

**BOROUGH OF HO-HO-KUS
BERGEN COUNTY, NEW JERSEY**

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2017

**BOROUGH OF HO-HO-KUS
BERGEN COUNTY, NEW JERSEY**

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BERGEN COUNTY, NEW JERSEY**

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BERGEN COUNTY, NEW JERSEY**

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BERGEN COUNTY, NEW JERSEY**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of Ho-Ho-Kus, New Jersey

Report on the Financial Statements

We have audited the accompanying comparative balance sheets -regulatory basis of the various funds of the Borough of Ho-Ho-Kus, County of Bergen, State of New Jersey (the "Borough"), as of December 31, 2017 and 2016, and the related comparative statements of operations and changes in fund balance – regulatory basis for the year then ended, and the related statements of revenues and expenditures – regulatory basis, and comparative statement of general fixed assets group of accounts – regulatory basis for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements - regulatory basis (the "financial statements") in accordance with the financial reporting provision of the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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 Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Borough's preparation and fair representation 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, the financial statements are prepared and presented by the Borough on the basis of the financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirement of the State of New Jersey for municipal government entities. The effect on financial statements of the variances between the regulatory accounting practices and accounting principles of 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 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 conformity with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough as of December 31, 2017 and 2016, or the changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above, present fairly, in all material respects, the accompanying comparative balance sheets – regulatory basis of the various funds of the Borough as of December 31, 2017 and 2016, and the results of the comparative statements operations and changes in fund balance – regulatory basis of such funds for the years then ended, and the revenues and expenditures – regulatory basis of the various funds, and general fixed assets group of accounts for the year ended December 31, 2017, in accordance with accounting principles and practices prescribed by the Division as described in Note 1.

Other Matters

Required Supplementary Information

The Borough has omitted management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. A management discussion and analysis is not required by the financial accounting and reporting principles and practices prescribed by the Division, to supplement the financial statements and therefore it has not been presented by management. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Borough’s basic financial statements. The supplementary schedules and the schedules of federal, state and county financial assistance are presented for purpose of additional analysis as required by the Division, and are not a required part of the basic financial statements.

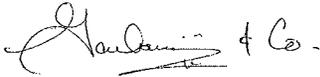
The supplementary schedules and schedules of federal, state and county financial assistance are the responsibility of management and were derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subject to the auditing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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2018 on our consideration of the Borough's internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control over financial reporting and compliance.



Paul W. Garbarini, CPA
Registered Municipal Accountant
No. 534



Garbarini & Co. P.C. CPAs
Registered Municipal Accountants

February 27, 2018
Carlstadt, New Jersey

BOROUGH OF HO-HO-KUS, NJ
 CURRENT FUND
 AT DECEMBER 31, 2017 AND 2016
 COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

A

	Reference	At December 31,	
		<u>2017</u>	<u>2016</u>
ASSETS			
Cash	A-4	\$ 8,304,385.43	\$ 4,785,972.95
Cash - Change Fund	A-5	400.00	230.00
		<u>8,304,785.43</u>	<u>4,786,202.95</u>
Receivable and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-9	101,005.19	147,394.08
Property Acquired for Taxes - Assessed Valuation	A-11	20,100.00	20,100.00
Revenue Accounts Receivable	A-12	5,270.53	6,034.24
Due from Other Funds:			
Animal License Fund	B	0.30	0.30
Grant Fund	G	72,493.02	21,220.42
Due from Local School	A-6	488.91	5,344.00
	Contra	<u>199,357.95</u>	<u>200,093.04</u>
TOTAL ASSETS		<u>\$ 8,504,143.38</u>	<u>\$ 4,986,295.99</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
AT DECEMBER 31, 2017 AND 2016
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

A

	Reference	At December 31,	
		2017	2016
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities:			
Encumbrance Payable	A-3, A-21	\$ 75,239.68	\$ 66,027.66
Appropriation Reserve	A-3,13	822,298.29	980,096.81
Appropriation Reserve Committed		30,000.00	30,000.00
Prepaid Taxes	A-14	3,303,603.68	178,003.17
County Taxes Payable	A-17	8,959.69	17,342.69
Reserve for Construction Official Fees	A-20	25,703.32	25,703.32
Tax Overpayments Payable	A-15	33,299.44	24,178.84
Due to Capital Fund	C	377,000.00	200,000.00
Prepaid Municipal Rents	A-4	-	-
Prepaid Parking Permits	A-4	22,400.00	30,800.00
Reserve for Tax Appeals Pending	A-16	20,366.90	20,366.90
Reserve for DCA Fees - Construction	A-19	9,867.65	8,479.65
Accounts Payable	A-10	59,203.77	82,144.24
Reserve for Codification	A-23	19,077.50	19,077.50
Due to Outside Lienholder	A-24	-	47,469.95
Due to Other Trust Fund	B	125,000.00	275,000.00
Due to State of NJ - Seniors and Veterans	A-7	1,476.92	1,662.32
Due to Library - State Aid	A-22	5,364.00	5,364.00
		4,938,860.84	2,011,717.05
Reserve for Receivable	Contra	199,357.95	200,093.04
Fund Balance	A-1	3,365,924.59	2,774,485.90
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		\$ 8,504,143.38	\$ 4,986,295.99

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
AT DECEMBER 31, 2017 AND 2016
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGE IN FUND BALANCE - REGULATORY BASIS

A-1

	Reference	For the Years Ended December 31,	
		2017	2016
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 165,000.00	\$ 300,000.00
Miscellaneous Revenue Anticipated	A-2	1,221,106.64	1,146,811.71
Receipts from Delinquent Taxes	A-2	147,394.08	191,301.07
Receipts from Current Taxes	A-2	24,210,373.46	23,665,263.02
Non-Budget Revenues	A-2	10,481.21	100,167.48
Other Credits to Income:			
Lapsed Appropriations	A-3	13.00	
Unexpended Balance of Appropriation Reserves	A-13	549,885.84	819,246.00
Cancelled County Taxes	A-17	0.50	
Prior Year Void Checks	A-4		376.34
Increase in Change Fund	A-5	170.00	
Interfund Returned			16,214.98
		<u>26,304,424.73</u>	<u>26,239,380.60</u>
Total Income			
EXPENDITURES			
Budget Appropriations	A-3	8,210,300.64	8,283,500.80
General County	A-17	3,196,952.75	3,172,146.12
County- Open Space Preservation	A-17	132,511.42	32,608.73
Due County for Added Taxes	A-17	8,959.69	17,342.69
Local District School Tax	A-18	13,944,869.00	13,509,775.00
Payroll Adjustments	A-4	1,759.07	5,279.02
Interfund Advances		52,403.47	
Bank Service Charges/ Adjustments	A-4	230.00	
		<u>25,547,986.04</u>	<u>25,020,652.36</u>
Total Expenditures			
Excess in Revenue		756,438.69	1,218,728.24
Fund Balance January 1	A	<u>2,774,485.90</u>	<u>1,855,757.66</u>
		3,530,924.59	3,074,485.90
Less: Amount of Fund Balance Utilized as Revenue	A-2	<u>165,000.00</u>	<u>300,000.00</u>
Fund Balance December 31	A	<u>\$ 3,365,924.59</u>	<u>\$ 2,774,485.90</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

STATEMENT OF REVENUES - REGULATORY BASIS

A-2

	Reference	Adopted Budget	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$ 165,000.00	\$ 165,000.00	\$ -
Miscellaneous Revenues:				
Liquor Licenses		4,575.00	4,475.00	(100.00)
Fees and Permits		45,000.00	57,958.51	12,958.51
Municipal Court		101,000.00	88,688.55	(12,311.45)
Interest and Costs on Taxes		50,000.00	39,328.13	(10,671.87)
Parking Meters		145,000.00	156,853.05	11,853.05
Interest on Investments and Deposits		25,000.00	38,184.87	13,184.87
Rent - Municipal Property		159,000.00	180,862.68	21,862.68
Uniform Fire Safety Act		8,000.00	6,263.60	(1,736.40)
Energy Receipts Tax (P.L. 1998, Chapters 162 & 167)		295,884.00	295,884.00	-
Uniform Construction Code Fees		165,000.00	163,168.00	(1,832.00)
Interlocal - Court Borough of Allendale		36,000.00	41,461.03	5,461.03
Cable Franchise Fees		68,000.00	68,889.08	889.08
Public and Private Revenues:				-
Alcohol Education and Rehabilitation Grant -Chap 159		321.70	321.70	-
Clean Communities Grant - Chap-159		9,173.35	9,173.35	-
Recycling Tonnage Grant-Chap-159		10,991.03	10,991.03	-
Body Armor Grant-Chap-159		1,782.52	1,782.52	-
DDEF-Chap-159		2,500.00	2,500.00	-
Municipal Alliance Grant		9,520.00	9,520.00	-
State Forestry Grant		30,000.00	30,000.00	-
Recycling Tonnage Grant		8,946.78	8,946.78	-
Reserves:				
Body Armor Grant		1,783.18	1,783.18	-
DDEF		3,000.00	3,000.00	-
Municipal Alliance Grant		1,071.58	1,071.58	-
Total Miscellaneous Revenues	Nxt Pg, A-1	1,181,549.14	1,221,106.64	39,557.50
Receipts from Delinquent Taxes	A-1	147,394.00	147,394.08	0.08
Amount to be Raised for Support of Municipal Budget:				
Local Tax for Municipal Purposes	Nxt Pg	<u>6,981,357.50</u>	<u>7,192,080.60</u>	<u>210,723.10</u>
Budget Totals	A-3	<u>\$ 8,475,300.64</u>	8,725,581.32	<u>\$ 250,280.68</u>
Non-Budget Revenues	A-1, Nxt Pg		<u>10,481.21</u>	
			<u>\$ 8,736,062.53</u>	

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

STATEMENT OF REVENUES - REGULATORY BASIS (Continued)

ANALYSIS OF REALIZED REVENUES	Reference	A-2
Allocation of Current Tax Collections:		
Revenue from Collections and State Share of Senior Citizens and Veterans Deductions	A-1	\$ 24,210,373.46
Allocated to:		
School Taxes	A-18	\$ 13,944,869.00
County Taxes	A-17	<u>3,338,423.86</u>
		<u>17,283,292.86</u>
Balance for Support of Municipal Budget Appropriations		6,927,080.60
Add: Appropriation - "Reserve for Uncollected Taxes"	A-3	<u>265,000.00</u>
Amount for Support of Muni. Budget Appropriations	Prev Pg	<u><u>\$ 7,192,080.60</u></u>
MISCELLANEOUS REVENUES		
Cash - Collected - Treasurer	A-4	\$ 1,111,216.50
Prepaid Parking Meters Applied	A	30,800.00
Grant Receivable	G-2	<u>79,090.14</u>
	Prev. Pg. , A-1	<u><u>\$ 1,221,106.64</u></u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

STATEMENT OF REVENUES - REGULATORY BASIS (Continued)

A-2

	Reference	
Miscellaneous Revenue Not Anticipated		
Real Estate Sign Permit	\$	2,350.00
Sewer billings		3,689.26
Polling rent		120.00
Fines & Costs		100.00
Construction fines		3,000.00
Police fees		595.15
Administrative Fee - Seniors and Veterans		520.00
Administrative Fee - Homestead Rebate		106.80
		10,481.21
Total	Previous Page, A-1,4	\$ 10,481.21

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3

	APPROPRIATIONS		EXPENDED		Unexpended Balance Canceled/ (Overexpended)
	Budget	Budget After Modification	Paid or Charged	Reserved	
OPERATIONS-WITHIN "CAPS"					
GENERAL GOVERNMENT					
Administrative and Executive					
Salaries and Wages	\$ 145,000.00	\$ 159,000.00	\$ 158,171.00	\$ 829.00	\$ -
Other Expenses	24,000.00	24,000.00	22,318.15	1,681.85	
Borough Clerk					
Salaries and Wages	75,000.00	74,300.00	73,328.00	972.00	
Other Expenses	2,000.00	2,700.00	2,700.00	-	
Election Costs	5,000.00	5,000.00	4,734.79	265.21	
Financial Administration					
Salaries and Wages	59,000.00	59,000.00	55,385.62	3,614.38	
Other Expenses	24,000.00	24,000.00	11,836.21	12,163.79	
Audit Services	21,000.00	21,000.00	6,100.00	14,900.00	
Assessment of Taxes					
Salaries and Wages	25,000.00	25,000.00	24,061.00	939.00	
Other Expenses	10,000.00	10,000.00	5,123.29	4,876.71	
Collection of Taxes					
Salaries and Wages	86,500.00	86,500.00	86,479.00	21.00	
Other Expenses	6,000.00	6,000.00	4,672.52	1,327.48	
Legal Services and Costs					
Other Expenses	170,000.00	170,000.00	129,228.60	40,771.40	
Municipal Prosecutor					
Salaries and Wages	11,000.00	11,000.00	10,097.04	902.96	
Engineering Services and Costs					
Other Expenses	10,000.00	10,000.00	4,697.50	5,302.50	
Public Buildings and Grounds					
Salaries and Wages	43,000.00	43,000.00	40,991.00	2,009.00	
Other Expenses	60,000.00	60,000.00	44,971.76	15,028.24	
Planning Board					
Salaries and Wages	14,500.00	14,500.00	11,300.00	3,200.00	
Other Expenses	30,000.00	30,000.00	19,265.54	10,734.46	
Board of Adjustment					
Salaries and Wages	14,500.00	14,500.00	11,300.00	3,200.00	
Other Expenses	5,000.00	5,000.00	3,520.81	1,479.19	
Shade Tree Commission					
Other Expenses	30,000.00	30,000.00	29,988.72	11.28	
Insurance					
Employee Group Health	494,000.00	494,000.00	467,333.38	26,666.62	
General Liability	280,000.00	280,000.00	250,650.79	29,349.21	

(Continued - Next Page)

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3

	APPROPRIATIONS		EXPENDED		Unexpended Balance Canceled/ (Overexpended)
	Budget	Budget After Modification	Paid or Charged	Reserved	
OPERATIONS-WITHIN "CAPS" - Continued					
PUBLIC SAFETY					
Fire - Other Expenses					
Fire Hydrant	\$ 22,000.00	\$ 22,000.00	\$ 3,400.15	\$ 18,599.85	\$ -
Miscellaneous and Other Expenses	41,000.00	41,000.00	31,171.95	9,828.05	
Police					
Salaries and Wages	2,110,000.00	2,110,000.00	2,073,845.87	36,154.13	
Other Expenses	100,500.00	100,500.00	96,479.63	4,020.37	
Parking Meter Maintenance					
Other Expenses	4,000.00	4,000.00	1,800.00	2,200.00	
Aid to Volunteer Ambulance Corps.	8,000.00	8,000.00	5,864.63	2,135.37	
Zoning official:					
Salaries and Wages	25,000.00	25,000.00	22,500.24	2,499.76	
Other Expenses	500.00	500.00	449.01	50.99	
Public Defender					
Other Expenses	2,000.00	2,000.00	400.00	1,600.00	
PEOSHA					
Other Expenses	20,000.00	20,000.00	16,961.19	3,038.81	
Uniform Fire Safety Act Chapter 383-83					
Fire Prevention Code Official					
Salaries and Wages	13,000.00	13,000.00	12,499.92	500.08	
Other Expenses	500.00	500.00	40.00	460.00	
Emergency Management Services					
Salaries and Wages	4,200.00	4,200.00	4,180.00	20.00	
Other Expenses	9,000.00	9,000.00	4,393.67	4,606.33	
STREETS AND ROADS					
Road Repairs and Maintenance					
Salaries and Wages	500,000.00	478,500.00	438,981.26	39,518.74	
Other Expenses	50,000.00	50,000.00	45,179.33	4,820.67	
Street Lighting and Traffic Lights	55,000.00	55,000.00	37,042.10	17,957.90	
HEALTH AND WELFARE					
Board of Health					
Other Expenses	20,000.00	20,000.00	16,568.86	3,431.14	
Uniform Construction Official					
Salaries and Wages	30,000.00	37,500.00	37,400.00	100.00	
Other Expenses	20,000.00	20,000.00	18,624.83	1,375.17	

