000	70,000	64,436	5,564		
Street Lighting	45,000	45,000	27,512	17,488		
Telephone	26,000	26,000	23,503	2,497		
Water	3,000	5,000	4,272	728		
Gasoline	55,000	55,000	26,562	28,438	-	-
Subtotal Utility Expenses and Bulk Purchases	199,000	201,000	146,285	54,715	-	-
Total Operations Within "CAPS"	6,679,000	6,718,800	5,968,500	753,045	-	\$ 2,745
Detail:						
Salaries and Wages	3,432,000	3,443,800	3,320,744	125,801	-	2,745
Other Expenses	3,247,000	3,275,000	2,647,756	627,244	-	-

TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>	<u>Overexpended</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"						
Statutory Charges						
Social Security System (O.A.S.I.)	\$ 239,000	\$ 239,000	\$ 221,176	\$ 17,824		
Public Employees Retirement System of NJ	79,174	79,374	79,362	12		
Police and Firemen's Retirement System of NJ	458,236	458,236	458,236	-		
Defined Contribution Retirement Plan	2,000	2,000	440	1,560	-	-
Subtotal Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>778,410</u>	<u>778,610</u>	<u>759,214</u>	<u>19,396</u>	-	-
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>7,457,410</u>	<u>7,497,410</u>	<u>6,727,714</u>	<u>772,441</u>	-	\$ 2,745
OPERATIONS - EXCLUDED FROM "CAPS"						
Reserve for Tax Appeals						
Other Expenses	50,000	50,000	50,000			
Length of Services Awards Program (LOSAP)	45,000	45,000	-	45,000		
Sewerage Processing and Disposal						
Other Expenses - BCUA	609,412	609,412	609,411	1		
Other Expenses - Debt Service - BCUA	9,450	9,450	9,448	2		
Sewer System - PVSC	34,980	34,980	-	34,980	-	-
Sewer System - Moonachie						
Total Other Operations Excluded From "CAPS"	<u>748,842</u>	<u>748,842</u>	<u>668,859</u>	<u>79,983</u>	-	-
Interlocal Municipal Service Agreements						
Bergen County - 911 Emergency Service	3,000	3,000	1,784	1,216		
Borough of Moonachie - Streets and Roads						
Salaries and Wages	54,000	54,000	52,000	2,000		
Borough of Hasbrouck Heights - Tax Assessing Services	21,000	21,000	19,234	1,766	-	-
Total Interlocal Municipal Services Agreements	<u>78,000</u>	<u>78,000</u>	<u>73,018</u>	<u>4,982</u>	-	-
Public & Private Programs						
Clean Communities Program	5,567	5,567	-	5,567		
Highway Safety	589	589	-	589		
Click It or Ticket It	5,000	5,000	5,000	-		
Body Armor Fund	3,245	3,245	-	3,245	-	-
Total Public and Private Programs Offset by Revenues	<u>14,401</u>	<u>14,401</u>	<u>5,000</u>	<u>9,401</u>	-	-
Total Operations Excluded from "CAPS"	<u>841,243</u>	<u>841,243</u>	<u>746,877</u>	<u>94,366</u>	-	-
CAPITAL IMPROVEMENTS- EXCLUDED FROM "CAPS"						
Capital Improvement Fund	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	-	-	-
Total Capital Improvements Excluded from "CAPS"	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	-	-	-

The Accompanying Notes are an Integral Part of these Financial Statements

TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>	<u>Overexpended</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"						
Payment of Bonds	\$ 125,000	\$ 125,000	\$ 125,000			
Payment of Bond Anticipation Notes and Capital Notes	200,000	200,000	200,000			
Loan Repayments for Principal and Interest - EIT	98,600	98,600	96,438		\$ 2,162	
Interest on Notes	23,100	23,100	23,086		14	
Interest on Bonds	43,600	43,600	43,556	-	44	-
	490,300	490,300	488,080	-	2,220	-
Total Municipal Debt Service						
Judgments (N.J.S.A. 40A:4-45.3cc)	60,000	60,000	56,332	-	3,668	-
	1,416,543	1,416,543	1,316,289	\$ 94,366	5,888	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"						
Subtotal General Appropriations	8,873,953	8,913,953	8,044,003	866,807	5,888	2,745
Reserve for Uncollected Taxes	216,000	216,000	216,000	-	-	-
	\$ 9,089,953	\$ 9,129,953	\$ 8,260,003	\$ 866,807	\$ 5,888	\$ 2,745
Total General Appropriations						
Budget as Adopted		\$ 9,089,953				
Emergency Appropriation NJSA 40A:4-47		40,000				
		\$ 9,129,953				
Cash Disbursed			\$ 7,810,229			
Accounts Payable			158,774			
Due to General Capital Fund						
Capital Improvement Fund			25,000			
Reserve for Tax Appeals			50,000			
Reserve for Uncollected Taxes			216,000			
			\$ 8,260,003			

**TOWNSHIP OF SOUTH HACKENSACK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-1	\$ 980	\$ 711
		<u>980</u>	<u>711</u>
OTHER TRUST FUND			
Cash	B-1	718,259	506,718
Due from Current Fund	B-10	<u>126,440</u>	<u>125,290</u>
		<u>844,699</u>	<u>632,008</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-1	<u>48,262</u>	<u>44,071</u>
RECREATION TRUST FUND			
Cash	B-1	<u>3,121</u>	<u>3,120</u>
LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND (UNAUDITED)			
Investments	B	530,239	476,619
Contribution Receivable	B	<u>33,012</u>	<u>20,280</u>
		<u>563,251</u>	<u>496,899</u>
Total Assets		<u>\$ 1,460,313</u>	<u>\$ 1,176,809</u>

**TOWNSHIP OF SOUTH HACKENSACK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Due to State of New Jersey	B-2	\$ 30	
Due to Current Fund	B-3	542	
Reserve for Animal Control Expenditures	B-4	<u>408</u>	<u>\$ 711</u>
		<u>980</u>	<u>711</u>
OTHER TRUST FUND			
Miscellaneous Reserves and Deposits	B-5	774,448	562,567
Payroll Deductions Payable	B-7	67,442	66,590
Accrued Salaries and Wages	B-9	1,181	1,427
Reserve for Health Savings	B-11	391	
Reserve for Flexible Spending	B-12	<u>1,237</u>	<u>1,424</u>
		<u>844,699</u>	<u>632,008</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Reserve for Unemployment Insurance Claims	B-6	<u>48,262</u>	<u>44,071</u>
		<u>48,262</u>	<u>44,071</u>
RECREATION TRUST FUND			
Reserve for Recreation Expenditures	B-8	<u>3,121</u>	<u>3,120</u>
		<u>3,121</u>	<u>3,120</u>
LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND (UNAUDITED)			
Reserve for LOSAP	B	<u>563,251</u>	<u>496,899</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 1,460,313</u>	<u>\$ 1,176,809</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**TOWNSHIP OF SOUTH HACKENSACK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Cash	C-2,C-3	\$ 477,929	\$ 841,885
Intergovernmental Receivables	C-7	452,856	370,856
Due from Current Fund	C-4	213,781	303,619
Deferred Charges to Future Taxation			
Funded	C-5	1,365,229	1,577,777
Unfunded	C-6	<u>3,554,728</u>	<u>3,329,728</u>
 Total Assets		 <u>\$ 6,064,523</u>	 <u>\$ 6,423,865</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Bond Anticipation Notes	C-9	\$ 3,098,000	\$ 3,298,000
Serial Bonds Payable	C-10	1,130,000	1,255,000
Accounts Payable	C-11	291,907	47,022
Improvement Authorization			
Unfunded	C-8	346,149	602,362
Loans Payable	C-13	235,229	322,777
Capital Improvement Fund	C-12	148,100	173,100
Reserve for Grants Receivable	C-7	452,856	82,000
Reserve for Preliminary Costs	C-14	7,534	
Fund Balance	C-1	<u>354,748</u>	<u>354,748</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 6,064,523</u>	 <u>\$ 6,135,009</u>

There were bonds and notes authorized but not issued of \$456,728 and \$31,728 on December 31, 2017 and 2016, respectively. (Exhibit C-15).

**TOWNSHIP OF SOUTH HACKENSACK
COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Balance, January 1	\$ <u>354,748</u>	\$ <u>354,748</u>
Balance, December 31	\$ <u>354,748</u>	\$ <u>354,748</u>

**TOWNSHIP OF SOUTH HACKENSACK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Land	\$ 1,753,100	\$ 1,753,100
Buildings and Building Improvements	356,744	356,744
Machinery and Equipment	<u>3,473,341</u>	<u>3,351,501</u>
	<u>\$ 5,583,185</u>	<u>\$ 5,461,345</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 5,583,185</u>	<u>\$ 5,461,345</u>

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NOTES TO FINANCIAL STATEMENTS

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of South Hackensack (the "Township") was incorporated in 1935 and operates under an elected Township Committee form of government. The five-member Township Committee is elected by the voters at-large in partisan elections to serve three-year terms of office in a staggered basis, with either one or two seats up for election each year as part of the November general election in a three-year cycle. At an annual reorganization meeting, the Township Committee selects one of its members to serve as Mayor and another as Deputy Mayor. The Mayor is the Chief Executive Officer of the Township and as such presides over all public meetings and makes appointments to various boards. The Township Committee 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. The Township's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Township 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 Township as an agent for individuals, private organizations, or other governments are recorded in the Trust Funds.

Animal Control Fund - This fund is used to account for fees collected from dog and cat 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 Township 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 Township as collateral.

Unemployment Insurance Fund - This fund is used to account for employee and employer contributions for the purpose of providing unemployment benefits to former eligible employees.

Recreation Trust Fund - This fund is used to account for the receipts and disbursements relating to recreation activities.

Length of Service Awards 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 Township.

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 Township. The Township's infrastructure is not reported in the account group.

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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 Township'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, 2016 balances to conform to the December 31, 2017 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 Township 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.

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 Township of South Hackensack 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. GAAP requires inventories to be recorded as assets in proprietary-type funds.

TOWNSHIP OF SOUTH HACKENSACK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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 Township. 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 Township 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 Township 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.

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 Township'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 Township'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.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items in the current fund, except for prepaid debt service, are offset by a reserve, created by a charge to operations. GAAP does not require the establishment of a reserve for prepaid items.

TOWNSHIP OF SOUTH HACKENSACK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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.

Encumbrances - Contractual orders outstanding at December 31, are reported as expenditures and liabilities through the establishment of an accounts 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.

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Township of South Hackensack has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Township as assets with an initial, individual cost of \$2,000 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, 1990 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, 1990 are stated as follows:

Land and Buildings
Machinery and Equipment

Assessed Value
Replacement Cost

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets (Continued)

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 proprietary-type funds as well as 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 proprietary-type funds as well as in the government-wide financial statements.

Use of Estimates - The preparation of financial statements requires management of the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of 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 Township and approved by the State Division of Local Government Services as per N.J.S.A. 40A:4 et seq.