(Continued - Next Page)

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3

	APPROPRIATIONS		EXPENDED		Unexpended Balance Canceled/ (Overexpended)
	Budget	Budget After Modification	Paid or Charged	Reserved	
OPERATIONS-WITHIN "CAPS" - Continued					
MUNICIPAL COURT					
Salaries and Wages	\$ 70,000.00	\$ 70,000.00	\$ 62,112.16	\$ 7,887.84	\$ -
Other Expenses	31,500.00	31,500.00	26,576.55	4,923.45	
UNCLASSIFIED					
Recreation					
Salaries and Wages	25,000.00	25,000.00	24,866.16	133.84	
Other Expenses	24,000.00	24,000.00	13,934.91	10,065.09	
Utilities	110,000.00	110,000.00	74,546.11	35,453.89	
Recycling Expense					
Salaries and Wages	100,000.00	100,000.00	96,540.06	3,459.94	
Other Expenses	35,000.00	35,000.00	8,987.99	26,012.01	
Sick Leave Payouts	100,000.00	100,000.00		100,000.00	
Vehicle Maintenance	150,000.00	150,000.00	118,282.64	31,717.36	
Total Operations {Item 8(A)} Within "CAPS"	5,324,700.00	5,324,700.00	4,771,883.94	552,816.06	-
CONTINGENT					
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	\$ 5,324,700.00	\$ 5,324,700.00	\$ 4,771,883.94	\$ 552,816.06	\$ -
Detail:					
Salaries and Wages	\$ 3,350,700.00	\$ 3,350,000.00	\$ 3,244,038.33	\$ 105,961.67	\$ -
Other Expenses	1,974,000.00	1,974,700.00	1,527,845.61	446,854.39	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"					
Statutory Expenditures:					
Contribution to:					
PERS	170,000.00	170,000.00	160,830.00	9,170.00	
PFRS	375,000.00	375,000.00	371,419.00	3,581.00	
Social Security System (O.A.S.I.)	140,000.00	140,000.00	132,567.34	7,432.66	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"	685,000.00	685,000.00	664,816.34	20,183.66	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	\$ 6,009,700.00	\$ 6,009,700.00	\$ 5,436,700.28	\$ 572,999.72	\$ -

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See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3

	APPROPRIATIONS		EXPENDED		Unexpended Balance Canceled/ (Overexpended)
	Budget	Budget After Modification	Paid or Charged	Reserved	
OPERATIONS EXCLUDED FROM "CAPS"					
Sewer Authority Share of Costs	\$ 585,614.00	\$ 585,614.00	\$ 576,164.00	\$ 9,450.00	\$ -
Maintenance of Free Public Library (Chapter. 82 & 541, P.L. 1985)	437,784.00	437,784.00	437,075.92	708.08	
Volunteer Incentive Program	75,000.00	75,000.00	1,016.00	73,984.00	
DCRP	6,000.00	6,000.00	1,242.71	4,757.29	
Reserve for Tax Appeals	100,000.00	100,000.00	15,926.49	84,073.51	
					-
Interlocal Municipal Service Agreements					
Municipal Court					
Salaries and Wages	20,000.00	20,000.00	20,000.00	-	
Other Expenses	6,500.00	6,500.00	6,500.00	-	
Shared Service - Midland Park Construction	100,000.00	100,000.00	86,417.93	13,582.07	
PUBLIC AND PRIVATE PROGRAMS OFF-SET BY REVENUES					
Matching Funds for Grants - Other Expenses	4,000.00	4,000.00	4,000.00	-	
Public and Private Revenues:					
Alcohol Education and Rehabilitation Grant -Chap 159	321.70	321.70	321.70	-	
Clean Communities Grant - Chap-159	9,173.35	9,173.35	9,173.35	-	
Recycling Tonnage Grant-Chap-159	10,991.03	10,991.03	10,991.03	-	
Body Armor Grant-Chap-159	1,782.52	1,782.52	1,782.52	-	
DDEF-Chap-159	2,500.00	2,500.00	2,500.00	-	
Municipal Alliance Grant	9,520.00	9,520.00	9,520.00	-	
State Forestry Grant	30,000.00	30,000.00	30,000.00	-	
Recycling Tonnage Grant	8,946.78	8,946.78	8,946.78	-	
Reserves:					
Body Armor Grant	1,783.18	1,783.18	1,783.18	-	
DDEF	3,000.00	3,000.00	3,000.00	-	
Municipal Alliance Grant	1,071.58	1,071.58	1,071.58	-	
TOTAL OPERATIONS - EXCLUDED FROM "CAPS"	<u>\$ 1,413,988.14</u>	<u>\$ 1,413,988.14</u>	<u>\$ 1,227,433.19</u>	<u>\$ 186,554.95</u>	<u>\$ -</u>
Detail:					
Salaries and Wages	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ -	\$ -
Other Expenses	<u>1,393,988.14</u>	<u>1,393,988.14</u>	<u>1,207,433.19</u>	<u>186,554.95</u>	

(Continued - Next Page)

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3

	APPROPRIATIONS		EXPENDED		Unexpended Balance Canceled/ (Overexpended)
	Budget	Budget After Modification	Paid or Charged	Reserved	
OPERATIONS EXCLUDED FROM "CAPS" - Continued					
Capital Improvement Fund	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ -	\$ -
Capital Outlay	200,000.00	200,000.00	137,256.38	62,743.62	
TOTAL CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"	<u>\$ 275,000.00</u>	<u>\$ 275,000.00</u>	<u>\$ 212,256.38</u>	<u>\$ 62,743.62</u>	<u>\$ -</u>
MUNICIPAL DEBT SERVICE EXCLUDED FROM "CAPS"					
Payment of Bond Principal	\$ 350,000.00	\$ 350,000.00	\$ 350,000.00		\$ -
Payment of Bond Anticipation Notes & Capital Notes	102,000.00	\$ 102,000.00	\$ 102,000.00		-
Interest on Bonds	46,312.50	46,312.50	46,312.50	-	-
Interest on Notes	13,300.00	13,300.00	13,287.00	-	13.00
TOTAL MUNICIPAL DEBT SERVICE EXCLUDED FROM "CAPS"	<u>\$ 511,612.50</u>	<u>\$ 511,612.50</u>	<u>\$ 511,599.50</u>	<u>\$ -</u>	<u>\$ 13.00</u>
DEFERRED CHARGES:					
Special Emergency Authorizations - 5 Years (N.J.S.40A:4-55)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL MUNICIPAL DEFERRED CHARGES EXCLUDED FROM "CAPS"	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES-EXCLUDED FROM "CAPS"	<u>\$ 2,200,600.64</u>	<u>\$ 2,200,600.64</u>	<u>\$ 1,951,289.07</u>	<u>\$ 249,298.57</u>	<u>\$ 13.00</u>
Sub-Total General Appropriations	A-1 \$ 8,210,300.64	\$ 8,210,300.64	\$ 7,387,989.35	\$ 822,298.29	\$ 13.00
Reserve for Uncollected Taxes	265,000.00	265,000.00	265,000.00	-	
Total General Appropriations	<u>\$ 8,475,300.64</u>	<u>\$ 8,475,300.64</u>	<u>\$ 7,652,989.35</u>	<u>\$ 822,298.29</u>	<u>\$ 13.00</u>
Reference	A-2	Below	Below	A	A-1
Budget Adopted	Reference A-2	<u>\$ 8,475,300.64</u>			
	A-2, Above	<u>\$ 8,475,300.64</u>			
Encumbrance Payable	A-21		\$ 75,239.68		
Reserve for Uncollected Taxes	A-2		265,000.00		
Deferred Charge - Grant Fund	G-3				
Budget Offsets	A-4		(506,603.33)		
Disbursements	A-4		7,559,262.86		
Due to Capital Fund - Capital Improvement Fund	C-6		177,000.00		
Due to Trust Fund - Reserve for Sick Leave	B-4				
Due to Grant Fund	G-5		83,090.14		
	Above		<u>\$ 7,652,989.35</u>		

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
TRUST FUND
AT DECEMBER 31, 2017 AND 2016

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

B

ASSETS	<u>Reference</u>	At December 31,	
		2017	2016
Animal License Fund:			
Cash and Cash Equivalents	B-1	\$ 7,503.81	\$ 3,829.31
Other Trust Fund:			
Cash and Cash Equivalents	B-1	1,245,063.96	1,045,177.88
Due from Capital Fund	B-1,C	250,000.00	250,000.00
Due from Current Fund	B-4	125,000.00	275,000.00
		1,620,063.96	1,570,177.88
COAH Fund:			
Cash and Cash Equivalents	B-1	410,163.89	313,183.74
Recreation Fund:			
Cash and Cash Equivalents	B-1	20,564.60	25,111.84
TOTAL ASSETS		\$ 2,058,296.26	\$ 1,912,302.77

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
TRUST FUND
AT DECEMBER 31, 2017 AND 2016

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

B

		At December 31,	
		2017	2016
LIABILITIES, RESERVES AND SURPLUS	<u>Reference</u>		
Animal License Fund:			
Due to State of NJ	B-7	\$ 15.60	\$ 55.80
Due to Current Fund	B-4	0.30	\$ 0.30
Reserve for Animal Fund Expenditures	B-2	7,487.91	3,773.21
		7,503.81	3,829.31
Other Trust Fund:			
Security Deposits	B-5	380,866.29	338,353.64
Trust Reserves	B-6	1,239,119.67	1,231,696.24
Due to State of New Jersey	B-3	78.00	128.00
		1,620,063.96	1,570,177.88
COAH Fund:			
COAH Development Fees	B-9	410,163.89	313,183.74
Recreation Fund:			
Reserve for Recreation	B-8	20,564.60	25,111.84
TOTAL LIABILITIES, RESERVES AND SURPLUS		\$ 2,058,296.26	\$ 1,912,302.77

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
GENERAL CAPITAL FUND
AT DECEMBER 31, 2017 AND 2016
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

C

		At December 31,	
		2017	2016
ASSETS	Reference		
Cash and Cash Equivalents:			
Cash	C-2	\$ 2,102,141.16	\$ 71,549.66
Deferred Charges to Future Taxation:			
Funded	C-10	1,530,000.00	1,880,000.00
Unfunded	C-3	6,594,900.00	5,888,900.00
Due from Current Fund	A, C-6	377,000.00	200,000.00
Grant Receivable	C-7	802,452.10	802,452.10
TOTAL ASSETS		\$ 11,406,493.26	\$ 8,842,901.76
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-10	\$ 1,530,000.00	\$ 1,880,000.00
Bond Anticipation Notes	C-13	5,725,000.00	1,682,000.00
Improvement Authorizations:			
Funded	C-5	302,510.02	303,397.18
Unfunded	C-5	1,590,004.34	1,885,153.12
Premium on Bond Ant Notes	C-14	70,474.00	10,130.00
Due to Trust Fund	B, C-2	250,000.00	250,000.00
Encumbrances Payable	C-9	1,129,149.48	2,055,866.04
Capital Improvement Fund	C-4	129,303.39	96,303.39
Reserve for Grants Receivable	C-8	547,453.00	547,453.00
Reserve for Payment of Bonds	C-11	105,576.72	105,576.72
Fund Balance	C-1	27,022.31	27,022.31
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		\$ 11,406,493.26	\$ 8,842,901.76

There were bonds and notes authorized but not issued
of \$869,900 and \$4,206,900 on December 31, 2017 and December 31, 2016, respectively (C-12).

STATEMENT OF FUND BALANCE - REGULATORY BASIS

C-1

	Reference	
Balance December 31, 2016	C	\$ 27,022.31
Balance December 31, 2017	C	\$ 27,022.31

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
WATER UTILITY FUND
AT DECEMBER 31, 2017 AND 2016

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

D

ASSETS	Reference	December 31 ,	
		2017	2016
Operating Fund:			
Cash	D-5	\$ 1,726,072.00	\$ 1,431,406.23
Receivable with Full Reserves:			
Consumer Accounts Receivable	D-6	227,432.71	2,657.20
Total Operating Fund		1,953,504.71	1,434,063.43
Capital Fund:			
Cash	D-5	295,377.31	325,377.31
Due From Water Utility Fund	D-8	30,000.18	0.18
Fixed Capital	D-7	5,533,641.61	5,460,730.61
Fixed Capital: Authorized and Uncompleted	D-14	328,574.31	328,574.31
Total Capital Fund		6,187,593.41	6,114,682.41
TOTAL ASSETS		\$ 8,141,098.12	\$ 7,548,745.84
 LIABILITIES, RESERVES AND FUND BALANCE			
Operating Fund:			
Liabilities			
Appropriation Reserve	D-4,9	\$ 239,210.86	\$ 179,521.93
Encumbrance Payable	D-4,9	24,632.08	44,065.33
Storm Damage Reserve		130,000.00	130,000.00
Water Rent Overpayment	D-18	4,295.15	5,834.32
Accrued Interest on Bonds	D-19	5,944.48	8,248.65
Accrued Interest on BAN's	D-15	1,304.16	517.15
Due to Water Capital Fund	D-8	30,000.18	0.18
Reserve for Receivable	D-6	227,432.71	2,657.20
Fund Balance	D-1	1,290,685.09	1,063,218.67
Total Operating Fund		1,953,504.71	1,434,063.43
Capital Fund:			
Utility Serial Bonds	D-17	447,000.00	602,000.00
Bond Anticipation Notes	D-21	231,850.00	261,850.00
Improvement Authorizations:			
Funded	D-10	113,505.12	113,505.12
Unfunded	D-10	115,860.84	115,860.84
Capital Improvement Fund	D-11	44,536.85	44,536.85
Reserve for Amortization	D-12	5,180,047.92	4,922,136.92
Down Payment on Improvements	D-20	46,850.00	46,850.00
Fund Balance	D-2	7,942.68	7,942.68
Total Capital Fund		6,187,593.41	6,114,682.41
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		\$ 8,141,098.12	\$ 7,548,745.84

There were no bonds and notes authorized but not issued on December 31, 2017 and on December 31, 2016

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
WATER UTILITY FUND
AT DECEMBER 31, 2017 AND 2016

**COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN OPERATING FUND BALANCE - REGULATORY BASIS**

D-1

		For the Years Ended December 31:	
		<u>2017</u>	<u>2016</u>
REVENUE AND OTHER INCOME REALIZED	Reference		
Surplus Anticipated	D-3	\$ -	\$ -
Rents	D-3	1,043,416.49	1,276,211.57
Fire Hydrant Service	D-3	-	-
Interest Income	D-5	6,206.61	5,610.65
Interest Income - Capital	D-5	1,185.94	-
Other Credits to Income:			
Appropriation Canceled	D-4	1,887.90	2,694.67
Unexpended Balance of Appropriation Reserves	D-9	152,869.48	55,772.55
Total Income		<u>1,205,566.42</u>	<u>1,340,289.44</u>
EXPENDITURES			
Operating	D-4	615,000.00	630,000.00
Capital Improvements	D-4	110,000.00	110,000.00
Debt Service	D-4	206,100.00	177,300.00
Statutory Expenditures	D-4	47,000.00	50,000.00
Total Expenditures	D-4	<u>978,100.00</u>	<u>967,300.00</u>
EXCESS IN REVENUES		227,466.42	372,989.44
Fund Balance - Operating - January 1	D	<u>1,063,218.67</u>	<u>690,229.23</u>
		1,290,685.09	1,063,218.67
Less: Amount of Fund Balance Utilized as Revenue		<u>-</u>	<u>-</u>
FUND BALANCE-OPERATING-DECEMBER 31	D	<u>\$ 1,290,685.09</u>	<u>\$ 1,063,218.67</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
WATER UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

STATEMENT OF CAPITAL FUND BALANCE - REGULATORY BASIS

D-2

	Reference	
Balance December 31, 2016	D	<u>\$ 7,942.68</u>
Balance December 31, 2017	D	<u><u>\$ 7,942.68</u></u>

STATEMENT OF REVENUES - REGULATORY BASIS

D-3

	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Rents	\$ 978,100.00	\$ 1,043,416.49	\$ 65,316.49
Fire Hydrant Service		-	-
Total	<u>\$ 978,100.00</u>	<u>\$ 1,043,416.49</u>	<u>\$ 65,316.49</u>
Reference	D-4	D-1,Below	

Analysis of Revenue

	Reference	
Cash Receipts	Below	\$ 1,043,114.52
Overpayments Applied-Accounts Receivables	D-6	301.97
Total	Above	<u>\$ 1,043,416.49</u>

Collections - Accounts Receivables	D-6	\$ 1,043,114.52
	Above	<u>\$ 1,043,114.52</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
WATER UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
STATEMENT OF EXPENDITURES - REGULATORY BASIS

D-4

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Lapsed</u>
Operating:					
Salaries and Wages	\$ 270,000.00	\$ 270,000.00	\$ 164,845.99	\$ 105,154.01	\$ -
Other Expenses	280,000.00	280,000.00	208,407.15	71,592.85	
Group Health Insurance	65,000.00	65,000.00	65,000.00	-	
Total Operating	615,000.00	615,000.00	438,253.14	176,746.86	-
Capital Improvements:					
Down Payment for Improvements	10,000.00	10,000.00	-	10,000.00	
Capital Outlay	100,000.00	100,000.00	94,536.00	5,464.00	
Total Capital Improvements	110,000.00	110,000.00	94,536.00	15,464.00	-
Debt Service:					
Payment of Bond Principal	155,000.00	155,000.00	155,000.00		-
Payment of Bond Anticipation Notes	30,000.00	30,000.00	30,000.00		-
Interest on Bonds	19,000.00	18,286.23	16,398.33		1,887.90
Interest on Notes	2,100.00	2,813.77	2,813.77		-
Total Debt Service	206,100.00	206,100.00	204,212.10	-	1,887.90
Statutory Expenditures:					
Public Employees Retirement System	25,000.00	25,000.00	-	25,000.00	
Social Security	22,000.00	22,000.00	-	22,000.00	
	47,000.00	47,000.00	-	47,000.00	-
TOTAL WATER UTILITY APPROPRIATIONS	\$ 978,100.00	\$ 978,100.00	\$ 737,001.24	\$ 239,210.86	\$ 1,887.90
Reference	D-1,3	D-1,3	Below	D	D-1
Reference					
Disbursements	D-5		683,886.32		
Payment of Bond Anticipation Notes	D-8		30,000.00		
Decrease in Accrued Interest on Bonds	D-19		(2,304.17)		
Increase in Accrued Interest on BANS	D-15		787.01		
Encumbrances Payable	D		24,632.08		
	Above		<u>\$ 737,001.24</u>		

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
SOLID WASTE UTILITY FUND
AT DECEMBER 31, 2017 AND 2016

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

E

	<u>Reference</u>	At December 31	
		<u>2017</u>	<u>2016</u>
ASSETS			
Cash	E-4	\$ 1,146,572.87	\$ 926,301.37
Consumer Accounts Receivable	E-5	23,014.35	43,027.20
TOTAL ASSETS		<u>\$ 1,169,587.22</u>	<u>\$ 969,328.57</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Encumbrance Payable	E-3,E-6A	\$ -	\$ 1,065.90
Appropriations Reserves	E-3,6	145,832.59	167,611.62
Prepaid Utilities	E-4,5	138,346.43	75,127.78
Utility Rents Overpaid	E-7	1,489.24	1,493.10
Appropriations Reserve Committed	E	46,166.66	46,166.66
		<u>331,834.92</u>	<u>291,465.06</u>
Reserve for Receivable	E-5	23,014.35	43,027.20
Fund Balance	E-1	814,737.95	634,836.31
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 1,169,587.22</u>	<u>\$ 969,328.57</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
SOLID WASTE UTILITY FUND
AT DECEMBER 31, 2017 AND 2016

**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE
- REGULATORY BASIS**

E-1

	<u>Reference</u>	For the Years Ended December 31,	
		<u>2017</u>	<u>2016</u>
REVENUE AND OTHER INCOME REALIZED			
Operating Surplus	E-2	\$ -	\$ 12,000.00
Fees	E-2	880,885.17	856,949.76
Interest Income	E-4	4,362.74	3,424.37
Delinquent Interest	E-4	4,675.73	4,518.10
Appropriation Reserve Canceled	E-6	109,978.00	149,700.13
		<hr/>	<hr/>
Total Income		999,901.64	1,026,592.36
		<hr/>	<hr/>
EXPENDITURES			
Operating	E-3	784,000.00	825,000.00
Capital Improvements	E-3	10,000.00	10,000.00
Statutory Expenditures	E-3	26,000.00	20,000.00
		<hr/>	<hr/>
Total Expenditures	E-3	820,000.00	855,000.00
		<hr/>	<hr/>
EXCESS (DEFICIT) IN REVENUES		179,901.64	171,592.36
Fund Balance - Operating - January 1	E	634,836.31	475,243.95
		<hr/>	<hr/>
		814,737.95	646,836.31
Surplus Utilized	E-2	-	12,000.00
		<hr/>	<hr/>
FUND BALANCE - OPERATING - DECEMBER 31	E	<u>\$ 814,737.95</u>	<u>\$ 634,836.31</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
SOLID WASTE UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

STATEMENT OF REVENUE - REGULATORY BASIS

E-2

	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>	
Solid Waste Fees	\$ 820,000.00	\$ 880,885.17	\$ 60,885.17	
			-	
	<u>\$ 820,000.00</u>	<u>\$ 880,885.17</u>	<u>\$ 60,885.17</u>	
	E-3	E-1, Below		\$ -
	<u>Reference</u>			
Solid Waste Fees	E-5	805,753.53		
Solid Waste Overpayments Applied	E-5	3.86		
Prepaid Solid Waste Fees	E	75,127.78		
	Above	<u>\$ 880,885.17</u>		

STATEMENT OF EXPENDITURES - REGULATORY BASIS

E-3

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Expended Paid or Charged</u>	<u>Reserved</u>
Operating:				
Salaries & Wages	\$ 140,000.00	\$ 140,000.00	\$ 122,560.81	\$ 17,439.19
Other Expenses	614,000.00	614,000.00	512,403.04	101,596.96
Group Health Insurance	30,000.00	30,000.00	30,000.00	-
	<u>784,000.00</u>	<u>784,000.00</u>	<u>664,963.85</u>	<u>119,036.15</u>
Capital Improvements:				
Capital Outlay	10,000.00	10,000.00		10,000.00
	<u>10,000.00</u>	<u>10,000.00</u>	<u>-</u>	<u>10,000.00</u>
Statutory Expenditures:				
Social Security	11,000.00	11,000.00	9,203.56	1,796.44
PERS	15,000.00	15,000.00		15,000.00
	<u>26,000.00</u>	<u>26,000.00</u>	<u>9,203.56</u>	<u>16,796.44</u>
Total Solid Waste Utility Appropriations	<u>\$ 820,000.00</u>	<u>\$ 820,000.00</u>	<u>\$ 674,167.41</u>	<u>\$ 145,832.59</u>
Reference	E-2	E-2	Below	E
		<u>Reference</u>		
Encumbrances		E-6A		
Disbursements		E-4	674,167.41	
		Above	<u>\$ 674,167.41</u>	

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
GENERAL FIXED ASSETS ACCOUNTS GROUP
AT DECEMBER 31, 2017 AND 2016

**COMPARATIVE STATEMENT OF GENERAL FIXED ASSETS
GROUP OF ACCOUNTS - REGULATORY BASIS**

F

	At December 31,	
	<u>2017</u>	<u>2016</u>
General Fixed Assets		
Land (as per assessed valuation)	\$ 13,303,800.00	\$ 13,303,800.00
Buildings (as per assessed valuation)	4,083,900.00	4,083,900.00
Machinery and Equipment	<u>7,388,896.34</u>	<u>5,513,674.78</u>
Total General Fixed Assets	<u>\$ 24,776,596.34</u>	<u>\$ 22,901,374.78</u>
Investment in General Fixed Assets	<u>\$ 24,776,596.34</u>	<u>\$ 22,901,374.78</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
GRANT FUND
AT DECEMBER 31, 2017 AND 2016

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

G

	<u>Reference</u>	At December 31,	
		<u>2017</u>	<u>2016</u>
ASSETS			
Cash	G-1	\$ 146,807.72	\$ 90,894.72
Grants Receivable	G-2	<u>34,860.92</u>	<u> </u>
TOTAL ASSETS		<u><u>\$ 181,668.64</u></u>	<u><u>\$ 90,894.72</u></u>
 LIABILITIES			
Unappropriated Reserves	G-4	\$ 5,587.06	\$ 5,854.76
Appropriated Reserves	G-5	103,588.56	63,819.54
Due to Current Fund	A,G-3	<u>72,493.02</u>	<u>21,220.42</u>
TOTAL LIABILITIES		<u><u>\$ 181,668.64</u></u>	<u><u>\$ 90,894.72</u></u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

The Borough operates under an elected Mayor/Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB has issued Statement No. 14, which requires the financial reporting entity to include both the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and either a) the ability to impose will by the primary government or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

However, the municipalities in the State of New Jersey do not issue financial statements in accordance with GAAP, and thus, do not comply with all of the GASB pronouncements. The financial statements contained herein include only those boards, bodies, officers, or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the Volunteer Fire Department, Volunteer Ambulance Squad or Public Library which are considered component units under GAAP. Complete financial statements of the above components can be obtained by contacting the Treasurer of the respective entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions and activities. An account group, on the other hand, is designed to provide accountability for certain assets and liabilities that are not recorded in those Funds. The Borough has the following funds and account group:

Current Fund - Resources and expenditures for governmental operations of a general nature.

See independent auditor's report.

BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

Trust Fund - Receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created. The Division of Local Government Services regulates the accounting for these funds.

General Capital Fund - receipt and disbursement of funds for the acquisition of general capital facilities other than those acquired in the Current Fund.

Water Utility Fund – revenues and expenditures for the operation of the Borough’s water utility and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities for the water utility are accounted for in the capital section of the fund.

General Fixed Assets - used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or insurable cost if the actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

Grant Fund - receipt and disbursement of funds from Federal, State, and County Grants.

Solid Waste Utility Fund - receipt and disbursement of funds for solid waste operations.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available financial resources at the end of a period.

Under this method of accounting, revenues, except for State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from GAAP applicable to local government units. The more significant differences are as follows:

Property Tax Revenues – 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. The school levy is turned over to

See independent auditor’s report.

BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. Summary of Significant Accounting Policies (Continued)
C. Basis of Accounting (Continued)

Property Tax Revenues (Continued)

the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - 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 statement of financial position of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

Grant Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund, are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

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 for the Current Fund and Swimming Pool Utility Fund.

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

Trust Funds
Capital Funds

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2017 and 2016, the Mayor and Council approved several budget transfers.

See independent auditor's report.

BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

Expenditures - Expenditures are recorded in 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 canceled by the governing body. Except for unmatured interest on general long-term debt which should be recognized when due, GAAP requires expenditures, if measurable, to be recognized in the accounting period in which the fund liability is incurred.

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

Appropriation Reserves - Appropriation Reserves 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.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. 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 be recorded as a long-term obligation.

Property Acquired for Taxes - Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at market 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.

Inventories - The cost 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 statement of financial position.

Cash and Investments - Cash includes amounts in demand deposits, as well as short-term investments, with a maturity date within one year of the date acquired by the government. Investments are stated at cost and are limited by N.J.S.A. 40A:5-15.1(a).

See independent auditor's report.

BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

Deferred Charges to Future Taxation Funded and Unfunded – Upon the authorization of capital projects, the Borough establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or nonfunding of the authorized cost of capital projects. According to N.J.S.A. 40A:2-4, the Borough may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Borough raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

General Fixed Assets – **N.J.A.C. 5:30-5.6 accounting for governmental fixed assets** continues the requirement that all local units shall have and maintain a fixed assets accounting and reporting system that differs in certain respects from GAAP. The fixed assets accounting and reporting system shall establish and maintain a physical inventory of fixed assets of non-expendable, tangible property as defined and limited by the U.S. Office of Management and Budget Circular 87, Cost Principals for State, Local and Indian Governments and shall place a value on all fixed assets whether constructed or acquired through purchase, grant, or gift. Fixed assets acquired after December 31, 1985 shall be valued on the basis of actual cost; prior to that time, they may be valued at cost or estimated historical cost. The fixed assets accounting and reporting system shall also have a subsidiary ledger, consisting of detailed property records for controlling additions, retirements and transfers of fixed assets and such ledger shall be maintained and reconciled periodically and at the end of every fiscal year with the general ledger control accounts for fixed assets. The system shall also provide property management standards for fixed assets that ensures that property records are maintained accurately, to reflect a description and source of the property, its ownership, the acquisition cost and date, the percentage of Federal participation in the acquisition, and the location, use and condition of the property. Property management standards for fixed assets shall also ensure that periodic physical inventories are taken and reconciled with property records, that a control system is provided with adequate safeguards against loss, damage, or theft of property and that property is adequately maintained to keep the property in good condition. A Statement of General Fixed Assets shall be in every annual audit report.

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

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

See independent auditor's report.

BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements

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

2. Cash and Cash Equivalents

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A: 5-15.1(a) that are treated as cash equivalents. As of December 31, 2017, \$0 of the Borough's bank balance of \$15,231,153.47 was exposed to custodial credit risk.

3. Investments

Interest Rate Risk. The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A: 5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk. New Jersey Statutes 40A: 5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk. The Borough places no limit on the amount the Borough may invest in any one issuer. As of December 31, 2017 and 2016, the Borough had no investments.

4. Property Taxes Receivable, Tax Title Liens

In accordance with the accounting principles prescribed by the State of New Jersey, taxes receivable and tax title liens are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible.

For the year ended December 31, 2017 and 2016, property taxes receivable were \$101,005.19 and \$147,394.08 respectively.

See independent auditor's report.

**BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

5. Leases

188 East Franklin Turnpike (Block 1016 Lot 6); Leased to Louis J. Reynolds.

Lease Term Ended	Minimum Rent
2018	22,032.00
2019	22,473.00
2020	22,922.00
2021 (11 months)	\$ 19,484.00

The term of the lease is from December 1, 2016 to November 30, 2021 with a one five-year to be increased yearly by 2%.