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

Trust Funds
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 2017 the Township Committee increased the original budget by \$40,000. The increase was attributable to an emergency resolution. During 2016 the Township Committee did not increase the original budget. In addition, the governing body approved several budget transfers during 2017 and 2016.

**TOWNSHIP OF SOUTH HACKENSACK
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

<u>2017</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Current Fund			
Municipal Court-			
Salaries and Wages	\$79,000	\$81,745	\$2,745

In accordance with the regulatory basis of accounting, the above variance or overexpenditure was recorded as deferred charges on the balance sheet of the respective fund at year end and is required to be funded in the succeeding year's budget. GAAP does not permit the deferral of overexpenditures at year end.

NOTE 3 CASH DEPOSITS AND INVESTMENTS

The Township 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 Township'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 Township 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.

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, 2017 and 2016, the book value of the Township's deposits were \$7,764,259 and \$6,683,350 and bank and brokerage firm balances of the Township's deposits amounted to \$7,888,985 and \$6,947,323, respectively. The Township's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2017</u>	<u>2016</u>
Insured	<u>\$ 7,888,985</u>	<u>\$ 6,947,323</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 Township does not have a formal policy for custodial credit risk. The Township deposits were not exposed to custodial credit risk.

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments

The Township 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, bonds or other obligations of the Township or bonds or other obligations of the school districts which are a part of the Township or school districts located within the Township, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Township 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, 2017 and 2016, the Township had the following investments:

	<u>Fair Value</u> (Unaudited)	
	<u>2017</u>	<u>2016</u>
Investment:		
Length of Service Awards Program (Unaudited)	\$ <u>530,239</u>	\$ <u>476,619</u>

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Township does not have a policy for custodial risk. As of December 31, 2017 and 2016, \$530,239 and \$476,619 of the Township’s investments was exposed to custodial credit risk as follows:

	<u>2017</u>	<u>2016</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Township's name	\$ <u>530,239</u>	\$ <u>476,619</u>

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Township does not have an investment policy that would further limit its investment choices. As of December 31, 2017 and 2016, the Township’s investment in Lincoln Financial Group was rated Baa1 and Baa1, respectively by Moody’s Investors Service .

Concentration of Credit Risk – The Township places no limit in the amount the Township may invest in any one issuer. More than five (5) percent of the Township’s investments are in Lincoln Financial Group. These investments are 100% of the Township’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 Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting.

**TOWNSHIP OF SOUTH HACKENSACK
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
<u>Current</u>		
Property Taxes	\$ 27,131	\$ 7
Tax Title Liens	<u>1,878</u>	<u>1,434</u>
	<u>\$ 29,009</u>	<u>\$ 1,441</u>

In 2017 and 2016, the Township collected \$0 and \$168 from delinquent taxes, which represented 0% and 13%, respectively of the prior year delinquent taxes receivable balance.

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>2017</u>		<u>2016</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	\$ 542	\$ 340,221		\$ 428,909
Other Trust Fund	126,440		\$ 125,290	
Animal Control Fund		542		
General Capital Fund	<u>213,781</u>	<u>-</u>	<u>303,619</u>	<u>-</u>
	<u>\$ 340,763</u>	<u>\$ 340,763</u>	<u>\$ 428,909</u>	<u>\$ 428,909</u>

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

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

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charges are reported on the balance sheets of the following funds:

	<u>Balance December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
2017			
Current Fund			
Emergency Authorizations (40A:4-47)	\$ 40,000	\$ 40,000	
Overexpenditure of 2017 Appropriations	<u>2,745</u>	<u>2,745</u>	\$ -
	<u>\$ 42,745</u>	<u>\$ 42,745</u>	<u>\$ -</u>

NOTE 7 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund are 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 the Current Fund's budget for the succeeding year were as follows:

	<u>Fund Balance December 31, 2017</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31, 2016</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 3,391,260	\$ 555,000	\$ 2,343,266	\$ 350,000
Non-Cash Surplus	<u>139,662</u>	<u>-</u>	<u>96,417</u>	<u>-</u>
	<u>\$ 3,530,922</u>	<u>\$ 555,000</u>	<u>\$ 2,439,683</u>	<u>\$ 350,000</u>

The above fund balance amount appropriated represents the surplus anticipated in the 2018 introduced municipal budget. The 2018 municipal budget has not been legally adopted as of the date of audit.

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 8 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2017 and 2016.

	Balance January 1, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2017</u>
Land	\$ 1,753,100			\$ 1,753,100
Buildings and Building Improvements	356,744			356,744
Machinery and Equipment	<u>3,351,501</u>	<u>\$ 217,493</u>	<u>\$ 95,653</u>	<u>3,473,341</u>
	<u>\$ 5,461,345</u>	<u>\$ 217,493</u>	<u>\$ 95,653</u>	<u>\$ 5,583,185</u>
	Balance January 1, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2016</u>
Land	\$ 1,753,100			\$ 1,753,100
Buildings and Building Improvements	341,670	\$ 15,074		356,744
Machinery and Equipment	<u>3,197,523</u>	<u>153,978</u>	<u>\$ -</u>	<u>3,351,501</u>
	<u>\$ 5,292,293</u>	<u>\$ 169,052</u>	<u>\$ -</u>	<u>\$ 5,461,345</u>

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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 Township are general obligation bonds, backed by the full faith and credit of the Township. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The Township's debt is summarized as follows:

	<u>2017</u>	<u>2016</u>
Issued		
General		
Bonds, Notes and Loans	\$ 4,463,229	\$ 4,875,777
Less Funds Temporarily Held to Pay Bonds and Notes	<u>-</u>	<u>-</u>
Net Debt Issued	4,463,229	4,875,777
Authorized But Not Issued		
General		
Bonds and Notes	<u>456,728</u>	<u>31,728</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 4,919,957</u>	<u>\$ 4,907,505</u>

**TOWNSHIP OF SOUTH HACKENSACK
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the Township's Annual Debt Statement and indicates a statutory net debt of .618% and .613% at December 31, 2017 and 2016, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2017</u>			
General Debt	\$ 4,919,957	\$ 810,000	\$ 4,109,957
School Debt	<u>3,625,000</u>	<u>3,625,000</u>	<u>-</u>
Total	<u>\$ 8,544,957</u>	<u>\$ 4,435,000</u>	<u>\$ 4,109,957</u>
<u>2016</u>			
General Debt	\$ 4,907,505	\$ 960,000	\$ 3,947,505
School Debt	<u>4,210,000</u>	<u>4,210,000</u>	<u>-</u>
Total	<u>\$ 9,117,505</u>	<u>\$ 5,170,000</u>	<u>\$ 3,947,505</u>

Statutory Borrowing Power

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

	<u>2017</u>	<u>2016</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 23,260,709	\$ 22,538,495
Net Debt	<u>4,109,957</u>	<u>3,947,505</u>
Remaining Borrowing Power	<u>\$ 19,150,752</u>	<u>\$ 18,590,990</u>

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt

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

General Obligation Bonds

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

	<u>2017</u>	<u>2016</u>
\$1,880,000, 2011 Bonds, due in annual installments of \$125,000 to \$245,000 through February 15, 2023, interest at 3.25% to 4.00%	\$ 1,130,000	\$ 1,255,000
	<u>\$ 1,130,000</u>	<u>\$ 1,255,000</u>

General Intergovernmental Loans Payable

The Township has entered into a loan agreement(s) with the New Jersey Environmental Infrastructure Trust for the financing relating to the drainage improvements of Warren Street. The Township levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31 are as follows:

	<u>2017</u>	<u>2016</u>
\$720,000, 2000 Loans, due in annual installments of \$50,000 to \$55,000 through August 1, 2020, interest at 2.0%	\$ 160,000	\$ 210,000
\$721,280, 2000 Loans, due in annual installments of \$1,901 to \$37,394 through August 1, 2020, interest at 2.0%	<u>75,229</u>	<u>112,777</u>
	<u>\$ 235,229</u>	<u>\$ 322,777</u>

**TOWNSHIP OF SOUTH HACKENSACK
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

The Township's principal and interest for long-term debt issued and outstanding as of December 31, 2017 is as follows:

<u>Calendar Year</u>	<u>General Serial Bonds</u>		<u>Intergovernmental Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 125,000	\$ 39,650	\$ 85,933	\$ 8,400	\$ 258,983
2019	130,000	35,506	92,394	5,775	263,675
2020	165,000	30,609	56,902	2,888	255,399
2021	230,000	23,513			253,513
2022	235,000	14,500			249,500
2023	245,000	4,900	-	-	249,900
Total	\$ 1,130,000	\$ 148,678	\$ 235,229	\$ 17,063	\$ 1,530,970

Changes in Long-Term Municipal Debt

The Township's long-term capital debt activity for the years ended December 31, 2017 and 2016 were as follows:

	<u>Balance, January 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, December 31, 2017</u>	<u>Due Within One Year</u>
<u>2017</u>					
General Capital Fund					
General Serial Bonds Payable	\$ 1,255,000		\$ 125,000	\$ 1,130,000	\$ 125,000
Intergovernmental Loans Payable	322,777	\$ -	87,548	235,229	85,933
	<u>\$ 1,577,777</u>	<u>\$ -</u>	<u>\$ 212,548</u>	<u>\$ 1,365,229</u>	<u>\$ 210,933</u>
<u>2016</u>					
General Capital Fund					
General Serial Bonds Payable	\$ 1,380,000		\$ 125,000	\$ 1,255,000	\$ 125,000
Intergovernmental Loans Payable	403,668	\$ -	80,891	322,777	87,548
	<u>\$ 1,783,668</u>	<u>\$ -</u>	<u>\$ 205,891</u>	<u>\$ 1,577,777</u>	<u>\$ 212,548</u>

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The Township’s short-term debt activity for the years ended December 31, 2017 and 2016 was as follows:

Bond Anticipation Notes

<u>2017</u>	Interest Rate (%)	Maturity Date	Balance, January 1, 2017	Issued	Redeemed	Balance, December 31, 2017
<u>General Capital Fund</u>						
Refunding Tax Appeals	1.10 0.70	2/22/2018 2/23/2017	\$ 928,750	\$ 778,750	\$ 928,750	\$ 778,750
Various Road Improvements	1.10 0.70	2/22/2018 2/23/2017	298,379	273,117	298,379	273,117
Various Public Acquisitions and Improvements	1.10 0.70	2/22/2018 2/23/2017	1,485,771	1,461,033	1,485,771	1,461,033
Environmental Study and Remediation with Removal of Underground Storage Tank at the Department of Public Works Yard	1.10 0.70	2/22/2018 2/23/2017	71,400	71,400	71,400	71,400
Sewer Jet Machine and Street Sweeper	1.10 0.70	2/22/2018 2/23/2017	309,000	309,000	309,000	309,000
Acquisition of Various Equipment, Automotive Vehicles and Furnishings for the Use of the Police Department	1.10 0.70	2/22/2018 2/23/2017	204,700	204,700	204,700	204,700
Total Bond Anticipation Notes Payable			<u>\$ 3,298,000</u>	<u>\$ 3,098,000</u>	<u>\$ 3,298,000</u>	<u>\$ 3,098,000</u>