1East Franklin Turnpike (Block 1009 Lot 1.01); Leased to Ho-Ho-Kus Inn & Tavern

Lease Term Ended	Minimum Rent
2018	91,476.00
2019	94,221.00
2020	97,047.00
2021	99,959.00
2022	102,957.00

The term of the lease has been renewed until January 2023 with two five-year extension options. The be increased yearly, "triple net" with rent adjustment tied to the lesser of the CPI or a 3% increase. increase. Security deposit of \$10,000.00 was posted.

Cellular Towers at DPW Building

The Borough received lease payments for two cellular towers. The payments were 71,346.80 in 2017 and \$76,555.05 in 2016.

6. Interfund Receivable and Payables

Interfund receivables and payables at December 31, 2017 and 2016 were as follows:

<u>Fund Type</u>	December 31, 2017		December 31, 2016	
	<u>Receivables</u>	<u>Payables</u>	<u>Receivables</u>	<u>Payables</u>
Current	\$ 72,493.32	\$ 502,000.00	\$ 21,220.72	\$ 475,000.00
Trust	375,000.00	0.30	525,000.00	0.30
Capital	377,000.00	250,000.00	200,000.00	250,000.00
Water Utility	-	30,000.18	0.18	
Water Capital	30,000.18	-	-	0.18
Grant	-	72,493.02	-	21,220.42
Total Interfund Receivables/Payables	\$ 854,493.50	\$ 854,493.50	\$ 746,220.90	\$ 746,220.90

See independent auditor's report.

**BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

7. Fund Balance Appropriated

Fund balances at December 31, 2017, which were appropriated and included as anticipated revenue in their own respective funds for the years ending December 31, 2017, were as follows:

	2018 Budget	2017 Budget
Current Fund	\$665,000	\$165,000
Water Utility Operating Fund	\$593,000	\$ 0
Solid Waste Utility Operating Fund	\$ 0	\$ 0

8. Property Tax Calendar

Property tax revenues are collected in quarterly installments due February 1, May 1, August 1 and November 1. Property taxes unpaid on April 1 of the year following their final due date are subject to tax sale in accordance with State statutes. The amount of tax levied includes not only the amount required in support of the Borough’s annual budget, but also the amounts required in support of the budget of the entities that follow. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough’s Current Fund; accordingly, such amounts are not recorded as revenue until collected. GAAP requires such revenue to be recognized when they are available and measurable, reduced by an allowance for doubtful accounts.

School Taxes

The Borough is responsible for levying, collecting and remitting school taxes for the Board of Education. Operations are charged for the full amount required to be raised from taxation to operate the local school district.

County Taxes

The municipality is responsible for levying, collecting and remitting county taxes for the County of Bergen. Operations is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations is charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10 of the current year, and due to be paid to the County by February 15 of the following year.

Prepaid Taxes

Taxes collected in advance are recorded as cash liabilities in the financial statements and were \$3,303,603.68 and \$178,003.17 for the year ended December 31, 2017 and 2016, respectively.

Reserve for Uncollected Taxes

The inclusion of the “Reserve for Uncollected Taxes” appropriation in the Borough’s annual budget protects the Borough from taxes not paid currently. The Reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations. A Reserve for Uncollected Taxes is not established under GAAP.

See independent auditor’s report.

**BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

9. Municipal Debt

Long-Term Debt

Long-term debt as of December 31, 2017 consisted of the following:

	Balance Dec. 31, 2016	Additions	Reductions	Balance Dec. 31, 2017	Due in One Year
Bonds Payable - General	\$ 1,880,000.00	\$ -	\$ 350,000.00	\$ 1,530,000.00	\$ 365,000.00
Bonds Payable - Water Utility	602,000.00	-	155,000.00	447,000.00	165,000.00
	<u>\$ 2,482,000.00</u>	<u>\$ -</u>	<u>\$ 505,000.00</u>	<u>\$ 1,977,000.00</u>	<u>\$ 530,000.00</u>

As of December 31, 2017 and 2016, all outstanding bonds are included in the general capital fund and water utility capital fund and interest and principal reductions are included in the operating budget of the Borough.

General Obligation Bonds

	<u>2017</u>	<u>2016</u>
2011 Bonds, due in annual installments of \$365,000 due 07/15/18, \$375,000 due 07/15/19, \$390,000 due 07/15/20, \$400,000 due 07/15/21, interest at Variable rates from 1.00% to 2.750%	<u>\$ 1,530,000.00</u>	<u>\$ 1,880,000.00</u>

Schedule of Annual Debt Service for Principal and Interest for

Bonded Debt Issued and Outstanding

<u>Calendar Year</u>	<u>General</u>	
	<u>Principal</u>	<u>Interest</u>
2018	365,000.00	39,312.50
2019	375,000.00	31,100.00
2020	390,000.00	21,725.00
2021	400,000.00	11,000.00
Total	<u>\$ 1,530,000.00</u>	<u>\$ 103,137.50</u>

See independent auditor's report.

**BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

9. Municipal Debt (Continued)

	2017	2016
1998 Bonds, due in annual installments of \$80,000 due 8/01/2012-2018, interest at variable rates of 4.50% to 4.85%	\$ 80,000.00	\$ 160,000.00
2011 Bonds, due in annual installments of \$85,000 due 07/17/18, \$90,000 due 07/15/19, \$95,000 due 07/15/20, \$97,000 due 07/15/21, interest at variable rates of 1.00% to 2.750%	367,000.00	442,000.00
	\$ 447,000.00	\$ 602,000.00

Water Utility Debt

Calendar Year	Principal	Interest
2018	165,000.00	13,322.50
2019	90,000.00	7,530.00
2020	95,000.00	5,280.00
2021	97,000.00	2,667.50
Total	\$ 447,000.00	\$ 28,800.00
Total General Obligation and Water Utility Bonds		\$ 1,977,000.00

The Borough's short-term debt consisted of Bond Anticipation Notes Payable in the amount of \$5,956,850 and \$1,943,850 as of December 31, 2017 and 2016. Schedules C-13 and D-22 of the financial statements disclosed due date of March 29, 2018 and interest rate of 2.25% for the Bond Anticipation Notes Payable as of December 31, 2017.

Summary of Municipal Debt

	2017	2016	2015
Bonds and Notes Issued			
General:			
Bonds and Notes	\$ 7,255,000	\$ 3,562,000	\$ 3,897,000
Water Utility Bonds and Notes	678,850	863,850	1,013,850
Total Bonds and Notes Issued	7,933,850	4,425,850	4,910,850
Authorized but not Issued			
General	869,900	4,206,900	1,194,900
Water Utility Bonds and Notes	-	-	-
Total Authorized But not Issued	869,900	4,206,900	1,194,900
Bonds and Notes Issued and Authorized but not Issued	\$ 8,803,750	\$ 8,632,750	\$ 6,105,750

See independent auditor's report.

BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

9. Municipal Debt (Continued)

Summary of Statutory Debt Condition – Annual Debt Statement

The following summarized statement of debt condition is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .620%.

<u>2017</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Bonds and Notes for School Purposes	\$ 7,385,000	\$ 7,385,000	\$ -
General Debt			
Bonds and Notes	7,255,000		7,255,000
Notes Authorized but Not Issued	869,900		869,900
Water Utility Debt			
Bonds and Notes	678,850	678,850	-
Notes Authorized but Not Issued	-		-
	<u>\$ 16,188,750</u>	<u>\$ 8,063,850</u>	<u>\$ 8,124,900</u>

Net Debt \$8,124,900 divided by Equalized Valuation Basis
Per N.J.S.A.40A:2-2 as amended \$ 1,309,901,441 = .620% as of December 31, 2017.

<u>2016</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Bonds and Notes for School Purposes	\$ 7,950,000	\$ 7,950,000	\$ -
General Debt			
Bonds and Notes	3,562,000		3,562,000
Notes Authorized but Not Issued	4,206,900		4,206,900
Water Utility Debt			
Bonds and Notes	863,850	863,850	-
Notes Authorized but Not Issued	-		-
	<u>\$ 16,582,750</u>	<u>\$ 8,813,850</u>	<u>\$ 7,768,900</u>

Net Debt \$7,768,900 divided by Equalized Valuation Basis
Per N.J.S.A.40A:2-2 as amended \$ 1,289,355,804 = .603% as of December 31, 2016.

<u>Borrowing Power Under N.J.S.A. 40A:2-6 As Amended</u>	<u>2017</u>	<u>2016</u>
3 1/2% of Equalized Valuation Basis (Municipal)	45,846,550	45,127,453
Net Debt	8,124,900	7,768,900
Remaining Borrowing Power	<u>\$ 37,721,650</u>	<u>\$ 37,358,553</u>

See independent auditor's report.

**BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

9. Municipal Debt (Continued)

Summary of Statutory Debt Condition – Annual Debt Statement

Water Utility

Calculation of "Self-Liquidating Purpose"

	<u>2017</u>	<u>2016</u>
Cash Receipts from Fees, Rents or Other Charges for Year	\$ 1,049,623.10	\$ 1,281,822.22
Deductions:		
Operating and maintenance cost	725,000.00	740,000.00
Statutory Expenditures	47,000.00	50,000.00
Debt service	206,100.00	177,300.00
Total Deductions	978,100.00	967,300.00
Excess / (deficit) in revenue	\$ 71,523.10	\$ 314,522.22

Note: If there is a deficit in revenue, then the utility debt is not deductible to the extent of twenty times such deficit amount.

10. Pension and Retirement Plans

Description of Plans

Substantially all of the Borough's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Police and Firemen's Retirement System (PFRS) or the Public Employees' Retirement System (PERS). Those systems are sponsored and administered by the State of New Jersey and are considered a cost sharing multiple-employer plans. According to the State of New Jersey Administrative Code, all obligations of the systems will be assumed by the State of New Jersey should the systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for PERS and PFRS. This report may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625 or can be found at <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Summary of Significant Accounting Policies -PERS and PFRS

GASB 68, *Accounting and Financial Reporting for Pensions*, is effective beginning with the year ending June 30, 2015. The objective if this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

See independent auditor's report.

BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

10. Pension and Retirement Plans (Continued)

Summary of Significant Accounting Policies -PERS and PFRS (Continued)

Amendments to and further clarification of GASB 68, include GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB 67 and 68.*, and GASB 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans.*

New Jersey municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets. However, N.J.A.C. 5:30-6.1(c)(2) requires municipalities and counties to disclose GASB 68 information in the Notes to the Financial Statements. Therefore, the following information with regards to GASB 68 is for disclosure purposes only.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Public Employees' Retirement System (PERS)

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

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

At June 30, 2017 and June 30, 2016, the Borough has disclosed a liability of \$4,823,972, and \$5,255,492 respectively, for its proportionate share of the net pension liability for reporting purposes only. The net pension liability was measured as of June 30, 2017, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015. The Borough's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2017 and 2016. At June 30, 2017, the Borough's proportion was 0.02072%, which was an increase of .00298% from its proportion measured as of June 30, 2016.

See independent auditor's report.

**BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

10. Pension and Retirement Plans (Continued)

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

For the year ended December 31, 2017, the Borough recognized pension expense of \$160,830 as measured at June 30, 2016. At June 30, 2017, the Borough had deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	June 30, 2017		June 30, 2016	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 113,588		\$ 97,736	\$ -
Changes of assumptions	971,864	968,301	1,088,657	
Net difference between projected and actual earnings on pension plan investments	32,848		200,397	
Changes in proportion and differences between Borough and proportionate share of contributions	530,815	529,337		702,690
Borough contributions subsequent to the measurement date				
Total	<u><u>\$ 1,649,115</u></u>	<u><u>\$ 1,497,638</u></u>	<u><u>\$ 1,386,790</u></u>	<u><u>\$ 702,690</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30:</u>
2018	\$ 25,352.00
2019	25,352.00
2020	25,352.00
2021	25,352.00
2022	25,352.00
Thereafter	24,717.00
Total	<u><u>\$ 151,477.00</u></u>

	<u>6/30/2017</u>	<u>6/30/2016</u>
Collective deferred outflows of resources	\$ 5,396,431,901	\$ 7,815,204,785
Collective deferred inflows of resources	4,672,602,040	1,129,328,184
Collective net pension liability (Non-State-Local Group)	23,278,401,588	29,617,131,759
Borough's portion of net pension liability	4,823,972	5,255,492
Borough's proportion %	0.0207229500%	0.0177447698%

See independent auditor's report.

**BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

10. Pension and Retirement Plans (Continued)

Actuarial assumptions. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The actuarial valuation used the following actuarial assumptions:

Inflation:	2.25%
Salary Increases:	
Through 2026	1.65% – 4.15% based on age
Thereafter	2.65% – 5.15% based on age
Investment Rate of Return:	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disability Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not conform to these assumptions. To the extent the actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00 % at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
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 estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non- U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buy-outs/venture capital	8.25%	13.08%

See independent auditor's report.

**BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

10. Pension and Retirement Plans (Continued)

Public Employees' Retirement System (PERS)(Continued):

Discount rate. The discount rate used to measure the total pension liability was 5.00% and 3.98% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.65%, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the Borough's proportionate share of the net pension liability measured as of June 30, 2017 and 2016, calculated using the discount rate of 5.00% and 3.98% respectively, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
	<u>(4.00%)</u>	<u>(5.00%)</u>	<u>(6.00%)</u>
Borough's proportionate share of the net pension liability	\$ 5,984,465	\$ 4,823,972	\$ 3,857,138

	June 30, 2016		
	<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
	<u>(2.98%)</u>	<u>(3.98%)</u>	<u>(4.98%)</u>
Borough's proportionate share of the net pension liability	\$ 6,439,992	\$ 5,255,492	\$ 4,277,585

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

PERS Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service or under disability provisions of PERS. Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more of service credit before age 62, and tier 5 with 30 years or more of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

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**BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

10. Pension and Retirement Plans (Continued)

Police and Firemen's Retirement System (PFRS)

The Police and Firemen's Retirement System was established in July 1944 under the provisions of N.J.S.A. 43:16A to provide retirement, death and disability benefits to its members. Membership is mandatory for all full time county and municipal police and firemen, and state firemen or officer employees with police powers appointed after June 30, 1944.

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

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

At June 30, 2017 and June 30, 2016, the Borough has disclosed a liability of \$7,847,747 and \$8,701,950, respectively, for its proportionate share of the net pension liability for reporting purposes only. The net pension liability was measured as of June 30, 2017, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2016. The Borough's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PFRS during the years ended June 30, 2017 and 2016. At June 30, 2017, the Borough's proportion was 0.05083%, which was an increase of 0.00528% from its proportion measured as of June 30, 2016.

A special funding situation exists for Local employers of the PFRS, in which the State of New Jersey is required to pay additional costs incurred by Local employers under 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. Since the local participating employers do not contribute under this legislation, there is no pension liability, deferred inflows or outflows to report. The amount of the Borough's proportionate share of collective net pension liability at June 30, 2017 and 2016 respectively was \$879,014 and \$730,748.

**BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

10. Pension and Retirement Plans (Continued)

Police and Firemen's Retirement System (PFRS)

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

For the year ended December 31, 2017, the Borough recognized pension expense of \$371,419. At December 31, 2017 as measured on June 30, 2017, the Borough had deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	June 30, 2017		June 30, 2017	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 50,912	\$ 46,060	\$ -	\$ 57,043
Changes of assumptions	967,715	1,285,231	1,205,292	
Net difference projected and actual earnings on pension plan investments	149,753		609,728	
Changes in proportion and differences between Borough's and proportionate share of contributions	660,859	676,337		908,564
Borough contributions subsequent to the measurement date				
Total	<u>\$ 1,829,239</u>	<u>\$ 2,007,628</u>	<u>\$ 1,815,020</u>	<u>\$ 965,607</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ended June 30:
2018	\$ (28,441.00)
2019	(28,441.00)
2020	(28,441.00)
2021	(28,441.00)
2022	(28,441.00)
Thereafter	(36,184.00)
Total	<u>\$ (178,389.00)</u>

	6/30/2017	6/30/2016
Collective deferred outflows of resources	\$ 2,298,433,198	\$ 3,984,339,036
Collective deferred inflows of resources	2,618,912,538	125,220,083
Collective net pension liability (Non-State-Local Group)	17,167,260,198	20,706,699,056
Borough's portion of net pension liability	7,847,747	8,701,950
Borough's portion of net pension liability	0.0508337420%	0.0455538462%

See independent auditor's report.

**BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

10. Pension and Retirement Plans (Continued)

Police and Firemen's Retirement System (PFRS)

Actuarial assumptions. The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The actuarial valuation used the following actuarial assumptions:

Inflation:	2.25%
Salary Increases:	
Through 2026	2.10-8.98% based on age
Thereafter	3.10-9.98% based on age
Investment Rate of Return:	7.00%

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and three years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then three years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

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

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00%) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
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 estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non- U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buy-outs/venture capital	8.25%	13.08%

See independent auditor's report.

**BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

10. Pension and Retirement Plans (Continued)

Police and Firemen's Retirement System (PFRS)

Discount rate. The discount rate used to measure the total pension liability was 6.14% and 5.55% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.65, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employees contributed 100% of their actuarially determined contributions.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability

Sensitivity of the Borough's proportionate share of the net pension liability to changes in the discount rate. The following presents the Borough's proportionate share of the net pension liability measured as of June 30, 2017 and 2016, calculated using the discount rate of 6.14% and 5.55%, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	<u>1% Decrease</u> <u>(5.14%)</u>	<u>Rate</u> <u>(6.14%)</u>	<u>1% Increase</u> <u>(7.14)</u>
Borough's proportionate share of the net pension liability	\$ 10,340,053	\$ 7,847,747	\$ 5,800,034
	June 30, 2016		
	<u>1% Decrease</u> <u>(4.55%)</u>	<u>Rate</u> <u>(5.55%)</u>	<u>1% Increase</u> <u>(6.55)</u>
Borough's proportionate share of the net pension liability	\$ 11,220,526	\$ 8,701,950	\$ 6,648,202

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

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**BOROUGH OF HO-HO-KUS
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10. Pension and Retirement Plans (Continued)

Police and Firemen's Retirement System (PFRS)

PFRS Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:16A. All benefits vest after ten years of service, except for disability benefits that vest after 4 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 2% of the final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek early retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tier 1 and tier 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Funding Policy- PERS and PFRS- The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employees. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS and 8.5% for PFRS of the employees' annual compensation, as defined. Under the provisions of Chapter 78, P.L. 2012, PERS employee pension contribution rates increased from 5.5% to 6.5% of salary, effective October 1, 2012. An additional increase to be phased over the next 7 years will bring the total pension contribution rate to 7.5% of salary. PFRS employee pension contribution rates increased from 8.5% to 10% of salary, effective October 1, 2012. Employers are required to contribute at an actuarially determined rate in PERS and PFRS. The Borough's contributions to PERS and PFRS were as follows:

Year Ended December 31,	PERS Amount	PFRS Amount	Total
2017	\$160,830.00	\$371,419.00	\$ 532,249.00
2016	174,471.00	399,636.62	574,107.62
2015	175,407.00	418,043.00	593,450.00
2014	183,706.24	405,239.93	588,946.17

11. Defined Contribution Retirement Program

The Defined Contributions Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and expanded under the provisions of Chapter 89, P.L. 2008, and Chapter 1, P.L. 2010. The program provides eligible members, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than \$5,000 annually, the official may choose to waive participation on the DCRP for the office or position. The waiver is irrevocable.

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee, employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment option provided by the employer.

The employee contribution to DCRP is 5.5% of defined salary and the employer contributes 3%. The employer also makes contribution for eligible members' life insurance and disability coverage under DCRP.

See independent auditor's report.

BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

12. Compensated Absences

Under the existing contracts and policies of the Borough, certain employees are allowed to accumulate a limited amount of unused vacation and sick pay over the duration of their employment, which may be taken as time off or paid upon retirement or termination at an agreed-upon rate.

As of December 31, 2017 and 2016, the total accumulated absence liability was \$836,722.00 and \$964,640.00 respectively. Also, as of December 31, 2017 and 2016, the Borough has reserved in its Trust Fund \$819,827.73 and \$759,827.73 for potential compensated absence payments.

- 13. Health Insurance Waiver:** The Borough offers health insurance waivers in an amount of the lesser of \$5,000 or 25% of the actual net insurance cost to employees that can show that coverage is provided by a spouse or other means. In 2017 the Borough paid two employees a total of \$ 5,833.33.

14. Other Post-Employment Benefits

The Borough pays health insurance of \$1,500 each year for 10 years to employees who have retired after they have completed 25 years or more of service. Currently the Borough has 2 retired employees who receive this benefit. In 2017, the cost of these health benefits totals \$3,000.

See independent auditor's report.

**BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

15. Risk Management

The Borough is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Borough is a member of the Bergen County Municipal Joint Insurance Fund (the "JIF"). The JIF is a self-administered group of municipalities established for the purpose of providing its members the following low cost coverage:

- General liability
- Automobile liability
- Law enforcement professional liability
- Employee benefits liability

Members are insured up to \$250,000. The Borough pays actuarial assessments annually. If these assessments prove deficient, additional assessments may be levied. The JIF can declare and return excess surplus to members upon approval of the State of New Jersey Department of Insurance. These distributions would be divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Government Accounting Standards Board, these distributions may be used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The Borough is also a member of the Municipal Excess Liability Joint Insurance Fund (the "MEL"). The MEL provides insurance coverage for claims in excess of \$250,000 for general liability, automobiles and workers' compensation/employer's liability. The MEL provides the following coverage:

- Public officials' liability/employment practices liability
- Crime coverage
- Statutory and excess public official bond
- Workers compensation
- Environmental liability

In addition, the MEL also provides for a Faithful Performance and Employee Dishonesty Blanket Bond with a \$1,000,000 limit.

The Borough continues to carry commercial insurance coverage for all these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

16. Contingent Liabilities

Litigation

From time to time the Borough is involved in certain legal proceedings, the resolution and impact on the financial statements of which, individually or in the aggregate, in the opinion of management as advised by legal counsel, would not be significant to the accompanying financial statements, except for the following:

See independent auditor's report.

BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

16. Contingent Liabilities

Litigation (continued):

The Borough's litigation involving affordable housing/zoning matters has been settled. A fairness hearing was held in Superior court which resulted in approval of settlement agreements by Order of May 16, 2017. A Compliance Hearing was held in December 2017 which resulted in the Court entering a Conditional Judgement of Compliance and Repose, subject to certain items which must be satisfied by April 17, 2018. Professional costs in defending these litigations and implementing ongoing compliance mechanisms are substantial and ongoing. A feature of the settlement requires the Borough to construct an affordable housing project. The Borough is in the process of negotiating an agreement a developer to construct an administer the project. Although the developer will seek grants and funds as supplemental financing for the project, the Borough is ultimately responsible to fund any gaps. Based on preliminary estimates, the Borough could be required to provide funding in the amount of \$2.3 million to \$3.6 million, using Affordable Housing Trust funds and bonding.

The Borough was subject to an employment litigation case involving a former employee of the Borough. The case has been settled in 2018 for \$750,000. The Borough's insurance carrier has paid \$500,000 and the Borough paid the remaining \$250,000.

Tax Appeals

In anticipation of tax appeals, the Borough has budgeted \$50,000 in the 2018 Budget and has a Reserve for Tax Appeals in the Trust Fund in the amount of \$50,000 as of December 31, 2017. It is anticipated that this reserve will provide sufficient funds to cover all settlements.

17. Deferred Charges to be raised in Succeeding Budgets

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2017 and 2016, the following deferred charges were reported on balance sheets of various funds:

	<u>2017</u>	<u>2016</u>
Total Deferred Charges	\$ -	\$ -

18. Joint Ventures with Other Municipalities

The Borough participates in an interlocal agreement with the Borough of Allendale to share the services of a Municipal Court. The revenues received by the Borough are used to offset the expenses of the Court. The Borough files an annual report with the County Administrative Office of the Courts which reports on the annual collections and disbursements of fines, costs and bail.

19. Subsequent Events

The Borough has evaluated subsequent events through February 27, 2018, which is the date the financial statements were available to be issued. The 2018 Budget was introduced on March 27, 2018. The Borough renewed its Bond Anticipation Notes on March 29, 2018 in the amount of \$5,440,000 in the General Capital Fund at an interest rate of 2.75% maturing on February 15, 2019 and paid off the \$231,850 in the Water Utility Fund maturing on March 29, 2018.

See independent auditor's report.

BOROUGH OF HO-HO-KUS

Supplementary Data

Comparative Schedule of Fund Balances and Utilization in Following Year

	<u>Year</u>	<u>Balance December 31</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund	2017	\$ 3,365,924.59	\$ 665,000.00
	2016	2,774,485.90	165,000.00
	2015	1,855,757.66	300,000.00
	2014	1,752,694.79	300,000.00
Water Utility Operating Fund	2017	\$ 1,290,685.09	\$ 593,000.00
	2016	1,063,218.67	-
	2015	690,229.23	-
	2014	447,528.76	-
Solid Waste Utility Operating Fund	2017	\$ 814,737.95	\$ -
	2016	634,836.31	-
	2015	475,243.95	12,000.00
	2014	483,471.46	57,000.00

Comparative Schedule of Tax Rate Information

Assessed Valuation

2017	\$	<u>1,159,846,900</u>	
2016	\$	<u>1,151,155,200</u>	
2015	\$	<u>1,147,914,700</u>	
2014	\$		<u>1,232,379,127</u>
2013	\$		<u>1,247,993,130</u>

See independent auditor's report.

BOROUGH OF HO-HO-KUS

Supplementary Data

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	\$ 24,329,306	\$ 24,210,373	99.51%
2016	23,702,287	23,665,263	99.84%
2015	22,917,742	22,700,622	99.05%
2014	22,496,289	22,301,494	99.13%
2013	22,065,800	21,791,225	98.76%

Delinquent Taxes and Tax Title Liens

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

<u>December Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total</u>	<u>Percentage of Tax Levy</u>
2017	\$ -	\$ 101,005	\$ 101,005	0.42%
2016	0.00	147,394	147,394	0.62%
2015	-	191,301	191,301	0.83%
2014	-	179,888	179,888	0.80%
2013	-	231,139	231,139	1.05%

Property Acquired by Tax Title Lien Liquidation

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

<u>Year</u>	<u>Amount</u>
2017	\$ 20,100
2016	20,100
2015	20,100
2014	20,100
2013	20,100

See independent auditor's report.

BOROUGH OF HO-HO-KUS

Supplementary Data

Comparison of Water Utility Levies

<u>December Year</u>	<u>Levy</u>	<u>Cash Collection</u>	<u>Percentage of Collection</u>
2017	\$ 1,268,192	\$ 1,043,416	82.28%
2016	1,049,146	1,046,489	99.75%
2015	1,181,859	1,116,344	94.46%
2014	1,009,536	1,002,424	99.30%
2013	1,070,539	1,060,190	99.03%

Comparison of Solid Waste Utility Levies

<u>December Year</u>	<u>Levy</u>	<u>Cash Collection</u>	<u>Percentage of Collection</u>
2017	\$ 860,872	\$ 880,885	102.32%
2016	858,153	815,125	94.99%
2015	844,819	843,688	99.87%
2014	783,271	773,364	98.74%
2013	781,463	790,980	101.22%

See independent auditor's report.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF CASH - COLLECTOR - TREASURER

A-4

	Reference			
Balance December 31, 2016	A		\$	4,785,972.95
Increased by Receipts:				
Taxes Receivable	A-9	\$ 24,153,578.97		
Prepaid Parking Permits	A	22,400.00		
Prior Year Void Checks	A-1			
Miscellaneous Revenue	A-2	1,111,216.50		
Miscellaneous Revenue not Anticipated	A-2	10,481.21		
Due from State of NJ. - Senior Citizens and Veterans Deductions	A-7	26,000.00		
Accounts Payable - Refundable	A-10	142,580.77		
Prepaid Taxes	A-14	3,303,603.68		
Tax Overpayments	A-15	9,370.60		
Reserve for DCA	A-19	11,187.00		
Due to Grant Fund	G-3	14,154.13		
Due to Grant Fund for Grants not Appropriated Spent	G-3	7,892.58		
Petty Cash	A-8	300.00		
Outside Tax Title Liens Payable	A-24	107,876.74		
Budget Offsets - Reserves	A-13	4,027.89		
Budget Offsets	A-3	506,603.33		
				29,431,273.40
				34,217,246.35
Decreased by Disbursements:				
2017 Budget Appropriations	A-3	7,559,262.86		
2016 Appropriation Reserves	A-13	500,266.52		
Tax Overpayments Refunded	A-15	250.00		
County Taxes	A-17	3,346,806.36		
Local District School Tax	A-18	13,944,869.00		
Accounts Payable - Refundable	A-10	165,521.24		
Outside Tax Title Liens Payable	A-24	155,346.69		
Reserve for DCA	A-19	9,799.00		
Due to Trust Fund	B-4	150,000.00		
Grant Expenditures	G-3	9,502.72		
Transfer to Grant Fund	G-3	67,816.59		
Payroll Adjustment	A-1	1,759.07		
Bank Rec Adjustment	A-1	230.00		
Due from Local School - Gas Expenses	A-6	1,130.87		
Petty Cash Funds	A-8	300.00		
				25,912,860.92
Balance December 31, 2017	A		\$	8,304,385.43

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF CHANGE FUNDS

A-5

OFFICE	Balance Dec. 31, 2016	Adjustments	Balance Dec. 31, 2017
Tax Collector-Treasurer	\$ 100.00	\$ 50.00	\$ 150.00
Police Department	30.00	(30.00)	-
Municipal Court	100.00	150.00	250.00
	\$ 230.00	\$ 170.00	\$ 400.00
Reference	A	A-1	A

SCHEDULE OF DUE FROM LOCAL SCHOOL-GASOLINE EXPENSES

A-6

Balance December 31, 2016	Reference A	\$ 5,344.00
Increased by:		
Due from Local School	A-4	1,130.87
		6,474.87
Decreased by:		
Py Adjustment	A-4	5,985.96
		5,985.96
Balance December 31, 2017	A	\$ 488.91

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

**SCHEDULE OF DUE (TO) / FROM STATE OF NEW JERSEY FOR
SENIOR CITIZENS AND VETERANS DEDUCTIONS (CHAPTER. 20, P.L. 1971)**

A-7

	Reference		
Balance December 31, 2016	A		\$ (1,662.32)
Increased by:			
Senior Citizens Deductions		\$ 750.00	
Veterans Deductions		25,250.00	
Veterans Deductions Allowed		250.00	
		26,250.00	26,250.00
			24,587.68
Decreased by:			
Seniors and Veterans Disallowed		64.60	
Received in Cash from State	A-4	26,000.00	
		26,064.60	26,064.60
Balance December 31, 2017	A		\$ (1,476.92)
2017 Tax Revenue Realized:			
Senior Citizens Deductions		\$ 750.00	
Veterans Deductions		25,250.00	
Veterans Deductions Allowed		250.00	
Senior Citizen Deductions Disallowed		(64.60)	
		26,185.40	
Total Realized	A-9	\$ 26,185.40	