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

<u>2016</u>	Interest Rate (%)	Maturity Date	Balance, January 1, <u>2016</u>	<u>Issued</u>	<u>Redeemed</u>	Balance, December 31, <u>2016</u>
<u>General Capital Fund</u>						
Refunding Tax Appeals	0.50 0.70	2/26/2016 2/23/2017	\$ 1,078,750	\$ 928,750	\$ 1,078,750	\$ 928,750
Various Road Improvements	0.50 0.70	2/26/2016 2/23/2017	419,000	298,379	419,000	298,379
Various Public Acquisitions and Improvements	0.50 0.70	2/26/2016 2/23/2017	1,501,850	1,485,771	1,501,850	1,485,771
Environmental Study and Remediation with Removal of Underground Storage Tank at the Department of Public Works Yard	0.50 0.70	2/26/2016 2/23/2017	71,400	71,400	71,400	71,400
Sewer Jet Machine and Street Sweeper	0.50 0.70	2/26/2016 2/23/2017	309,000	309,000	309,000	309,000
Acquisition of Various Equipment, Automotive Vehicles and Furnishings for the Use of the Police Department	0.70	2/23/2017	-	204,700	-	204,700
Total Bond Anticipation Notes Payable			<u>\$ 3,380,000</u>	<u>\$ 3,298,000</u>	<u>\$ 3,380,000</u>	<u>\$ 3,298,000</u>

The purpose of these short-term borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq. The amounts issued for governmental activities are accounted for in the General Capital Fund.

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

**TOWNSHIP OF SOUTH HACKENSACK
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2017</u>		
Intersection and Roadway Improvements for Green Street and Wesley Street	\$269,176	2018

As of December 31, the Township has other significant commitments as follows:

<u>Purpose</u>	<u>Remaining Commitment</u>
<u>2016</u>	
Purchase of one (1) Police Vehicle	\$43,287

NOTE 11 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Under the existing policies and labor agreements of the Township, employees are allowed to accumulate (with certain restrictions) unused sick leave over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death, retirement or by extended absence immediately preceding retirement.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$426,435 and \$408,801 at December 31, 2017 and 2016, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2017 and 2016, the Township has reserved in the Other Trust Fund \$211,069 and \$211,069, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

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 Township's changes in other long-term liabilities for the years ended December 31, 2017 and 2016 were as follows:

	Balance, January 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>2017</u>					
Compensated Absences	\$ 408,801	\$ 37,636	\$ 20,002	\$ 426,435	\$ 20,002
Net OPEB Obligation	6,510,308	1,643,887	426,816	7,727,379	
Net Pension Liability					
PERS	2,639,514		366,762	2,272,752	
PFRS	10,735,979	-	2,483,432	8,252,547	-
	<u>\$ 20,294,602</u>	<u>\$ 1,681,523</u>	<u>\$ 3,297,012</u>	<u>\$ 18,679,113</u>	<u>\$ 20,002</u>
Total Other Long-Term Liabilities					
	<u>\$ 20,294,602</u>	<u>\$ 1,681,523</u>	<u>\$ 3,297,012</u>	<u>\$ 18,679,113</u>	<u>\$ 20,002</u>
	Balance, January 1, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<u>2016</u>					
Compensated Absences	\$ 447,612		\$ 38,811	\$ 408,801	\$ 18,581
Net OPEB Obligation	5,314,793	\$ 1,588,035	392,520	6,510,308	
Net Pension Liability					
PERS	2,542,611	176,077	79,174	2,639,514	
PFRS	7,037,511	4,156,704	458,236	10,735,979	-
	<u>\$ 15,342,527</u>	<u>\$ 5,920,816</u>	<u>\$ 968,741</u>	<u>\$ 20,294,602</u>	<u>\$ 18,581</u>
Total Other Long-Term Liabilities					
	<u>\$ 15,342,527</u>	<u>\$ 5,920,816</u>	<u>\$ 968,741</u>	<u>\$ 20,294,602</u>	<u>\$ 18,581</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 Township 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 with vesting occurring after 10 years of membership. PFRS is a cost-sharing multi-employer defined benefit pension plan.

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, 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 and vesting occurs after 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage. PERS is a cost-sharing multi-employer defined benefit pension plan.

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 Township 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. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PERS and new employees who would otherwise be eligible to participate in PERS and do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. 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 State also administers the Pensions Adjustment Fund (PAF). Prior to the adoption of pension reform legislation, P.L. 2011, C.78, it provided cost of living increases equal to 60 percent of the change in the average consumer price index, to eligible retirees in some State-sponsored pension systems which includes the CPFPPF. Cost-of-living increases provided under the State's pension adjustment program are currently suspended as a result of the reform legislation. This benefit is funded by the State as benefit allowances become payable.

The cost of living increase for PERS 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.

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits and refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

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.

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, which was rolled forward to June 30, 2017, the aggregate funded ratio for all the State administered retirement systems, including local PERS and local PFRS is 35.79 percent with an unfunded actuarial accrued liability of \$142.3 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 48.10 percent and \$23.3 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 58.60 percent and \$17.2 billion, respectively.

The funded status and funding progress of the retirement systems includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2016 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.00% for investment rate of return for all the retirement systems and (b) changes to projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for PERS and 2.10-9.98 percent based on age for PFRS.

**TOWNSHIP OF SOUTH HACKENSACK
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

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 based on 10.0% for PFRS, 7.20% for PERS and 5.50% for DCRP of employee's annual compensation for 2017.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the years ended December 31, 2017 and 2016 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2017, 2016 and 2015, the Township, 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>	<u>DCRP</u>
2017	\$ 458,236	\$ 79,362	\$ 440
2016	343,436	97,379	550
2015	478,784	85,601	496

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

Public Employees Retirement System (PERS)

At December 31, 2017 and 2016, the Township reported a liability of \$2,272,752 and \$2,639,514, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively. The Township's proportionate share of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2017, the Township's proportionate share was .00976 percent, which was an increase of .00085 percent from its proportionate share measured as of June 30, 2016 of .00891 percent.

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2017 and 2016, the pension system has determined the Township's pension expense to be \$107,374 and \$158,395, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Township's financial statements of \$79,362 and \$97,379 respectively. At December 31, 2017 and 2016, the Township's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Township's financial statements are from the following sources:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 53,515		\$ 49,087	
Changes of Assumptions	457,881	\$ 456,202	546,766	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	15,476		100,647	
Changes in Proportion and Differences Between Township Contributions and Proportionate Share of Contributions	238,044	403,131	118,063	\$ 528,473
Total	\$ 764,916	\$ 859,333	\$ 814,563	\$ 528,473

At December 31, 2017 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Year Ending December 31,	Total
2018	\$ (8,218)
2019	20,746
2020	(789)
2021	(79,945)
2022	(26,211)
Thereafter	-
	\$ (94,417)

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Township’s total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2017</u>	<u>2016</u>
Inflation Rate	2.25%	3.08%
Salary Increases:		
Through 2026	1.65-4.15% Based on Age	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age	2.65-5.15% Based on Age
Investment Rate of Return	7.00%	7.65%
Mortality Rate Table	RP-2000	RP-2000

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

The actuarial assumptions used in the July 1, 2016 and 2015 valuations were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014, respectively.

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016, as reported for the years ended December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</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>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash Equivalents	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	2.50%	6.82%		
Global Diversified Credit	5.00%	7.10%		
Credit Oriented Hedge Funds	1.00%	6.60%		
Debt Related Private Equity	2.00%	10.63%		
Debt Related Real Estate	1.00%	6.61%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

Discount Rate

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

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2017	5.00%
2016	June 30, 2016	3.98%

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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:

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

* The municipal bond return rate used is 3.58% and 2.85% as of the measurement dates of June 30, 2017 and 2016, 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 Township's proportionate share of the PERS net pension liability as of December 31, 2017 and 2016 calculated using the discount rate of 5.00% and 3.98%, respectively, as well as what the Township's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00% and 2.98%, respectively) or 1-percentage-point higher (6.00% and 4.98%, respectively) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
<u>2017</u>			
Township's Proportionate Share of the PERS Net Pension Liability	<u>\$ 2,819,503</u>	<u>\$ 2,272,752</u>	<u>\$ 1,817,241</u>
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
<u>2016</u>			
Township's Proportionate Share of the PERS Net Pension Liability	<u>\$ 3,234,416</u>	<u>\$ 2,639,514</u>	<u>\$ 2,148,371</u>

The sensitivity analysis was based on the proportionate share of the Township's net pension liability at December 31, 2017 and 2016. A sensitivity analysis specific to the Township's net pension liability was not provided by the pension system.

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016, the Township reported a liability of \$8,252,547 and \$10,735,979, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively. The Township's proportionate share of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2017, the Township's proportionate share was .05346 percent, which was a decrease of .00274 percent from its proportionate share measured as of June 30, 2016 of .05620 percent.

For the years ended December 31, 2017 and 2016, the pension system has determined the Township pension expense to be \$587,558 and \$1,059,988, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Township's financial statements of \$458,236 and \$343,436, respectively. At December 31, 2017 and 2016, the Township's deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Township's financial statements are from the following sources:

	2017		2016	
	<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	\$ 53,538	\$ 48,436		\$ 70,376
Changes of Assumptions	1,017,631	1,351,526	\$ 1,487,021	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	157,478		752,248	
Changes in Proportion and Differences Between Township Contributions and Proportionate Share of Contributions	1,356,900	1,574,159	1,754,522	1,716,811
Total	<u>\$ 2,585,547</u>	<u>\$ 2,974,121</u>	<u>\$ 3,993,791</u>	<u>\$ 1,787,187</u>

**TOWNSHIP OF SOUTH HACKENSACK
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

Year Ending December 31,	Total
2018	\$ (85,446)
2019	114,600
2020	33,431
2021	(231,147)
2022	(220,012)
Thereafter	-
	<u>\$ (388,574)</u>

Actuarial Assumptions

The Township’s total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2017</u>	<u>2016</u>
Inflation Rate	2.25%	3.08%
Salary Increases:		
Through 2026	2.10-8.98% Based on Age	2.10-8.98% Based on Age
Thereafter	3.10-9.98% Based on Age	3.10-9.98% Based on Age
Investment Rate of Return	7.00%	7.65%
Mortality Rate Table	RP-2000	RP-2000

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

The actuarial assumptions used in the July 1, 2016 and July 1, 2015 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016, as reported for the years ended December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</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>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	2.50%	6.82%		
Global Diversified Credit	5.00%	7.10%		
Credit Oriented Hedge Funds	1.00%	6.60%		
Debt Related Private Equity	2.00%	10.63%		
Debt Related Real Estate	1.00%	6.61%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

Discount Rate

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

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2017	6.14%
2016	June 30, 2016	5.55%

**TOWNSHIP OF SOUTH HACKENSACK
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

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:

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

* The municipal bond return rate used is 3.58% and 2.85% as of the measurement dates of June 30, 2017 and 2016, 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 Township’s proportionate share of the PFRS net pension liability as of December 31, 2017 and 2016 calculated using the discount rate of 6.14% and 5.55%, respectively, as well as what the Township’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 (5.14% and 4.55 % respectively) or 1-percentage-point higher (7.14% and 6.55%, respectively) than the current rate:

	1% Decrease (5.14%)	Current Discount Rate (6.14%)	1% Increase (7.14%)
<u>2017</u>			
Township's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 10,873,410</u>	<u>\$ 8,252,547</u>	<u>\$ 6,099,210</u>
	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
<u>2016</u>			
Township's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 13,843,258</u>	<u>\$ 10,735,979</u>	<u>\$ 8,202,180</u>

The sensitivity analysis was based on the proportionate share of the Township’s net pension liability at December 31, 2017 and 2016. A sensitivity analysis specific to the Township’s net pension liability was not provided by the pension system.

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

At December 31, 2017 and 2016, the State's proportionate share of the net pension liability attributable to the Township for the PFRS special funding situation is \$924,355 and \$901,556, respectively. For the years ended December 31, 2017 and 2016, the pension system has determined the State's proportionate share of the pension expense attributable to the Township for the PFRS special funding situation is \$113,069 and \$115,150 respectively, which is more than the actual contributions the State made on behalf of the Township of \$46,222 and \$34,545, respectively. The State's proportionate share attributable to the Township was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Township's financial statements.

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.

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS

Plan Description

The Township provides a post employment healthcare plan for its eligible retirees and their dependents. The plan is a single-employer defined benefit healthcare plan administered by the Township. In accordance with Township employment, contracts and personnel policies, the Township provides post-retirement health coverage to its eligible retired employees and their dependents at the time of retirement at the same cost to the retiree as there would be, if any, if they remained an employee. Coverage for a retiree's spouse and/or dependents ends upon the death of the retiree.

Funding Policy

The Township funds its post-retirement medical benefits on a pay-as-you-go basis. For the years 2017 and 2016 the Township paid \$426,816 and \$392,520, respectively for post-retirement health coverage premiums for eligible retirees and their dependents.

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The Township's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Township's annual OPEB cost for the year 2017 and 2016, the amount actually contributed to the plan, and changes in the Township's net OPEB obligation to the plan.

	<u>2017</u>	<u>2016</u>
Annual Required Contribution	\$ 1,350,923	\$ 1,348,869
Interest on Net OPEB Obligation	292,964	239,166
ARC Adjustment	-	-
Annual OPEB Cost (Expense)	<u>1,643,887</u>	<u>1,588,035</u>
Contributions Made	<u>426,816</u>	<u>392,520</u>
Increase in Net OPEB Obligation	1,217,071	1,195,515
Net OPEB Obligation - January 1	<u>6,510,308</u>	<u>5,314,793</u>
Net OPEB Obligation - December 31	<u>\$ 7,727,379</u>	<u>\$ 6,510,308</u>

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years 2017, 2016 and 2015 were as follows:

Year Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligations
2017	\$ 1,643,887	26%	\$ 7,727,379
2016	1,588,035	25%	6,510,308
2015	1,533,398	21%	5,314,793

Funded Status and Funding Progress

As of December 31, 2017, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$16,864,677, and the actuarial value of assets was zero resulting in an unfunded actuarial accrued liability (UAAL) of \$16,864,677. The covered payroll (annual payroll of active employees covered by the plan) was not available.

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Funded Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2017, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.50 percent investment rate of return (net of administrative expense) which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years. Both rates included a 4.50 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2017 was 30 years.

NOTE 14 RISK MANAGEMENT

The Township 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 Township has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Township should they occur.

The Township of South Hackensack is a member of the South Bergen Municipal Joint Insurance Fund (SBJIF) 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 SBJIF and MEL coverage amounts are on file with the Township.

**TOWNSHIP OF SOUTH HACKENSACK
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 14 RISK MANAGEMENT (Continued)

The Township is also a member of the Bergen County Municipal Benefits Fund (BMED). This fund is an insured and self-administered group established for the sole purpose of providing medical insurance coverage to the employees of member municipalities. The BMED is a risk-sharing public entity pool. The BMED coverage amounts are on file with the Township.

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

<u>Year Ended</u> <u>December 31</u>	<u>Township</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2017		\$ 4,172		\$ 48,262
2016		4,057		44,071
2015		3,977		40,010

NOTE 15 CONTINGENT LIABILITIES

The Township 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 Township’s Attorney, the potential claims against the Township not covered by insurance policies would not materially affect the financial condition of the Township.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2017 and 2016. Amounts claimed have not yet been determined. The Township 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 Township does not recognize a liability, if any, until these cases have been adjudicated. The Township expects such amounts, if any, could be material. As of December 31, 2017 and 2016, the Township reserved \$398,793 and \$296,365, 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 or from fund balance.

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 15 CONTINGENT LIABILITIES (Continued)

Federal and State Awards - The Township 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 Township may be required to reimburse the grantor government. As of December 31, 2017 and 2016, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Township believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Township.

NOTE 16 FEDERAL ARBITRAGE REGULATIONS

The Township 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, 2017 and 2016, the Township has not estimated its estimated arbitrage earnings due to the IRS, if any.

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

The Township of South Hackensack Length of Service Award Program (the Plan) was created by a Township ordinance adopted on August 9, 2001 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 Township of South Hackensack approved the adoption of the Plan at the general election held on November 6, 2000.

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

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

The Township of South Hackensack has contributed \$1,572 and \$1,560 for 2017 and 2016, respectively, for each eligible volunteer fire department member into the Plan. The total Township contributions were \$33,012 and \$20,280 for 2017 and 2016, respectively.

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

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

Lincoln Financial Group is the administrator of the plan. The Township's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan 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 Plan.

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 Township perform a separate review report of the plan 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 Plan are presented as unaudited in this report as part of the Township's Trust Fund.

All comments awarded under the Plan remain the assets of the Township. Plan funds are subject to the claims of the Township's general creditors until distributed to vested plan participants.

NOTE 18 SUBSEQUENT EVENTS

Bond Anticipation Notes

On February 14, 2018 the Township issued bond anticipation notes in the amount of \$2,824,000 to temporarily finance expenditures related to various capital projects. The Township has awarded the sale of said notes to Oppenheimer & Co. at an interest rate of 2.50%. These notes dated February 21, 2018 will mature on February 21, 2019.

Debt Authorized

On February 8, 2018 the Township adopted a bond ordinance authorizing the issuance \$1,761,000 in Bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Township has not issued nor awarded the sale of said bonds or notes.

CURRENT FUND

**TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF CURRENT CASH**

Balance, January 1, 2017		\$ 5,286,645
Increased by Receipts:		
Taxes Receivable	\$ 16,497,475	
Non-Budget Revenue	350,664	
Due from State of New Jersey - Senior Citizens' and Veterans'	15,643	
Revenue Accounts Receivable	1,662,455	
Other Accounts Receivable	2,275	
Prepaid Taxes	371,125	
Prepaid Sewer Fees	26	
Marriage Fees	370	
DCA Training Fees	17,092	
Unappropriated Grant Reserves	126,473	
Due from Other Trust Fund	<u>1,432</u>	
		<u>19,045,030</u>
		24,331,675
Decreased by Disbursements:		
2017 Budget Appropriations	7,810,229	
2016 Appropriation Reserves	163,535	
County Taxes Payable	1,654,163	
Local District School Taxes Payable	7,849,570	
Appropriated Grant Reserves	8,695	
Marriage Fees Payable	495	
Miscellaneous Reserves and Deposits	197,572	
DCA Training Fees Payable	16,933	
Payments on behalf of General Capital Fund	114,693	
Payments on behalf of Other Trust Fund	22	
Due to Other Trust Fund	<u>260</u>	
		<u>17,816,167</u>
Balance, December 31, 2017		<u>\$ 6,515,508</u>

**TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF GRANTS RECEIVABLE**

	Balance January 1, <u>2017</u>	Balance December 31, <u>2017</u>
Bergen County Prosecutor- Forfeiture Funds	\$ 6,500	\$ 6,500
Over the Limit Under Arrest	6,000	6,000
Click-It-or Ticket	7,200	7,200
Bergen County Open Space	34,000	34,000
Bergen County Prosecutor- Confiscated Funds	41,911	41,911
Drive Sober or Get Pulled Over	<u>806</u>	<u>806</u>
	<u>\$ 96,417</u>	<u>\$ 96,417</u>

EXHIBIT A-6

**STATEMENT OF DUE (FROM)/TO STATE OF NEW JERSEY
FOR SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, January 1, 2017 - (Due to)		\$ 1,000
Increased by:		
Received in Cash from State	\$ 15,643	
Senior Citizens' /Veterans' Deductions		
Disallowed by Tax Collector	<u>357</u>	
		<u>16,000</u>
		17,000
Decreased by:		
Senior Citizens' Deductions Per Tax Billings	4,000	
Veterans' Deductions Per Tax Billings	12,500	
Senior Citizens' /Veterans' Deductions		
Allowed by Tax Collector	<u>1,000</u>	
		<u>17,500</u>
Balance, December 31, 2017 - (Due from)		<u>\$ 500</u>

TOWNSHIP OF SOUTH HACKENSACK
 STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance, January 1, 2017	Levy	Senior Citizens' and Veterans' Deductions Disallowed	Senior Citizens' and Veterans' Deductions Allowed	Transferred to Tax Title Liens	Remitted or Cancelled	Balance, December 31, 2017
2016	\$ -	\$ 16,785,185	\$ 357	\$ 17,500	\$ 444	\$ 43,339	\$ 27,131
2017	\$ 7	\$ 16,785,185	\$ 357	\$ 17,500	\$ 444	\$ 43,346	\$ 27,131

Analysis of Property Tax Levy

Tax Yield	
General Purpose Tax	\$ 16,767,939
Added Taxes (R.S. 54:4-36.1 et. seq.)	<u>17,246</u>
	\$ 16,785,185
Tax Levy	
Local District School Tax	\$ 7,849,574
County Tax	1,587,574
County Open Space Preservation	66,328
County Tax - Added	1,639
County Open Space Preservation - Added	<u>68</u>
	\$ 1,655,609
Local Tax for Municipal Purposes	7,258,936
Add Additional Tax Levy	<u>21,066</u>
	<u>7,280,002</u>
	\$ 16,785,185

**TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF TAX TITLE LIENS RECEIVABLE**

Balance, January 1, 2017	\$	1,434
Increased by:		
Transferred from 2017 Taxes		444
Balance, December 31, 2017	\$	1,878

STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, January 1, <u>2017</u>	<u>Accrued</u>	Collected <u>2017</u>	Prepays <u>Applied</u>	Balance, December 31, <u>2017</u>
Licenses					
Alcoholic Beverage		\$ 14,358	\$ 14,358		
Other		23,676	23,676		
Fees and Permits		14,676	14,676		
Construction Code Official					
Fees and Permits		246,458	246,458		
Municipal Court					
Fines and Costs	\$ 12,029	199,720	196,599		\$ 15,150
Interest on Investments and Deposits		23,205	23,205		
Interest and Costs on Taxes		26,333	26,333		
Energy Receipts Tax		462,437	462,437		
Consolidated Municipal Property Tax Relief		22,286	22,286		
Uniform Fire Safety Act		43,173	43,173		
Sewer Charges		323,807	323,661	\$ 146	
Biodegradable and Suspended Solids		79,189	79,189		
Hotel Occupancy Tax		132,813	132,813		
Sewer Connection - Little Ferry		19,602	19,602		
Cable Television Franchise Fees	-	33,989	33,989	-	-
	<u>\$ 12,029</u>	<u>\$ 1,665,722</u>	<u>\$ 1,662,455</u>	<u>\$ 146</u>	<u>\$ 15,150</u>

**TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF DEFERRED CHARGES**

	Balance, January 1, <u>2017</u>	Amount Resulting from 2017	Balance, December 31, <u>2017</u>
Emergency Authorizations (40A:4-47)		\$ 40,000	\$ 40,000
Overexpenditure of 2017 Appropriations	\$ -	<u>2,745</u>	<u>2,745</u>
	<u>\$ -</u>	<u>\$ 42,745</u>	<u>\$ 42,745</u>

EXHIBIT A-11

STATEMENT OF OTHER ACCOUNTS RECEIVABLE

Balance, January 1, 2017	<u>\$ 2,275</u>
Decreased by: Cash Receipt	<u>\$ 2,275</u>

TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF 2016 APPROPRIATION RESERVES

	Balance December 31, 2016	Payables Restored	Transfers	Budget After Transfer or Modification	Paid or Charged	Balance Lapsed
Salaries and Wages						
Mayor and Township Committee	\$ 1,000			\$ 1,000		\$ 1,000
Municipal Clerk's Office	9,360			9,360		9,360
Financial Administration	11,567			11,567		11,567
Revenue Administration	1,109			1,109		1,109
Planning Board	1,039			1,039		1,039
Zoning Board of Adjustment	1,259			1,259		1,259
Municipal Court	6,246			6,246		6,246
Police Department	40,587	\$ 800		41,387	\$ 800	40,587
Police Dispatch 911	19,819			19,819		19,819
Office of Emergency Management	4,433			4,433		4,433
Aid to Volunteer Ambulance Companies	8,000			8,000		8,000
Fire Department	10,706			10,706		10,706
Municipal Prosecutor	4,250			4,250		4,250
Public Defender	4,000			4,000		4,000
Streets and Roads	40,283			40,283		40,283
Public Health Services	931			931		931
Recreation Services and Programs	6,236			6,236		6,236
Code Enforcement	7,834	-	-	7,834	-	7,834
	<u>178,659</u>	<u>800</u>	<u>-</u>	<u>179,459</u>	<u>800</u>	<u>178,659</u>
Other Expenses						
Mayor and Township Committee	606	50		656	50	606
Municipal Clerk's Office	6,762	839		7,601	3,031	4,570
Financial Administration	7,762	399		8,161	1,752	6,409
Audit Services	16,261			16,261	16,261	-
Technology and Information Systems	3,110			3,110		3,110
Revenue Administration	5,807			5,807		5,807
Tax Assessment Administration	4,747			4,747		4,747
Legal Services and Costs	18,104	2,102		20,206	5,422	14,784
Engineering Services and Costs	4,756	2,027		6,783	2,777	4,006
Planning Board	4,149			4,149		4,149
Zoning Board of Adjustment	5,300			5,300		5,300
Unemployment Insurance	9,782			9,782		9,782
Liability Insurance	8,122			8,122		8,122
Workers Compensation Insurance	16,352			16,352		16,352
Employee Group Insurance	273,203	310		273,513	310	273,203
Municipal Court	2,157	719		2,876	967	1,909
Police Department	36,333	16,563		52,896	17,309	35,587
Police Dispatch 911	1,008			1,008		1,008
Office of Emergency Management	865	295		1,160	295	865
Aid to Volunteer Fire Companies	8,990	9,685		18,675	16,568	2,107
Aid to Volunteer Ambulance Companies	10,750	1,000		11,750	1,000	10,750
Fire Department	10,485			10,485		10,485
Streets and Roads Maintenance	17,596	3,008		20,604	5,602	15,002
Solid Waste Collection	18,164	6,391		24,555	6,408	18,147
Public Buildings and Grounds	12,095	1,954		14,049	4,706	9,343
Vehicle Maintenance	48,206	3,588		51,794	13,984	37,810
Dump Fees	30,012	1,674		31,686	11,777	19,909
Public Health Services	7,861			7,861		7,861
Animal Control	1,767			1,767		1,767
Recreation Services and Programs	641	315		956	365	591
Senior Citizens	111			111		111
Celebration of Public Events	2,618			2,618	815	1,803
Accumulated Leave Compensation	10,605			10,605		10,605
Code Enforcement	2,985	200		3,185	275	2,910

**TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF 2016 APPROPRIATION RESERVES**

	Balance December 31, <u>2016</u>	Payables <u>Restored</u>	<u>Transfers</u>	Budget After Transfer or <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Utilities:						
Gasoline	\$ 35,204	\$ 815		\$ 36,019	\$ 3,108	\$ 32,911
Electricity	32,215	3,224		35,439	8,188	27,251
Telephone	3,168			3,168	2,850	318
Water	583	533		1,116	561	555
Street Lighting	13,942	3,045		16,987	6,229	10,758
Social Security	25,054			25,054		25,054
Public Employees Retirement System of NJ	1,817			1,817		1,817
Police and Firemen's Retirement System of NJ	2,284			2,284		2,284
Defined Contribution Retirement Plan	1,450			1,450		1,450
Length of Services Awards Program	45,000			45,000	21,840	23,160
Sewerage Processing and Disposal:						
Other Expenses - BCUA	4,999			4,999		4,999
Sewer System - Moonachie	5,000			5,000		5,000
Bergen County - 911 Emergency Service	1,216			1,216		1,216
Borough of Hasbrouck Heights - Tax Assessing Services	143	18,857		19,000	18,857	143
Clean Communities Program	4,917			4,917	4,917	-
Recycling Tonnage Grant	57,565	1,710		59,275	59,275	-
Drunk Driving Enforcement	1,924			1,924	1,924	-
Body Armor Fund	1,931	-	-	1,931	1,931	-
	<u>846,484</u>	<u>79,303</u>	<u>-</u>	<u>925,787</u>	<u>239,354</u>	<u>686,433</u>
	<u>\$ 1,025,143</u>	<u>\$ 80,103</u>	<u>\$ -</u>	<u>\$ 1,105,246</u>	<u>\$ 240,154</u>	<u>\$ 865,092</u>
Cash Disbursements					\$ 163,535	
Accounts Payable					10,331	
Appropriated Grant Reserve					<u>66,288</u>	
					<u>\$ 240,154</u>	

**TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF MISCELLANEOUS RESERVES AND DEPOSITS**

	Balance, January 1, <u>2017</u>	Realized as Revenue in the 2017 Budget	Budget Appropriation	Transfer from 2017 Tax Collections	Cash Disbursements	Transfer Balance, December 31, <u>2017</u>
Revaluation	\$ 12,300					\$ 12,300
Tax Appeals	296,365		\$ 50,000	\$ 250,000	\$ 197,572	398,793
Sale of Municipal Assets	579,538	\$ 100,000				479,538
Tax Title Liens Redemptions	<u>2,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,970</u>
	<u>\$ 891,173</u>	<u>\$ 100,000</u>	<u>\$ 50,000</u>	<u>\$ 250,000</u>	<u>\$ 197,572</u>	<u>\$ 893,601</u>

EXHIBIT A-14

STATEMENT OF ACCOUNTS PAYABLE

Balance, January 1, 2017	\$ 85,137
Increased by:	
Charges to 2016 Appropriation Reserves	\$ 10,331
Charges to 2017 Appropriations	<u>158,774</u>
	<u>169,105</u>
	254,242
Decreased by:	
Cancelled Payable	5,034
Payables Restored to 2016 Appropriation Reserves	<u>80,103</u>
	<u>85,137</u>
Balance, December 31, 2017	<u>\$ 169,105</u>

EXHIBIT A-15

STATEMENT OF PREPAID TAXES

Balance, January 1, 2017	\$ 199,653
Increased by:	
Collection of 2018 Taxes	\$ 371,125
Applied from Tax Overpayments	<u>5,664</u>
	<u>376,789</u>
	576,442
Decreased by:	
Applied to 2017 Taxes Receivable	<u>199,653</u>
Balance, December 31, 2017	<u>\$ 376,789</u>

**TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF LOCAL SCHOOL TAXES PAYABLE**

Balance, January 1, 2017 (Prepaid Taxes)	\$ (7)
Increased by:	
Levy, Calendar Year 2017	7,849,574
	7,849,567
Decreased by:	
Payments	7,849,570
Balance, December 31, 2017 (Prepaid Taxes)	\$ (3)

EXHIBIT A-17

STATEMENT OF COUNTY TAXES PAYABLE

Balance, January 1, 2017	\$ 261
Increased by:	
General Levy	\$ 1,587,574
Open Space Tax	66,328
Due to County for Added Taxes	1,707
	1,655,609
	1,655,870
Decreased by:	
Payments	1,654,163
Balance, December 31, 2017	\$ 1,707

EXHIBIT A-18

STATEMENT OF RESERVE FOR APPROPRIATED GRANTS

	Balance, January 1, <u>2017</u>	Transferred from 2016 <u>Appropriations</u>	Paid or <u>Charged</u>	Balance, December 31, <u>2017</u>
Recycling Tonnage Grant	\$ 152,760	\$ 58,406	\$ 8,195	\$ 202,971
Alcohol Education Rehabilitation Fund	1,427			1,427
Body Armor		1,041		1,041
Private Donation - Grant Supplies	3,000			3,000
Private Donation - BCCT	4,000			4,000
Clean Communities	24,000	4,917		28,917
Drunk Driving Enforcement Fund	1,202	1,924		3,126
Over the Limit Under Arrest	6,000			6,000
Drive Sober or Get Pulled Over	744			744
Click It or Ticket It	7,200		500	6,700
Green Communities	3,000			3,000
BCUA Municipal Recycling Assistance	4,719			4,719
Bergen County Confiscated Funds	36,958			36,958
2010 Open Space Trust - Playground Renovation	34,000			34,000
BC Prosecutor-Forfeiture Funds	11,453	-	-	11,453
	<u>\$ 290,463</u>	<u>\$ 66,288</u>	<u>\$ 8,695</u>	<u>\$ 348,056</u>

**TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF RESERVE FOR UNAPPROPRIATED GRANTS**

	Balance, January 1, <u>2017</u>	Cash <u>Receipts</u>	Grants <u>Appropriated</u>	Balance, December 31, <u>2017</u>
Donation - BCCT	\$ 150			\$ 150
Clean Communities Program	5,567	\$ 4,730	\$ 5,567	4,730
Body Armor	3,245	2,027	3,245	2,027
Bulletproof Vest Partnership		1,335		1,335
Recycling Tonnage		108,125		108,125
Drive Sober or Get Pulled Over		4,306		4,306
Click It or Ticket	5,000	5,500	5,000	5,500
Alcohol Education Rehab	<u>589</u>	<u>450</u>	<u>589</u>	<u>450</u>
	<u>\$ 14,551</u>	<u>\$ 126,473</u>	<u>\$ 14,401</u>	<u>\$ 126,623</u>

EXHIBIT A-20

STATEMENT OF MARRIAGE FEES PAYABLE

Balance, January 1, 2017	\$ 175
Increased by:	
Cash Receipts	<u>370</u>
	545
Decreased by:	
Cash Disbursements	<u>495</u>
Balance, December 31, 2017	<u>\$ 50</u>

EXHIBIT A-21

STATEMENT OF DCA TRAINING FEES PAYABLE

Balance, January 1, 2017	\$ 1,304
Increased by:	
Cash Receipts	<u>17,092</u>
	18,396
Decreased by:	
Cash Disbursements	<u>16,933</u>
Balance, December 31, 2017	<u>\$ 1,463</u>

**TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2017	\$ <u>5,664</u>
Decreased by:	
Applied to Prepaid Taxes	\$ <u>5,664</u>

STATEMENT OF PREPAID SEWER FEES

Balance, January 1, 2017	\$ 146
Increased by:	
Cash Receipts	<u>26</u>
	172
Decreased by:	
Prepayments Applied	<u>146</u>
Balance, December 31, 2017	\$ <u>26</u>

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TRUST FUNDS

TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF TRUST CASH

	<u>Animal Control</u>	<u>Other Trust</u>	<u>Unemployment Insurance Trust</u>	<u>Recreation Trust</u>
Balance, January 1, 2017	\$ 711	\$ 506,718	\$ 44,071	\$ 3,120
Increased by Receipts:				
Animal Control Fees	\$ 239			
Due to State of NJ	66			
Interest on Deposits		\$ 19	\$ 1	
Miscellaneous Reserves and Deposits		\$ 307,314		
Employee Contributions			4,172	
Accrued Salaries and Wages		1,857,009		
Payroll Deductions		2,402,679		
Health Savings		6,641		
Flexible Spending		7,901		
Receipts from Current Fund	<u>305</u>	<u>4,581,804</u>	<u>4,191</u>	<u>1</u>
Decreased by Disbursements:				
Due to State of NJ	36			
Miscellaneous Reserves and Deposits				
Payroll Deductions		95,411		
Accrued Salaries and Wages		2,401,827		
Health Savings		1,857,255		
Flexible Spending		6,250		
Payments to Current Fund		8,088		
	<u>36</u>	<u>4,370,263</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2017	<u>\$ 980</u>	<u>\$ 718,259</u>	<u>\$ 48,262</u>	<u>\$ 3,121</u>

**TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF DUE TO STATE OF NEW JERSEY - ANIMAL CONTROL FEES**

Increased by:		
State Fees Collected		\$ 66
Decreased by:		
Payments to State of NJ		<u> 36</u>
Balance, December 31, 2017		<u>\$ 30</u>

EXHIBIT B-3

STATEMENT OF DUE TO CURRENT FUND - ANIMAL CONTROL FUND

Increased by:		
Statutory Excess		<u>\$ 542</u>
Balance, December 31, 2017		<u>\$ 542</u>

EXHIBIT B-4

STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance, January 1, 2017		\$ 711
Increased by:		
Animal Control Fees Collected		<u> 239</u>
		950
Decreased by:		
Statutory Excess		<u> 542</u>
Balance, December 31, 2017		<u>\$ 408</u>

**TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF MISCELLANEOUS RESERVES AND DEPOSITS
OTHER TRUST FUND**

	Balance January 1, <u>2017</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance December 31, <u>2017</u>
Developer's Escrow	\$ 112,468	\$ 117,914	\$ 69,064	\$ 161,318
COAH	111,017	408	11,721	99,704
DEA Trust	3,858	1,439	2,863	2,434
Police Outside Employment	12,965	170,073		183,038
DARE	9,794	8,100	3,985	13,909
POAA	1,102	380		1,482
Tax Sale Certificate Premiums	49,000	4,500	4,500	49,000
Fire Prevention Fees	21,844			21,844
Shade Tree	4,450	4,500	3,300	5,650
Storm Recovery	25,000			25,000
Accumulated Absences	<u>211,069</u>	<u>-</u>	<u>-</u>	<u>211,069</u>
	<u>\$ 562,567</u>	<u>\$ 307,314</u>	<u>\$ 95,433</u>	<u>\$ 774,448</u>
		\$ 307,314		
Cash Receipts			\$ 22	
Due to Current Fund		<u>-</u>	<u>95,411</u>	
Cash Disbursements				
		<u>\$ 307,314</u>	<u>\$ 95,433</u>	

EXHIBIT B-6

**STATEMENT OF RESERVE FOR UNEMPLOYMENT INSURANCE CLAIMS
UNEMPLOYMENT INSURANCE TRUST FUND**

Balance, January 1, 2017	\$ 44,071
Increased by:	
Interest on Deposits	\$ 19
Employee Contributions	<u>4,172</u>
	<u>4,191</u>
Balance, December 31, 2017	<u>\$ 48,262</u>

EXHIBIT B-7

STATEMENT OF PAYROLL DEDUCTIONS PAYABLE

Balance, January 1, 2017	\$ 66,590
Increased by:	
Payroll Withholdings	<u>2,402,679</u>
	2,469,269
Decreased by:	
Payroll Deduction Disbursements	<u>2,401,827</u>
Balance, December 31, 2017	<u>\$ 67,442</u>

**TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF RESERVE FOR RECREATION EXPENDITURES**

Balance, January 1, 2017	\$	3,120
Increased by:		
Interest on Deposits		<u>1</u>
Balance, December 31, 2017	\$	<u>3,121</u>

STATEMENT OF ACCRUED SALARIES AND WAGES

Balance, January 1, 2017	\$	1,427
Increased by:		
Net Payroll Deposits		<u>1,857,009</u>
		1,858,436
Decreased by:		
Net Payroll Disbursements		<u>1,857,255</u>
Balance, December 31, 2017	\$	<u>1,181</u>

STATEMENT OF DUE FROM CURRENT FUND - OTHER TRUST FUND

Balance, January 1, 2017	\$	125,290
Increased by:		
Payments to Current Fund		<u>1,432</u>
		126,722
Decreased by:		
Receipts from Current Fund	\$	260
Other Trust Fund Expenditures paid by Current Fund		<u>22</u>
		<u>282</u>
Balance, December 31, 2017	\$	<u>126,440</u>

**TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF RESERVE FOR HEALTH SAVINGS**

Increased by:		
Cash Receipts		\$ 6,641
Decreased by:		
Cash Disbursements		<u>6,250</u>
Balance, December 31, 2017		<u>\$ 391</u>

STATEMENT OF RESERVE FOR FLEXIBLE SPENDING

Balance, January 1, 2017		\$ 1,424
Increased by:		
Cash Receipts		<u>7,901</u>
		9,325
Decreased by:		
Cash Disbursements		<u>8,088</u>
Balance, December 31, 2017		<u>\$ 1,237</u>

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GENERAL CAPITAL FUND

**TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF GENERAL CAPITAL CASH**

Balance, January 1, 2017		\$ 841,885
Increased by Receipts:		
Interest on Deposits	<u>\$ 145</u>	<u>145</u>
		842,030
Decreased by Disbursements:		
Improvement Authorizations	275,213	
Preliminary Costs	41,866	
Accounts Payable	<u>47,022</u>	
		<u>364,101</u>
Balance, December 31, 2017		<u>\$ 477,929</u>

**TOWNSHIP OF SOUTH HACKENSACK
ANALYSIS OF GENERAL CAPITAL CASH
DECEMBER 31, 2017**

Fund Balance	\$ 354,748
Capital Improvement Fund	148,100
Due from Current Fund	(213,781)
Accounts Payable	291,907
Reserve for Preliminary Costs	7,534

Ordinance

<u>Number</u>	<u>Improvement Authorizations</u>	
13-10	Refunding Tax Appeals	44,719
13-11	Various Public Improvements	29,298
14-07	Various Public Improvements and Acquisition of Equipment and Vehicles	143,125
14-08	Environmental Study and Remediation with Removal of Underground Storage Tank at the Department of Public Works Yard	19,248
14-09	Sewer Jet Machine and Street Sweeper	16,226
15-03	Acquisition of Various Equipment, Automotive Vehicles and Furnishings for the Use of the Police Department	
17-06	Intersection and Roadway Improvements	<u>(363,195)</u>
		<u>\$ 477,929</u>

**TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF DUE FROM CURRENT FUND**

Balance, January 1, 2017		\$ 303,619
Increased by:		
2017 Budget Appropriation		
Capital Improvement Fund		<u>25,000</u>
		328,619
Decreased by:		
Interest on Deposits	\$ 145	
General Capital Fund Expenditures Paid by Current Fund	<u>114,693</u>	
		<u>114,838</u>
Balance, December 31, 2017		<u>\$ 213,781</u>

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, January 1, 2017		\$ 1,577,777
Decreased by:		
2017 Budget Appropriation		
Bond Principal	\$ 125,000	
Loan Principal	<u>87,548</u>	
		<u>212,548</u>
Balance, December 31, 2017		<u>\$ 1,365,229</u>

TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Analysis of Balance,
December 31, 2017

Ordinance Number	Improvement Description	Balance, January 1, 2017	Authorizations	Notes Paid by Budget Appropriation	Balance, December 31, 2017	Bond Anticipation Note	Expenditures	Improvement Authorizations Unfunded
11-11	Various Road Improvements	298,379		\$ 25,262	\$ 273,117	\$ 273,117		
12-02	Improvement to Basli Playground and Veteran's Park Walkways	100,000		100,000	-			
12-12	Refunding Tax Appeals	264,479		16,527	247,952	247,952		
12-14	Various Public Acquisitions and Improvements	860,000		50,000	810,000	778,750		\$ 31,250
13-10	Refunding Tax Appeals	112,770		8,211	104,559	104,559		
13-11	Various Public Improvements	1,109,000			1,109,000	1,108,522		478
14-07	Various Public Improvements and Acquisition of Equipment and Vehicles	71,400			71,400	71,400		
14-08	Environmental Study and Remediation with Removal of Underground Storage Tank at the Department of Public Works Yard	309,000			309,000	309,000		
14-09	Sewer Jet Machine and Street Sweeper	204,700			204,700	204,700		
15-03	Acquisition of Various Equipment, Automotive Vehicles and Furnishings for the Use of the Police Department	-			-	-		
17-06	Intersection and Roadway Improvements	-	\$ 425,000		425,000	-	\$ 363,195	61,805
		<u>\$ 3,329,728</u>	<u>\$ 425,000</u>	<u>\$ 200,000</u>	<u>\$ 3,554,728</u>	<u>\$ 3,098,000</u>	<u>\$ 363,195</u>	<u>\$ 93,533</u>