SCHEDULE OF PETTY CASH

A-8

	Reference		
Cash Received	A-4		\$ 300.00
			300.00
Cash Disbursed	A-4		300.00
			300.00
Balance December 31, 2017			\$ -

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

A-9

<u>Year</u>	Balance	<u>Added</u>	2017	Cash Collections		<u>Canceled</u>	Balance
	<u>Dec. 31, 2016</u>		<u>Levy</u>	<u>2016</u>	<u>2017</u>		<u>Dec. 31, 2017</u>
2016	147,394.08				147,394.08		-
2017		65,308.55	24,263,997.27	178,003.17	24,032,370.29	17,927.17	101,005.19
	<u>\$ 147,394.08</u>	<u>\$ 65,308.55</u>	<u>\$ 24,263,997.27</u>	<u>\$ 178,003.17</u>	<u>\$ 24,179,764.37</u>	<u>\$ 17,927.17</u>	<u>\$ 101,005.19</u>
Reference	A	Below	Below	A-14	Below		A
Cash	Reference						
State of NJ Realized Seniors and Veterans Deductions	A-4				\$ 24,153,578.97		
	A-7, Below				26,185.40		
	Above				<u>\$ 24,179,764.37</u>		

ANALYSIS OF PROPERTY TAX LEVY
TAX YIELD

General Purpose Tax		\$ 24,237,997.27
State Share of Senior Citizens and Veterans Deductions	A-7	26,000.00
	Above	<u>24,263,997.27</u>
Added Taxes (54:4-63.1 et. seq.)	Above	65,308.55
	Below	<u>\$ 24,329,305.82</u>

TAX LEVY

Local District School Tax (Abstract)	A-18	\$ 13,944,869.00
County Taxes (Abstract)	A-17	3,329,464.17
Due County for Added Taxes	A-17	8,959.69
Local Tax for Municipal Purposes	A-2	6,981,357.50
Add: Additional Taxes		<u>64,655.46</u>
TOTAL TAX LEVY	Above	<u>\$ 24,329,305.82</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF ACCOUNTS PAYABLE

A-10

	Reference		
Balance December 31, 2016	A	\$	82,144.24
Increased by:			
Receipts	A-4		142,580.77
			<u>224,725.01</u>
Decreased by:			
Disbursements	A-4	\$	165,521.24
			<u>165,521.24</u>
Balance December 31, 2017	A	\$	<u><u>59,203.77</u></u>

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES (AT ASSESSED VALUATION)

A-11

	Reference		
Balance December 31, 2016	A	\$	<u>20,100.00</u>
Balance December 31, 2017	A, Below	\$	<u><u>20,100.00</u></u>

	Block	Lot	
	1014	11	\$ 4,000.00
	1011	10	5,800.00
	805	13	<u>10,300.00</u>
		Above	<u>\$ 20,100.00</u>

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

A-12

	Balance Dec. 31, 2016	Accrued 2017	Collected	Balance Dec. 31, 2017
Municipal Court	\$ 6,034.24	\$ 5,270.53	\$ 6,034.24	\$ 5,270.53
	<u>\$ 6,034.24</u>	<u>\$ 5,270.53</u>	<u>\$ 6,034.24</u>	<u>\$ 5,270.53</u>
Reference	A			A

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF 2016 APPROPRIATION RESERVES

A-13

	Balance Dec. 31, 2016	Encumbrances	Transfers	Balance After Transfers	Reimbursement	Paid or Charged	Balance Lapsed	Over Expenditure
GENERAL GOVERNMENT								
Administrative and Executive								
Salaries and Wages	\$ 11,059.88			\$ 11,059.88			\$ 11,059.88	\$ -
Other Expenses	6,983.75	20.00		7,003.75		4,414.81	2,588.94	
Borough Clerk								
Salaries and Wages	4,950.00			4,950.00			4,950.00	
Other Expenses	732.26			732.26			732.26	
Election Costs	1,734.59			1,734.59			1,734.59	
Financial Administration								
Salaries and Wages	11,651.38			11,651.38			11,651.38	
Other Expenses & Audit Services	20,615.44			20,615.44		20,507.50	107.94	
Assessment of Taxes								
Salaries and Wages	1,411.08			1,411.08			1,411.08	
Other Expenses	13,175.09			13,175.09			13,175.09	
Collection of Taxes								
Salaries and Wages	15,217.00			15,217.00			15,217.00	
Other Expenses	902.68			902.68			902.68	
Legal Services and Costs								
Other Expenses	47,692.48	7,499.29		55,191.77		33,770.09	21,421.68	
Municipal Prosecutor								
Salaries and Wages	902.96			902.96			902.96	
Engineering Services and Costs								
Other Expenses	5,895.00			5,895.00		1,000.00	4,895.00	
Public Buildings and Grounds								
Salaries and Wages	5,813.00			5,813.00			5,813.00	
Other Expenses	12,510.97	2,665.25	(2,500.00)	12,676.22		4,702.71	7,973.51	
Planning Board								
Salaries and Wages	593.34			593.34			593.34	
Other Expenses	23,249.57	275.00		23,524.57		1,309.48	22,215.09	
Board of Adjustment								
Salaries and Wages	593.34			593.34			593.34	
Other Expenses	5,392.81			5,392.81		365.53	5,027.28	
Shade Trees								
Other Expenses	6,443.27	28,045.10		34,488.37	4,000.00	31,741.86	6,746.51	
Insurance								
Employee Group Health	23,739.79			23,739.79			23,739.79	
General Liability	88,064.43			88,064.43		70,295.40	17,769.03	

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See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF 2016 APPROPRIATION RESERVES

A-13

	Balance Dec. 31, 2016	Encumbrances	Transfers	Balance After Transfers	Reimbursement	Paid or Charged	Balance Lapsed	Over Expenditure
PUBLIC SAFETY								
Fire - Other Expenses								
Fire Hydrant	\$ 20,357.50			\$ 20,357.50		\$ -	\$ 20,357.50	\$ -
Miscellaneous and Other Expenses	9,500.98	2,060.75	500.00	12,061.73		11,844.62	217.11	
Police								
Salaries and Wages	69,870.86			69,870.86		60,000.00	9,870.86	
Other Expenses	22.55	3,864.24	2,000.00	5,886.79		5,710.71	176.08	
-							-	
Parking Meter Maintenance								
Other Expenses		851.00		851.00		851.00	-	
Aid to Volunteer Ambulance Corps.	3,643.66	952.83		4,596.49		2,412.22	2,184.27	
Zoning Official								
Salaries and Wages	2,499.76			2,499.76			2,499.76	
Other Expenses	238.75			238.75		29.97	208.78	
Public Defender								
Other Expenses	1,200.00			1,200.00			1,200.00	
PEOSHA								
Other Expenses	97.06	115.50		212.56		115.50	97.06	
Uniform Fire Safety Act Chapter 383-83								
Fire Prevention Code Official								
Salaries and Wages	500.08			500.08			500.08	
Other Expenses	890.00			890.00			890.00	
Emergency Management Services								
Salaries and Wages	20.00			20.00			20.00	
Other Expenses	3,013.97	2,282.76		5,296.73		2,315.67	2,981.06	
STREETS AND ROADS								
Road Repairs and Maintenance								
Salaries and Wages	102,456.83			102,456.83		100,000.00	2,456.83	
Other Expenses	17,354.01	1,463.94		18,817.95		9,817.17	9,000.78	
Street Lighting and Traffic Lights	12,913.01			12,913.01		4,667.51	8,245.50	

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See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF 2016 APPROPRIATION RESERVES

A-13

	Balance Dec. 31, 2016	Encumbrances	Transfers	Balance After Transfers	Reimbursement	Paid or Charged	Balance Lapsed	Over Expenditure
HEALTH AND WELFARE								
Board of Health								
Salaries and Wages				\$ -	\$ -		\$ -	\$ -
Other Expenses	3,261.58			3,261.58			3,261.58	
Construction Code Official								
Salaries and Wages	12,153.32			12,153.32			12,153.32	
Other Expenses	14,894.15	1,133.00		16,027.15		1,191.97	14,835.18	
Municipal Court								
Salaries and Wages	9,213.84			9,213.84			9,213.84	
Other Expenses	15,913.32	356.00		16,269.32		6,437.98	9,831.34	
Recreation								
Salaries and Wages	133.84			133.84			133.84	
Other Expenses	3,971.02	21.90		3,992.92		96.59	3,896.33	
Recycling Program								
Salaries and Wages	4,916.14			4,916.14			4,916.14	
Other Expenses	20,051.53	6,592.08		26,643.61		17,992.08	8,651.53	
Sick Leave Payouts								
Utilities	21,625.41	116.57		21,741.98	27.89	6,918.84	14,851.03	
Vehicle Maintenance	62,264.58	7,712.45		69,977.03		16,940.48	53,036.55	
Contribution to:								
Social Security System (O.A.S.I.)	10,317.34			10,317.34			10,317.34	
PERS	6,529.00			6,529.00			6,529.00	
PFRS	363.38			363.38			363.38	
Sewerage Authority- Share of Costs	9,450.00			9,450.00			9,450.00	
Maintenance of Free Public Library (Chapter 82 & 541, P.L. 1985)	9,205.33			9,205.33		9,205.33	-	
Reserve for Tax Appeals	126,969.58			126,969.58		3,611.50	123,358.08	
Volunteer Incentive Program	72,000.00			72,000.00		72,000.00	-	
Shared Services- Midland Park Construction	14,280.52			14,280.52			14,280.52	
Capital Outlay	8,679.80			8,679.80			8,679.80	
TOTALS	\$ 980,096.81	\$ 66,027.66	\$ -	\$ 1,046,124.47	\$ 4,027.89	\$ 500,266.52	\$ 549,885.84	\$ -
Reference	A	A-21		Below	A-4	A-4	A-1	A
Appropriation Reserve	A			\$ 980,096.81				
Encumbrance Payable	A-21			66,027.66				
	Above			<u>\$ 1,046,124.47</u>				

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF PREPAID TAXES

A-14

	Reference	
Balance December 31, 2016	A	\$ 178,003.17
Increased by:		
Collection of Taxes	A-4	3,303,603.68
		<u>3,481,606.85</u>
Decreased by:		
Applied to 2017 Taxes	A-9	178,003.17
		<u>178,003.17</u>
Balance December 31, 2017	A	<u><u>\$ 3,303,603.68</u></u>

SCHEDULE OF TAX OVERPAYMENTS

A-15

	Reference	
Balance December 31, 2016	A	\$ 24,178.84
Increased by:		
2017 Overpayments	A-4	9,370.60
		<u>33,549.44</u>
Decreased by:		
Canceled	A-1	\$ -
Refunds	A-4	250.00
		<u>250.00</u>
Balance December 31, 2017	A	<u><u>\$ 33,299.44</u></u>

**SCHEDULE OF RESERVE FOR TAX APPEALS PENDING
NJ DIVISION OF TAX APPEALS (N.J.S.A. 54: 3-27)**

A-16

	Reference	
Balance December 31, 2016	A	<u>\$ 20,366.90</u>
Balance December 31, 2017	A	<u><u>\$ 20,366.90</u></u>

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF COUNTY TAXES PAYABLE

	Reference		A-17
Balance December 31, 2016	A	\$	17,342.69
Increased by:			
2017 Levy:			
General County	A-1,9	\$ 3,196,952.75	
Open Space Preservation	A-1,9	132,511.42	
Due County for Added Taxes	A-1,9	<u>8,959.69</u>	
	A-2		<u>3,338,423.86</u>
			<u>3,355,766.55</u>
Decreased by:			
Payments	A-4	3,346,806.36	
Cancel County Taxes	A-1	<u>0.50</u>	
			<u>3,346,806.86</u>
Balance December 31, 2017	A	\$	<u><u>8,959.69</u></u>

SCHEDULE OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

	Reference		A-18
Balance December 31, 2016	A	\$	-
Levy, Calendar Year (01/01 - 12/31)	A-1,2,9		<u>13,944,869.00</u>
			13,944,869.00
Decreased by:			
Disbursements	A-4		<u>13,944,869.00</u>
Balance December 31, 2017	A	\$	<u><u>-</u></u>

SCHEDULE OF RESERVE FOR DCA - CONSTRUCTION PAYABLE

	Reference		A-19
Balance December 31, 2016	A	\$	8,479.65
Increased by:			
DCA Fees Received	A-4		<u>11,187.00</u>
			19,666.65
Decreased by:			
Disbursements to State	A-4		<u>9,799.00</u>
Balance December 31, 2017	A	\$	<u><u>9,867.65</u></u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF RESERVE FOR CONSTRUCTION FEES

	Reference	A-20
Balance December 31, 2016	A	<u>\$ 25,703.32</u>
Balance December 31, 2017	A	<u><u>\$ 25,703.32</u></u>

SCHEDULE OF ENCUMBRANCE PAYABLE

	Reference	A-21
Balance December 31, 2016	A	\$ 66,027.66
Increased by:		
Appropriations	A-3	<u>75,239.68</u>
		141,267.34
Decreased by:		
Applied to Appropriation Reserves	A-13	<u>66,027.66</u>
Balance December 31, 2017	A	<u><u>\$ 75,239.68</u></u>

DUE TO LIBRARY - STATE AID

	Reference	A-22
Balance December 31, 2016	A	\$ 5,364.00
Increased by:		
State Library Aid	A-4	<u>0.00</u>
Balance December 31, 2017	A	<u><u>\$ 5,364.00</u></u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
 CURRENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF RESERVE FOR CODIFICATION

A-23

	Reference	
Balance December 31, 2016	A	\$ <u>19,077.50</u>
Balance December 31, 2017	A	\$ <u><u>19,077.50</u></u>

SCHEDULE OF DUE TO OUTSIDE LIEN HOLDER

A-24

	Reference	
Balance December 31, 2016		\$ 47,469.95
Increases:		
Received from Taxpayer	A-4	<u>107,876.74</u>
		155,346.69
Disbursed		
Disbursed to Outside Lienholder		<u>155,346.69</u>
Balance December 31, 2017	A	\$ <u><u>-</u></u>

BOROUGH OF HO-HO-KUS, NJ
TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF TRUST CASH

B-1

	<u>Reference</u>	<u>Animal License</u>	<u>Trust Other</u>	<u>COAH</u>	<u>Recreation</u>
Balance December 31, 2016	B	<u>\$ 3,829.31</u>	<u>\$ 1,045,177.88</u>	<u>\$ 313,183.74</u>	<u>\$ 25,111.84</u>
Increased by Receipts:					
Licenses and Fees	B-2	10,901.70			
Due to State	B-3,7	753.60	150.00		
Interest Income	B-4	37.55	4,633.90		105.40
Due from Current Fund	B-4		150,000.00		
Security Deposits	B-5		107,088.56		
Trust Reserves	B-6		291,416.63		
Development Fees	B-9			102,435.15	
Recreation Fees	B-8				20,500.00
		<u>11,692.85</u>	<u>553,289.09</u>	<u>102,435.15</u>	<u>20,605.40</u>
		<u>15,522.16</u>	<u>1,598,466.97</u>	<u>415,618.89</u>	<u>45,717.24</u>
Decreased by Disbursements:					
Animal Fund Expenditures	B-2	7,187.00			
Due to State	B-3,7	793.80	200.00		
Due to Current Fund- Interest	B-4	37.55	4,633.90		105.40
Security Deposits	B-5		64,575.91		
Trust Reserves	B-6		283,993.20		
COAH Expenditures	B-9			5,455.00	
Recreation Expenditures	B-8				25,047.24
		<u>8,018.35</u>	<u>353,403.01</u>	<u>5,455.00</u>	<u>25,152.64</u>
Balance December 31, 2017	B	<u><u>\$ 7,503.81</u></u>	<u><u>\$ 1,245,063.96</u></u>	<u><u>\$ 410,163.89</u></u>	<u><u>\$ 20,564.60</u></u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

**SCHEDULE OF RESERVE FOR ANIMAL FUND
EXPENDITURES**

B-2

	<u>Reference</u>		
Balance December 31, 2016	B		\$ 3,773.21
Increased by:			
Adjustment - Due to State of NJ	B-7		
Receipts - Licenses and Fees	B-1	<u>10,901.70</u>	<u>10,901.70</u>
			14,674.91
Decreased by Disbursements:			
Animal Fund Expenditures	B-1		<u>7,187.00</u>
Balance December 31, 2017	B		<u><u>\$ 7,487.91</u></u>

SCHEDULE OF DUE TO STATE OF NEW JERSEY - OTHER TRUST

B-3

	<u>Reference</u>		
Balance December 31, 2016	B		\$ 128.00
Increased by:			
Marriage Licenses	B-1		<u>150.00</u>
			278.00
Decreased by:			
Disbursements	B-1		<u>200.00</u>
Balance December 31, 2017	B		<u><u>\$ 78.00</u></u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF DUE TO/(FROM) CURRENT FUND

B-4

	<u>Reference</u>	<u>Other Trust Funds</u>	<u>Animal License Fund</u>	<u>Recreation</u>
Balance December 31, 2016	B	\$ 275,000.00	\$ 0.30	\$ -
Increased by:				
Interest Income - Due to Current Fund	B-1	4,633.90	37.55	105.40
Transfer from Current Fund	B-1			
		<u>279,633.90</u>	<u>37.85</u>	<u>105.40</u>
Decreased by:				
Transfer from Current Fund	A-4,B-1	150,000.00		
Transfers of Interest to Current	B-1	4,633.90	37.55	105.40
		<u>154,633.90</u>	<u>37.55</u>	<u>105.40</u>
Balance December 31, 2017	B	<u>\$ 125,000.00</u>	<u>\$ 0.30</u>	<u>\$ -</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

**SCHEDULE OF CONSTRUCTION SECURITY DEPOSITS AND
ESCROW FOR PROFESSIONAL FEES/ RECYCLING ESCROW**

B-5

	<u>Reference</u>	
Balance December 31, 2016	B	\$ 338,353.64
Increased by:		
Receipts	B-1	107,088.56
		445,442.20
Decreased by:		
Disbursements	B-1	64,575.91
		\$ 380,866.29

SCHEDULE OF OTHER TRUST RESERVES

B-6

	Balance <u>Dec. 31, 2016</u>	Receipts	Disbursements	PY Adjustment	Balance <u>Dec. 31, 2017</u>
Donations	\$ 700.00	\$ 7,750.00	\$ 4,275.89		\$ 4,174.11
Tax Appeal Reserve	140,000.00			\$ (90,000.00)	50,000.00
Library Grants	44.62				44.62
Firemen's Death Benefit Fund	8,700.00				8,700.00
Police Accessories	20,471.95	2,650.00	16,825.18	6,000.00	12,296.77
Accrued Sick Leave	759,827.73	60,000.00			819,827.73
Electronic Filing Fees	701.00				701.00
Girl Scouts	195.22				195.22
Insurance Reimbursements	4,028.55				4,028.55
Uniform Fire Safety Penalties	3,135.00				3,135.00
Tax Sale Certificate - Premium	98,700.00		170,100.00	90,000.00	18,600.00
Sewer Connection Fees	2,800.00				2,800.00
Treasurer Clearing	37.83				37.83
Unemployment Reserve	26,251.52	5,341.84	11,381.27		20,212.09
Dare Donations	200.00				200.00
Streetscape Donations	4,256.54				4,256.54
Shade Tree Ross Donation	19,584.15	35,075.00	31,969.00		22,690.15
Snow Removal Trust		100,000.00			100,000.00
POAA Court Fees	982.00	138.00			1,120.00
JIF Awards	448.97				448.97
State Health Benefit Program	3,526.88				3,526.88
Fuel Reimbursement	23,869.81	9,429.05	8,647.11		24,651.75
Lightning Detection System	231.00				231.00
Historical Society	110.00				110.00
Restitution for Building Damages	2,403.00				2,403.00
Tree Lighting Ceremony	200.00		200.00		-
Motorpool	98,425.73	63,682.74	35,060.63		127,047.84
Police Donations	6,000.00			(6,000.00)	-
Jr. Police Academy	5,183.84	7,350.00	5,534.12		6,999.72
Ho-Ho-Kus Celebration	680.90				680.90
	<u>\$ 1,231,696.24</u>	<u>\$ 291,416.63</u>	<u>\$ 283,993.20</u>	<u>\$ -</u>	<u>\$ 1,239,119.67</u>
Reference	B	B-1	B-1	B-4	B

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF DUE TO STATE OF NEW JERSEY - ANIMAL FUND

B-7

	<u>Reference</u>	
Balance December 31, 2016	B	\$ 55.80
Increased by:		
2017 Dog Licenses	B-1	<u>753.60</u>
		809.40
Decreased by:		
Adjustment	B-2	
State Payments	B-1	<u>793.80</u>
		<u>793.80</u>
Balance December 31, 2017	B	<u><u>\$ 15.60</u></u>

SCHEDULE OF RESERVE FOR RECREATION

B-8

	<u>Reference</u>	
Balance December 31, 2016	B	\$ 25,111.84
Increased by:		
Recreation Fees	B-1	<u>20,500.00</u>
		45,611.84
Decreased by:		
Disbursements	B-1	<u>25,047.24</u>
Balance December 31, 2017	B	<u><u>\$ 20,564.60</u></u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF COAH DEVELOPMENT FEES

	<u>Reference</u>	B-9
Balance December 31, 2016	B	\$ 313,183.74
Increased by:		
Development Fees	B-1	<u>102,435.15</u>
		415,618.89
Decreased by:		
Disbursements	B-1	<u>5,455.00</u>
Balance December 31, 2017	B	<u><u>\$ 410,163.89</u></u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
 GENERAL CAPITAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF GENERAL CAPITAL CASH

C-2

	Reference		
Balance December 31, 2016	C		\$ 71,549.66
Increased by Receipts:			
Interest Income	C-6	\$ 9,862.67	
Premium on BANS	C-14	60,344.00	
Transfer from Current Fund	Contra	13,287.00	
Bond Anticipation Notes Issued	C-13	<u>5,725,000.00</u>	
			<u>5,808,493.67</u>
			5,880,043.33
Decreased by Disbursements:			
Due to Current Fund - Interest	C-6	9,862.67	
Transfer to Current Fund	Contra	13,287.00	
Improvement Authorization	C-5	16,886.46	
Encumbrances Paid	C-9	2,055,866.04	
Bond Anticipation Notes Paid	C-13	<u>1,682,000.00</u>	
			<u>3,777,902.17</u>
Balance December 31, 2017	C		<u><u>\$ 2,102,141.16</u></u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

C-3

Ord. #	Improvement Description	Balance Dec. 31, 2016	Increased by Improvement Authorization	Decreased by Funded	Balance Dec. 31, 2017
991	General Improvements -2012	\$ 61,900.00	\$ -	\$ -	\$ 61,900.00
1021	General Improvements -2013	1,682,000.00	-	102,000.00	1,580,000.00
1029	General Improvements -2014	295,000.00			295,000.00
1037	General Improvements -2015	838,000.00			838,000.00
2016-09	General Improvements -2016	3,012,000.00	-		3,012,000.00
2017-06	General Improvements- 2017		850,000.00	42,000.00	808,000.00
		<u>\$ 5,888,900.00</u>	<u>\$ 850,000.00</u>	<u>\$ 144,000.00</u>	<u>\$6,594,900.00</u>
	Reference	C	C-5	Below	C

Funded by:

Bond Anticipation Note Paydown	C-13	\$ 102,000.00
Capital Improvement Fund	C-4	42,000.00
	Above	<u>\$ 144,000.00</u>

SCHEDULE OF CAPITAL IMPROVEMENT FUND

C-4

	Reference	
Balance December 31, 2016	C	\$ 96,303.39
Increased by:		
Budget Appropriation	C-6	75,000.00
		<u>171,303.39</u>
Decreased by:		
Appropriated to Finance Impr Authorizations	C-3,12	42,000.00
Balance December 31, 2017	C	<u>\$ 129,303.39</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

C-5

Ord. #	Improvement Description	Balance December 31, 2016		2017 Authorizations	Expended/ Canceled	Balance December 31, 2017	
		Funded	Unfunded			Funded	Unfunded
852	Improvements and Acquisition of Equipment and Machinery - 2002	\$ 23,573.61	\$ -	\$ -	\$ -	\$ 23,573.61	\$ -
928	General Improvements & Equipment	7,590.92				7,590.92	
941	Streetscape Improvements	18,281.87			887.16	17,394.71	
955	Various Public Improvements	108,506.41				108,506.41	
967	General Improvements & Equipment	41,736.60				41,736.60	
991	General Improvements -2011	103,707.77	61,900.00			103,707.77	61,900.00
1021	General Improvements -2013		766,902.96		198,608.90		568,294.06
1029	General Improvements - 2014		183,204.76		135,015.00		48,189.76
1037	General Improvements - 2015		89,050.38		2,500.00		86,550.38
2016-09	General Improvements- 2016		784,095.02		164,977.11		619,117.91
2016-06	General Improvements- 2017			850,000.00	644,047.77		205,952.23
		<u>\$ 303,397.18</u>	<u>\$ 1,885,153.12</u>	<u>\$ 850,000.00</u>	<u>\$ 1,146,035.94</u>	<u>\$ 302,510.02</u>	<u>\$ 1,590,004.34</u>
		C	C	C-3,12	Below	C	C
	Cash Disbursements			C-2	\$ 16,886.46		
	Encumbrances Payable			C-9	1,129,149.48		
				Above	<u>\$ 1,146,035.94</u>		

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
 GENERAL CAPITAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF DUE TO/(FROM) CURRENT FUND

C-6

	Reference	
Balance December 31, 2016	C	\$ (200,000.00)
Increased by:		
Transfer from Current Fund	A-4, C-2	
Interest Earned - Checking Account	C-2	9,862.67
		<u>9,862.67</u>
		(190,137.33)
Decreased by:		
Transfers to Current Fund	C-2	9,862.67
Bond Anticipation Note Paydown	C-13	102,000.00
Appropriation - Capital Improvement Fund	A-3, C-4	<u>75,000.00</u>
		<u>186,862.67</u>
Balance December 31, 2017	C	<u><u>\$ (377,000.00)</u></u>

SCHEDULE OF GRANTS RECEIVABLE

C-7

	Reference	
Balance December 31, 2016	C	\$ 802,452.10
Balance December 31, 2017	C	<u><u>\$ 802,452.10</u></u>

SCHEDULE OF RESERVE FOR GRANTS RECEIVABLE

C-8

	Reference	
Balance December 31, 2016	C	\$ 547,453.00
Balance December 31, 2017	C	<u><u>\$ 547,453.00</u></u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF ENCUMBRANCES PAYABLE

C-9

	Reference	
Balance December 31, 2016	C	\$ 2,055,866.04
Increased by:		
Encumbrances Payable	C-5	<u>1,129,149.48</u>
		3,185,015.52
Decreased by:		
Encumbrances Paid	C-2	<u>2,055,866.04</u>
Balance December 31, 2017	C	<u><u>\$ 1,129,149.48</u></u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
 GENERAL CAPITAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF GENERAL SERIAL BONDS

C-10

Date of Issue	Purpose of Issue	Amount of Original Issue	Maturities of Bonds Outstanding Dec. 31, 2016			Balance Dec. 31, 2016	Increase	Decrease	Balance Dec. 31, 2017
			Date	Amount	Interest Rate				
07/15/11	General Improvements		07/15/18	365,000.00	2.25%	\$ 1,880,000.00	\$ -	\$ 350,000.00	\$ 1,530,000.00
			07/15/19	375,000.00	2.50%				
			07/15/20	390,000.00	2.75%				
			07/15/21	400,000.00	2.75%				
						<u>\$ 1,880,000.00</u>	<u>\$ -</u>	<u>\$ 350,000.00</u>	<u>\$ 1,530,000.00</u>
Reference						C		Below	C
Paid by Budget Appropriation							A-3,Above	<u>\$ 350,000.00</u>	

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF RESERVE FOR PAYMENT OF BONDS

C-11

	Reference	
Balance December 31, 2016	C	<u>\$ 105,576.72</u>
Balance December 31, 2017	C	<u><u>\$ 105,576.72</u></u>
Analysis of Balance:		
New Jersey Department of Transportation- Ord # 941/955		\$ 50,000.00
New Jersey Department of Transportation- Ord # 991		<u>55,576.72</u>
	Above	<u><u>\$ 105,576.72</u></u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS
CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

C-12

Ord. No.	Improvement Description	Balance Dec. 31, 2016	2017 Authorizations	Funded / Transferred	Balance Dec. 31, 2017
991	General Improvements -2012	\$ 61,900.00	\$ -	\$ -	\$ 61,900.00
1021	General Improvements -2013	-	-		-
1029	General Improvements - 2014	295,000.00		295,000.00	-
1037	General Improvements - 2015	838,000.00		838,000.00	-
2016-09	General Improvements - 2016	3,012,000.00		3,012,000.00	-
2017-06	General Improvements - 2017		850,000.00	42,000.00	808,000.00
		<u>\$ 4,206,900.00</u>	<u>\$ 850,000.00</u>	<u>\$ 4,187,000.00</u>	<u>\$ 869,900.00</u>
		C	C-5	Below	C

Funded Through:		
Bond Anticipation Notes	C-13	\$ 4,145,000.00
Capital Improvement Fund	C-4	42,000.00
	Above	<u>\$ 4,187,000.00</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS
GENERAL CAPITAL FUND
FOR THE PERIOD ENDED DECEMBER 31, 2017

SCHEDULE OF BOND ANTICIPATION NOTES

C-13

Ord. <u>#</u>	<u>Purpose</u>	<u>Original Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2016</u>	<u>Issued</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2017</u>
1021	Various Public Improv. & Acq of Equip.	04/03/14	03/29/2018	2.25%	\$1,682,000.00	\$ 1,580,000.00	\$ 1,682,000.00	\$ 1,580,000.00
1029	Various Public Improv. & Acq of Equip.	03/30/2017	03/29/2018	2.25%		295,000.00		295,000.00
1037	Various Public Improv. & Acq of Equip.	03/30/2017	03/29/2018	2.25%		838,000.00		838,000.00
2016-09	Various Public Improv. & Acq of Equip.	03/30/2017	03/29/2018	2.25%		3,012,000.00		3,012,000.00
					<u>\$1,682,000.00</u>	<u>\$ 5,725,000.00</u>	<u>\$ 1,682,000.00</u>	<u>\$ 5,725,000.00</u>
					C	C-2, Below	C-2, Below	C
				Rollover		\$ 1,580,000.00	\$ 1,580,000.00	
				Issued	C-12	4,145,000.00		
				Paydowns	C-6		102,000.00	
					Above, C-2	<u>\$ 5,725,000.00</u>	<u>\$ 1,682,000.00</u>	