Improvement Authorizations - Unfunded	
Less: Unexpended Proceeds of Notes Issued:	
Ord. No. 13-10	\$ 44,719
Ord. No. 13-11	29,298
Ord. No. 14-07	143,125
Ord. No. 14-08	19,248
Ord. No. 14-09	16,226
	<u>252,616</u>
	<u>\$ 93,533</u>

TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF INTERGOVERNMENTAL RECEIVABLES

	<u>Total</u>	Bergen County - ADA Various Improvements <u>Ord. No. 13-11</u>	New Jersey Dept. of Transportation <u>Ord. No. 17-06</u>
Balance, January 1, 2017	\$ 82,000	\$ 82,000	-
Increased By:			
Grant Awards	<u>370,856</u>	<u>-</u>	<u>\$ 370,856</u>
Balance, December 31, 2017	<u>\$ 452,856</u>	<u>\$ 82,000</u>	<u>\$ 370,856</u>
Reserve for Grants Receivable:			
Ord. #13-11	\$ 82,000		
Ord. #17-06	<u>370,856</u>		
	<u>\$ 452,856</u>		

TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Authorizations					
		Ordinance Date	Amount	Balance, January 1, 2017 Unfunded	Deferred Charges - Unfunded	Expended	Balance, December 31, 2017 Unfunded
13-10	Refunding Tax Appeals	12/12/2013	1,010,000	\$ 75,969		\$	75,969
13-11	Various Public Improvements	12/12/2013	164,000	29,298			29,298
14-07	Various Public Improvements and Acquisition of Equipment and Vehicles	12/4/2014	1,165,000	423,057		\$	279,454
14-08	Environmental Study and Remediation with Removal of Underground Storage Tank at the Department of Public Works Yard	12/4/2014	75,000	23,091			19,248
14-09	Sewer Jet Machine and Street Sweeper	12/4/2014	325,000	16,626			16,226
15-03	Acquisition of Various Equipment, Automotive Vehicles and Furnishings for the Use of the Police Department	6/11/2015	215,000	34,321			34,321
17-06	Intersection and Roadway Improvements	4/6/2017	425,000	-	\$ 425,000		363,195
				\$ 602,362	\$ 425,000	\$ 681,213	\$ 346,149
				Accounts Payable		\$ 291,307	
				Due to Current Fund		114,693	
				Cash Disbursements		275,213	
						\$ 681,213	

TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF BOND ANTICIPATION NOTES

Ord. No.	Improvement Description	Date of Original Note	Amount of Original Note	Date of Issue	Maturity	Interest Rate	%	Balance, January 1, 2017	Increased	Decreased	Balance, December 31, 2017	
12-12	Refunding Tax Appeals	12/28/2012	\$ 485,000	2/23/2016	2/23/2017	0.70		\$ 100,000	\$ 100,000			
11-11	Various Road Improvements	2/28/2013	419,000	2/23/2016 2/22/2017	2/23/2017 2/22/2018	0.70 1.10		298,379	\$ 273,117	298,379	\$ 273,117	
12-14	Various Public Acquisitions and Improvements	2/28/2013	314,000	2/23/2016 2/22/2017	2/23/2017 2/22/2018	0.70 1.10		264,479	247,952	264,479	247,952	
13-10	Refunding Tax Appeals	2/28/2014	928,750	2/23/2016 2/22/2017	2/23/2017 2/22/2018	0.70 1.10		828,750	778,750	828,750	778,750	
13-11	Various Public Improvements	2/28/2014	156,000	2/23/2016 2/22/2017	2/23/2017 2/22/2018	0.70 1.10		112,770	104,559	112,770	104,559	
14-07	Various Public Improvements and Acquisition of Equipment and Vehicles	2/27/2015	1,108,074	2/23/2016 2/22/2017	2/23/2017 2/22/2018	0.70 1.10		1,108,522	1,108,522	1,108,522	1,108,522	
14-08	Environmental Study and Remediation with Removal of Underground Storage Tank at the Department of Public Works Yard	2/27/2015	71,400	2/23/2016 2/22/2017	2/23/2017 2/22/2018	0.70 1.10		71,400	71,400	71,400	71,400	
14-09	Sewer Jet Machine and Street Sweeper	2/27/2015	309,000	2/23/2016 2/22/2017	2/23/2017 2/22/2018	0.70 1.10		309,000	309,000	309,000	309,000	
15-03	Acquisition of Various Equipment, Automotive Vehicles and Furnishings for the Use of the Police Department	2/23/2016	204,700	2/23/2016 2/22/2017	2/23/2017 2/22/2018	0.70 1.10		204,700	204,700	204,700	204,700	
								\$ 3,298,000	\$ 3,098,000	\$ 3,298,000	\$ 3,098,000	
								Renewals Paid by Budget Appropriation		\$ 3,098,000	\$ 3,098,000	\$ 3,098,000
										\$ 3,098,000	\$ 3,298,000	\$ 3,298,000

STATEMENT OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturity of Bonds Outstanding at December 31, 2017	Interest Rate	%	Balance, January 1, 2017	Increased	Decreased	Balance, December 31, 2017
General Improvements	2/15/2011	\$ 1,880,000	2018	3.25					
			2019	3.25					
			2020	3.75					
			2021	3.75					
			2022	4.00					
			2023	4.00					
						\$ 1,255,000	\$ -	\$ 125,000	\$ 1,130,000
						\$ 1,255,000	\$ -	\$ 125,000	\$ 1,130,000

**TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF ACCOUNTS PAYABLE**

Balance, January 1, 2017		\$	47,022
Increased by:			
Charges to Improvement Authorizations	\$		291,307
Charges to Preliminary Costs		<u>600</u>	
			<u>291,907</u>
			338,929
Decreased by:			
Cash Disbursements			<u>47,022</u>
Balance, December 31, 2017		\$	<u>291,907</u>

EXHIBIT C-12

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, January 1, 2017		\$	173,100
Increased by:			
2017 Budget Appropriation			<u>25,000</u>
			198,100
Decreased by:			
Preliminary Costs - Engineering Services			<u>50,000</u>
Veteran's Park Phase 1 Improvements			<u>50,000</u>
Balance, December 31, 2017		\$	<u>148,100</u>

EXHIBIT C-13

STATEMENT OF LOANS PAYABLE

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Balance, January 1, 2017</u>	<u>Decreased</u>	<u>Balance, December 31, 2017</u>
NJEIT Loan - A	10/15/2000	\$ 720,000	\$ 210,000	\$ 50,000	\$ 160,000
NJEIT Loan - B	10/15/2000	721,280	<u>112,777</u>	<u>37,548</u>	<u>75,229</u>
			<u>\$ 322,777</u>	<u>\$ 87,548</u>	<u>\$ 235,229</u>

**TOWNSHIP OF SOUTH HACKENSACK
STATEMENT OF RESERVE FOR PRELIMINARY COSTS**

Increased by:			
Preliminary Costs Authorization		\$	50,000
Decreased by:			
Cash Disbursements	\$	41,866	
Accounts Payable		<u>600</u>	
			<u>42,466</u>
Balance, December 31, 2017		\$	<u>7,534</u>

STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ordinance Number</u>	<u>Improvement Description</u>	Balance, January 1, <u>2017</u>	<u>Authorizations</u>	Balance, December 31, <u>2017</u>
13-10	Refunding Tax Appeals	\$ 31,250		\$ 31,250
14-07	Various Public Improvements and Acquisition of Equipment and Vehicles	478		478
17-06	Intersection and Roadway Improvements	<u>-</u>	\$ 425,000	<u>425,000</u>
		<u>\$ 31,728</u>	<u>\$ 425,000</u>	<u>\$ 456,728</u>

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**TOWNSHIP OF SOUTH HACKENSACK
COUNTY OF BERGEN
PART II
GOVERNMENT AUDITING STANDARDS
YEAR ENDED DECEMBER 31, 2017**



LERCH, VINCI & HIGGINS, LLP

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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 Township Committee
Township of South Hackensack
South Hackensack, 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 Township of South Hackensack as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated May 30, 2018. 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 Township of South Hackensack'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 Township of South Hackensack's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of South Hackensack'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 Township's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

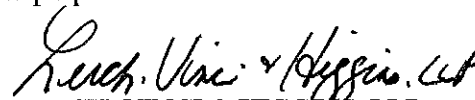
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of South Hackensack'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 Township of South Hackensack in Part III of this report of audit entitled, "Letter of Comments and Recommendations".

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township of South Hackensack'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 Township of South Hackensack'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 J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
May 30, 2018

TOWNSHIP OF SOUTH HACKENSACK
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grant Program	CFDA Number	Grant Year	Grant Award Amount	2017 Grant Receipts	Balance, January 1, 2017	Revenue Realized	Expended	Balance, December 31, 2017	Cumulative Expended
U.S. Department of Law and Public Safety (Passed through State Department of Highway Traffic Safety)									
Click It or Ticket Program	20.616	2012	\$ 4,000		\$ 2,800			\$ 2,800	\$ 1,200
Click It or Ticket Program	20.616	2011	4,000		400			400	3,600
Click It or Ticket Program	20.616	2010	4,000		4,000			3,500	500
Click It or Ticket Program	20.616	2016	5,000			\$ 5,000	5,000		5,000
Drive Sober or Get Pulled Over	20.616	2014	5,000		744			744	4,256
Over the Limit Under Arrest	20.616	2010	6,000		6,000			6,000	
U.S. Department of Homeland Security (Passed Through State Department of Law and Public Safety)									
FEMA - Winter Storm 1/22/2016 - Public Assistance Grant	97.036	2016	16,642	16,642	-	16,642	16,642	-	16,642
					\$ 13,944	\$ 21,642	\$ 22,142	\$ 13,444	

The above schedule is not subject to a Federal Single Audit as defined by U.S. Uniform Guidance

TOWNSHIP OF SOUTH HACKENSACK
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2017

State Grant Program	Grant Number	2017 Grant Receipts	Grant Amount	Grant Year	Balance, January 1, 2017	Revenue	Expended	Cancelled Prior Year Accounts Payable	Balance, December 31, 2017	Cumulative Expended
State of NJ - Department of Environmental Protection										
Recycling Tonnage Grant	4900-752-042-4900		\$ 8,519	2006	\$ 4,119	\$ 4,119	\$ 4,119	\$	\$ 5,379	\$ 8,519
Recycling Tonnage Grant	4900-752-042-4900		9,455	2008	9,455	4,076	4,076		17,954	4,076
Recycling Tonnage Grant	4900-752-042-4900		17,954	2008	17,954				6,193	5,225
Recycling Tonnage Grant	4900-752-042-4900		11,418	2009	6,193				29,189	20,460
Recycling Tonnage Grant	4900-752-042-4900		49,649	2011	29,189				33,335	
Recycling Tonnage Grant	4900-752-042-4900		33,335	2012	33,335				17,798	25,453
Recycling Tonnage Grant	4900-752-042-4900		43,251	2014	17,798				34,717	19,864
Recycling Tonnage Grant	4900-752-042-4900		54,581	2015	34,717				58,406	2,869
Recycling Tonnage Grant	4900-752-042-4900		61,275	2016	57,565	\$ 869	\$ 1,710			
Clean Communities Program	4900-752-042-4900		4,000	2007	4,000				4,000	
Clean Communities Program	4900-752-042-4900		4,000	2008	4,000				4,000	
Clean Communities Program	4900-752-042-4900		4,000	2009	4,000				4,000	
Clean Communities Program	4900-752-042-4900		4,000	2011	4,000				4,000	
Clean Communities Program	4900-752-042-4900		4,000	2012	4,000				4,000	
Clean Communities Program	4900-752-042-4900		4,000	2013	4,000				4,000	
Clean Communities Program	4900-752-042-4900		4,917	2016	4,917				4,917	
Clean Communities Program	4900-752-042-4900		5,567	2017	5,567	\$ 5,567			3,000	
Green Communities Program	Not Available		3,000	2010	3,000				1,041	890
State of NJ - Department of Law and Public Safety										
Body Armor Replacement Program	1020-718-066-1020		1,931	2016	1,931	890			3,245	
Body Armor Replacement Program	1020-718-066-1020		3,245	2017		3,245				
Drunk Driving Enforcement Fund	Not Available		1,202	2009	1,202				1,202	
Drunk Driving Enforcement Fund	Not Available		1,924	2016	1,924				1,924	
State of NJ - Department of Judiciary Highway Safety	098-9735-760-001		589	2015		589				
U.S. Department of Transportation Highway Planning and Construction (Pass Through N.J. Department of Transportation)										
Road Improvements (Ord. 2017-06)	N/A	2017	370,856			303,964			(303,964)	303,964
State of NJ - Department of Justice Alcohol Education Rehabilitation Fund	054-7555-100-003		2,203	2006	1,427				1,427	776
					\$ 248,726	\$ 9,401	\$ 313,918	\$ 1,710	\$ (54,081)	

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The above schedule is not subject to a State Single Audit as defined by OMB Circular 15-08. The Accompanying Notes are an Integral Part of these Financial Statements

**TOWNSHIP OF SOUTH HACKENSACK
 NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE
 YEAR ENDED DECEMBER 31, 2017**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Township of South Hackensack. The Township is defined in Note 1(A) to the Township'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 Township's financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	<u>\$ 21,642</u>	<u>\$ 9,401</u>	<u>\$ 31,043</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 Township's fiscal year and grant program year.

NOTE 5 DE MINIMIS INDIRECT COST RATE

The Borough has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**TOWNSHIP OF SOUTH HACKENSACK
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2017**

NOTE 6 FEDERAL AND STATE LOANS OUTSTANDING

The Township's state loans outstanding at December 31, 2017, which are not required to be reported on the schedules of expenditures of state financial assistance, are as follows:

NJEIT - Loan A	\$ 160,000
NJEIT - Loan B	<u>75,229</u>
	<u>\$ 235,229</u>

**TOWNSHIP OF SOUTH HACKENSACK
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Part I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on financial statements	<u>Modified - Unaudited LOSAP Trust Fund</u>	
Internal control over financial reporting:		
1) Material weakness(es) identified	_____ yes	<u> X </u> no
2) Significant deficiency(ies) that are not considered to be material weakness(es)?	_____ yes	<u> X </u> none reported
Noncompliance material to the financial statements noted?	_____ yes	<u> X </u> no

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

**TOWNSHIP OF SOUTH HACKENSACK
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 5.18-5.20 of *Government Auditing Standards*.

There are none.

**TOWNSHIP OF SOUTH HACKENSACK
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 5.18-5.20 of *Government Auditing Standards*.

STATUS OF PRIOR YEAR FINDINGS

There were none.

**TOWNSHIP OF SOUTH HACKENSACK
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate</u>	<u>\$2.778</u>	<u>\$2.764</u>	<u>\$2.746</u>
<u>Apportionment of Tax Rate</u>			
Municipal	1.202	1.200	1.184
County	.264	.244	.250
County Open Space	.011	.003	.003
Local School District	1.301	1.317	1.309
<u>Assessed Valuation</u>			
2017	<u>\$603,597,500</u>		
2016		<u>\$607,881,710</u>	
2015			<u>\$613,468,843</u>

Comparison of Tax Levies and Collection Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2017	\$ 16,785,185	\$ 16,714,271	99.58%
2016	16,309,421	16,260,651	99.70%
2015	15,844,935	15,832,979	99.92%

**TOWNSHIP OF SOUTH HACKENSACK
SUPPLEMENTARY DATA**

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>Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Percentage of Tax Levy</u>
2017	\$ 1,878	\$ 27,131	0.17%
2016	1,434	7	0.01%
2015	1,140	27	0.01%

Comparative Schedule of Fund Balances

	<u>Year</u>	<u>Balance, December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund	2017	\$3,530,922	\$555,000
	2016	2,439,683	350,000
	2015	1,829,630	360,000

**TOWNSHIP OF SOUTH HACKENSACK
SUPPLEMENTARY 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>Corporate Surety</u>
Francis X. Cagas	Mayor		
Bill Regan	Deputy Mayor		
Walter Eckel, Jr.	Committee Member		
Gary C. Brugger	Committee Member		
Yris Encarnacion	Committee Member		
Donna L. Gambutti	Township Clerk	\$1,000,000	A
Chris Eilert	Chief Financial Officer	1,000,000	A
Mary Terraccino	Tax Collector	1,000,000	A
Anthony Kurus, Neglia Engineering	Township Engineer	1,000,000	A
David V. Nasta	Township Attorney	1,000,000	A
George Reggo	Tax Assessor	1,000,000	A
Joseph Terraccino	Police Chief	1,000,000	A
Guisepppe Randazzo	Magistrate	1,000,000	A
Diane Brando	Court Administrator	1,000,000	A

	<u>Face Value</u>	<u>Bond Number</u>	<u>Issued by</u>	<u>Position Covered</u>	<u>Period Covered</u>
A	\$1,000,000	N/A	Bergen County Municipal Joint Insurance Fund	Township of South Hackensack Township of South Hackensack Volunteer Fire Department Township of South Hackensack Municipal Library	1/1/17 - 12/31/17

**TOWNSHIP OF SOUTH HACKENSACK
LETTER OF COMMENTS AND RECOMMENDATIONS**

GENERAL COMMENTS

Our comments with respect to our examination and any error, omission, irregularity, violation of law, discrepancy or other nonconformity to the law or regulation found during the examination are herewith set forth.

Current Year Findings

Our audit of the bank reconciliations revealed that the balances in the various funds were not always in agreement with the respective Fund's general ledger. It is recommended that the bank reconciliation balances be in agreement with the respective Fund's general ledger.

Our audit of expenditures noted instances where purchase orders were not created until the goods or services were rendered or the invoice was received from the vendor. It is recommended that purchase orders be encumbered prior to the ordering of goods or services.

Prior Year Findings – Unresolved

Our audit revealed that a detailed ledger by payroll agency deduction was not currently maintained. It is recommended that a detail payroll agency deduction ledger be currently maintained and be in agreement with the monthly bank reconciliations.

Our audit revealed that certain prior year grant receivables and appropriated grant reserves exist in the Current Fund. It is recommended that the respective Current Fund grant receivables and appropriated grant reserve balances be reviewed and cleared of record.

Contracts and Agreements Required to be Advertised for NJS 40A:11-4

NJS 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 Township's purchasing agent is qualified pursuant to subsection b. of Section 9 P.L. 1971, c. (C.40A:11-9), the Township may establish the bid threshold up to a maximum of \$40,000, effective July 1, 2015. The Township's Certified Municipal Finance Officer is qualified and the Township's bid threshold has increased to \$40,000 effective September 10, 2015.

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$40,000 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Township Attorney's opinion should be sought before a commitment is made.

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

The minutes indicate that bids were requested by public advertising for the installation of an emergency generator of the Township Municipal Complex.

**TOWNSHIP OF SOUTH HACKENSACK
LETTER OF COMMENTS AND RECOMMENDATIONS**

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised for NJS 40A:11-4 (Continued)

In as much as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. The Township does maintain an accumulation of cost by vendor. Disbursements were reviewed to determine whether any clear-cut violations existed.

Our examination of expenditures did not reveal instances where expenditures were made in excess of \$17,500 "for the performance of any work, or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of NJS 40A:11-6.

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

The following resolution authorizes the rate of interest to be charged on municipal charges:

WHEREAS, the governing body may, pursuant to statute, fix the rate of interest to be charged for the non-payment of taxes, assessments and municipal charges, and to prescribe penalties for delinquencies;

NOW, THEREFORE, BE IT RESOLVED, by the Township Committee of the Township of South Hackensack as follows:

- 1) All prior resolutions concerning the rate of interest to be charged for the non-payment of taxes, assessments or municipal charges are hereby rescinded.
- 2) The rate of interest to be charged for the non-payment of taxes, assessments or municipal charges is hereby fixed, pursuant to statute, as follows: eight (8%) percent per annum on the first \$1,500 of the delinquency, and eighteen (18%) percent per annum on any amount in excess of \$1,500 to be calculated from the date the tax or assessment was payable until the date of actual payment.
- 3) With respect to tax certificates held by the municipality the following additional penalties shall be charged: two (2%) percent on the amount due over \$200 up to \$5,000; four (4%) percent of the amount due over \$5,000 up to \$10,000 and six (6%) percent on the amount in excess of \$10,000.

Delinquent Assessments and Tax Title Liens

A tax sale was held on December 12, 2017.

There are two Township owned tax title lien receivables as of December 31, 2017.

**TOWNSHIP OF SOUTH HACKENSACK
LETTER OF COMMENTS AND RECOMMENDATIONS**

RECOMMENDATIONS

It is recommended that:

1. The bank reconciliation balances be in agreement with the respective Fund's general ledger.
2. Purchase orders be encumbered prior to the ordering of goods or services.
- * 3. A detail payroll agency deduction ledger be currently maintained and be in agreement with the monthly bank reconciliations.
- * 4. The respective Current Fund grant receivables and appropriated grant reserve balances be reviewed and cleared of record.

Corrective action was taken on all prior year's recommendations except those denoted with an asterisk (*).

The recommendations noted in our review were not such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

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

Gerch, Vinci & Higgins, LLP
LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