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF PREMIUM ON BOND ANTICIPATION NOTES

C-14

	Reference	
Balance December 31, 2016	C	\$ 10,130.00
Increased by:		
Premium on BANS Received	C-2	<u>60,344.00</u>
Balance December 31, 2017	C	<u>\$ 70,474.00</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
WATER UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF CASH

D-5

	Reference	Operating	Capital
Balance December 31, 2016	D	<u>\$ 1,431,406.23</u>	<u>\$ 325,377.31</u>
Increased by:			
Budget Revenues	D-3	1,043,114.52	
Interest Income	D-1,8	6,206.61	1,185.94
Due from Water Capital	D-8	1,185.94	
Water Receipts Overpaid	D-18	-	
Bond Anticipation Notes	D-21		231,850.00
Transfer from Water Operating	D-8		2,026.76
		<u>1,050,507.07</u>	<u>235,062.70</u>
		<u>2,481,913.30</u>	<u>560,440.01</u>
Decreased by Disbursements:			
2017 Appropriations	D-4	683,886.32	
2016 Appropriations	D-9	70,717.78	
Improvement Authorization	D-10		-
Transfer Interest	D-8		1,185.94
Due to Water Capital	D-8		2,026.76
Overpayments	D-18	1,237.20	
Bond Anticipation Notes Paid	D-21		261,850.00
		<u>755,841.30</u>	<u>265,062.70</u>
Balance December 31, 2017	D	<u><u>\$ 1,726,072.00</u></u>	<u><u>\$ 295,377.31</u></u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
 WATER UTILITY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF ACCOUNTS RECEIVABLE

D-6

	Reference	
Balance December 31, 2016	D	\$ 2,657.20
Increased by:		
Water Rents levied		1,268,192.00
		1,270,849.20
Decreased by:		
Collections	D-3	\$ 1,043,114.52
Overpayment applied	D-3,18	301.97
		1,043,416.49
Balance December 31, 2017	D	\$ 227,432.71

SCHEDULE OF FIXED CAPITAL

D-7

	Balance Dec. 31, 2016	Completed Projects	Balance Dec. 31, 2017
Pumping station and structures	\$ 1,596,402.61	\$ -	\$ 1,596,402.61
Meters and hydrants	164,681.52	6,022.50	170,704.02
Distribution mains and accessories	99,837.33		99,837.33
General equipment	297,321.77	65,388.50	362,710.27
Computer system	13,707.50	1,500.00	15,207.50
Improvements	1,668,936.58		1,668,936.58
Storage tank	1,617,053.75		1,617,053.75
Chlorine retention well	2,789.55		2,789.55
	\$ 5,460,730.61	\$ 72,911.00	\$ 5,533,641.61
Reference	D	Below	D
	0.27		
Capital Outlay- Budget		72,911.00	
Capital Outlay- Budget Reserves		72,911.00	-
		0.00	
Completed Capital Projects		0.00	
		\$ 72,911.00	

BOROUGH OF HO-HO-KUS, NJ
WATER UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF DUE FROM/(TO) WATER CAPITAL FUND

D-8

	Reference		
Balance December 31, 2016	D	\$	(0.18)
Increased by:			
Transfer from Water Utility Operating Fund	D-5	\$	2,026.76
Interest - Income	D-5		<u>1,185.94</u>
			3,212.70
Decreased by:			
BAN Payment	D-4		30,000.00
Ban Interest			2,026.76
Transfer of Interest to water operating	D-5		<u>1,185.94</u>
			<u>33,212.70</u>
Balance December 31, 2017	D		<u><u>\$ (30,000.18)</u></u>

SCHEDULE OF APPROPRIATION RESERVES

D-9

	Balance Dec. 31, 2016	Modified Balance Dec. 31, 2016	Paid or Charged	(Overexpended)/ Lapsed
Salaries and Wages	\$ 25,669.64	\$ 25,669.64		\$ 25,669.64
Other Expenses	63,672.20	107,737.53	70,717.78	37,019.75
Down Payment on Improvements	10,000.00	10,000.00		10,000.00
Capital Outlay	30,180.09	30,180.09		30,180.09
Public Employees Retirement System	30,000.00	30,000.00		30,000.00
Social Security	20,000.00	20,000.00		20,000.00
	<u>\$ 179,521.93</u>	<u>\$ 223,587.26</u>	<u>\$ 70,717.78</u>	<u>\$ 152,869.48</u>
	D	Below	D-5	D-1
<u>Reference</u>				
Appropriation Reserve	D	\$ 179,521.93		
Encumbrances Payable	D	<u>44,065.33</u>		
		<u>\$ 223,587.26</u>		
		Above		

BOROUGH OF HO-HO-KUS, NJ
 WATER UTILITY - CAPITAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

D-10

Ord. #	Improvement Description	Ord.: Date	Balance Dec. 31, 2016		2017 Authorizations	Expended	Over expenditure	Balance Dec. 31, 2017	
			Funded	Unfunded				Funded	Unfunded
825	Various Improvements	2000	\$ 112,083.65	\$ -	\$ -	\$ -	\$ -	\$ 112,083.65	\$ -
929	Install Water Valves and Acquis. Of Mach. & Equip.	2007	1,099.32					1,099.32	
942	Various Improvements	2008	290.81					290.81	
954	Various Public Improvements	2009	31.34					31.34	
1022	Various Improvements - 2013	2013		115,860.84					115,860.84
			<u>\$ 113,505.12</u>	<u>\$ 115,860.84</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,505.12</u>	<u>\$ 115,860.84</u>
Reference			D	D	D-14	D-5	D	D	

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
 WATER UTILITY - CAPITAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF CAPITAL IMPROVEMENT FUND

D-11

	Reference	
Balance December 31, 2016	D	<u>\$ 44,536.85</u>
Balance December 31, 2017	D	<u><u>\$ 44,536.85</u></u>

SCHEDULE OF RESERVE FOR AMORTIZATION

D-12

	Reference	
Balance December 31, 2016	D	\$ 4,922,136.92
Increased by:		
Completed Projects	D-7	\$ 72,911.00
Bond Anticipation Note Paydown	D-21	30,000.00
Bond Payment	D-17	<u>155,000.00</u>
		<u>257,911.00</u>
Balance December 31, 2017	D	<u><u>\$ 5,180,047.92</u></u>

SCHEDULE OF DEFERRED CHARGES OVER EXPENDITURE OF CAPITAL ORDINANCE

D-13

	Reference	
Balance December 31, 2016	D	\$ -
Decreased by:		
Appropriated Budget	D-4	<u> </u>
Balance December 31, 2017	D	<u><u>\$ -</u></u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
 WATER UTILITY - CAPITAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF FIXED CAPITAL AUTHORIZED & UNCOMPLETED

D-14

	Reference	
Balance December 31, 2016	D	\$ 328,574.31
Decreased by:		
Completed Projects	D-7	-
Balance December 31, 2017	D	\$ 328,574.31

SCHEDULE OF ACCRUED INTEREST ON BOND ANTICIPATION NOTES

D-15

	Reference	
Balance December 31, 2016	D	\$ 517.15
Increased by:		
Accrued Interest on Bonds	D-4	787.01
Balance December 31, 2017	D	\$ 1,304.16

SCHEDULE OF DEFERRED AMORTIZATION

D-16

	Reference	
Balance December 31, 2016	D	\$ -
Balance December 31, 2017	D	\$ -

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
WATER UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF UTILITY SERIAL BONDS

D-17

Date of Issue	Purpose of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2016	Decrease	Balance Dec. 31, 2017
			Date	Amount				
08/01/98	General Improvements	\$ 1,375,000	8/1/2018	80,000	4.80%	\$ 160,000.00	\$ 80,000.00	\$ 80,000.00
07/15/11	General Improvements	\$ 742,000	07/15/2018	85,000	2.25%	442,000.00	75,000.00	367,000.00
			07/15/2019	90,000	2.50%			
			07/15/2020	95,000	2.75%			
			07/15/2021	97,000	2.75%			
						\$ 602,000.00	\$ 155,000.00	\$ 447,000.00
				Reference		D	D-12	D

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
WATER UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF REVENUE OVERPAYMENTS

D-18

	Reference		
Balance December 31, 2016	D	\$	5,834.32
Increased by:			
Overpayments received	D-5		5,834.32
Decreased by:			
Overpayments disbursed	D-5	\$	1,237.20
Overpayments applied	D-6		1,539.17
Balance December 31, 2017	D	\$	4,295.15

SCHEDULE OF ACCRUED INTEREST ON BONDS

D-19

	Reference		
Balance December 31, 2016	D	\$	8,248.65
Decreased by:			
Accrued Interest on Bonds	D-4		2,304.17
Balance December 31, 2017	D	\$	5,944.48

SCHEDULE OF DOWN PAYMENT ON IMPROVEMENTS

D-20

	Reference		
Balance December 31, 2016	D	\$	46,850.00
Balance December 31, 2017	D	\$	46,850.00

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS
WATER UTILITY FUND - CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

D-21

Ord. Number	Improvement Description	Date of Issue Original Notes	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
1022	Various Improvements - 2013	04/03/14	04/04/17	03/29/2018	2.25%	\$ 261,850.00	\$ 231,850.00	\$ 261,850.00	\$ 231,850.00
						<u>\$ 261,850.00</u>	<u>\$ 231,850.00</u>	<u>\$ 261,850.00</u>	<u>\$ 231,850.00</u>
						D	D-5, Below	D-5, Below	D
					Ban Paydown:	D-12		\$ 30,000.00	
					Rollovers		231,850.00	231,850.00	
						Above	<u>\$ 231,850.00</u>	<u>\$ 261,850.00</u>	

See independent auditor's report and the notes to financial statements.

BOROUGH OF HO-HO-KUS, NJ
SOLID WASTE UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF CASH

E-4

	<u>Reference</u>	
Balance December 31, 2016	E	\$ 926,301.37
Increased by:		
Solid Waste Fees	E-5	\$ 805,753.53
Fee Overpayments	E-7	-
Delinquent Interest	E-1,2	4,675.73
Prepaid Utilities	E	138,346.43
Interest Income	E-2	4,362.74
		953,138.43
		1,879,439.80
Decreased by:		
Appropriation Reserves	E-6	58,699.52
Disbursements	E-3	674,167.41
		732,866.93
Balance December 31, 2017	E	\$ 1,146,572.87

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

E-5

	<u>Reference</u>	
Balance December 31, 2016	E	\$ 43,027.20
Increased by:		
Solid Waste Charges		860,872.32
		903,899.52
Decreased by:		
Solid Waste Fees	E-4	\$ 805,753.53
Prepaid Utilities Applied	E	75,127.78
Overpayments Applied	E-7	3.86
	E-2	880,885.17
Balance December 31, 2017	E	\$ 23,014.35

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
SOLID WASTE UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF APPROPRIATION RESERVES

E-6

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Encumbrance</u> <u>Payable</u>	<u>Paid or</u> <u>Charged</u>	<u>Canceled</u>
Salaries & Wages	\$ 17,805.60	\$ -	\$ -	\$ 17,805.60
Other Expenses	129,805.45	1,065.90	58,699.52	72,171.83
Capital Outlay	10,000.00			10,000.00
Statutory Expenditures	10,000.57			10,000.57
	<u>\$ 167,611.62</u>	<u>\$ 1,065.90</u>	<u>\$ 58,699.52</u>	<u>\$ 109,978.00</u>
<u>Reference</u>	E	E, E-6A	E-4	E-1

SCHEDULE OF ENCUMBRANCE PAYABLE

E-6a

	<u>Reference</u>	
Balance December 31, 2016	E	\$ 1,065.90
Increased by:		
Encumbrance Payable	E-3	-
		1,065.90
Decreased by:		
Applied to Appropriation Reserves	E-6	1,065.90
Balance December 31, 2017	E	\$ -

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
SOLID WASTE UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF FEE OVERPAYMENTS

E-7

	<u>Reference</u>	
Balance December 31, 2016	E	\$ 1,493.10
Increased by:		
Overpayments Received	E-4	<u>1,493.10</u>
Decreased by:		
Overpayments Applied	E-5	<u>3.86</u>
Balance December 31, 2017	E	<u><u>\$ 1,489.24</u></u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF CASH

G-1

	<u>Reference</u>		
Balance December 31, 2016	G		\$ 90,894.72
Increased by receipts:			
Grants Received Appropriated	G-2	\$ 24,223.33	
Grants Received Unappropriated	G-4	5,587.06	
Transfer from Current Fund	G-3	67,816.59	
Interest Income	G-3	488.75	
		98,115.73	
			189,010.45
Decreased by:			
Grant Expenditures	G-5	41,713.98	
Transfer to Current Fund- Interest Income	G-3	488.75	
		42,202.73	
Balance December 31, 2017	G		\$ 146,807.72

SCHEDULE OF GRANTS RECEIVABLE

G-2

	<u>Reference</u>		
Balance December 31, 2016	G		\$ -
Increased by:			
Budget Appropriation	A-2, G-5		73,238.38
Decreased by:			
Grants Received - Current Fund	G-3	14,154.13	
Grants Received -Grant Fund	G-1	24,223.33	
		38,377.46	
Balance December 31, 2017	G		\$ 34,860.92

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF DUE FROM / (TO) CURRENT FUND

G-3

	<u>Reference</u>		
Due to Current Fund December 31, 2016	G		\$ (21,220.42)
Increased by:			
Transfer to Current Fund - Interest Income	G-1	488.75	
Grants Receivable - Received in Current	G-2	14,154.13	
Unappropriated Grants Received in Current	G-4	-	
Due from Currents- Grants not Appropriated Spe:	G-5	7,892.58	
Matching Funds for Grants	G-5	4,000.00	
		26,535.46	
			5,315.04
Decreased by:			
Transfer from Current Fund	G-1	67,816.59	
Grants Expended in Current Fund	G-5	9,502.72	
Prior Year Grant Expenditures	A-4, G-5	-	
Interest Income	G-1	488.75	
		77,808.06	
Due to Current Fund December 31, 2017	G		\$ (72,493.02)

SCHEDULE OF UNAPPROPRIATED RESERVES FOR STATE GRANTS

G-4

<u>GRANTS</u>	<u>December 31</u> 2016	<u>Transfer to</u> Budget	<u>Recd.</u>	<u>December 31</u> 2017
Body Armor Grant	\$ 1,783.18	\$ 1,783.18		\$ -
Drunk Driving Enforcement Fund	3,000.00	3,000.00		-
Municipal Alliance Fund	1,071.58	1,071.58		-
Alcohol Education & Rehabilitation Grant			5,587.06	5,587.06
	<u>\$ 5,854.76</u>	<u>\$ 5,854.76</u>	<u>\$ 5,587.06</u>	<u>\$ 5,587.06</u>
	G	G-3,5	Below	G
		Received in Grant Fund	G-1 \$ 5,587.06	
		Received in Current Fund	G-3	
			<u>\$ 5,587.06</u>	

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF APPROPRIATED RESERVES

G-5

<u>GRANTS</u>	December 31, <u>2016</u>	Transferred from 2017 Budget Appropriations		<u>Expended/Canceled</u>	<u>Deferred Charges Overexpenditure</u>	December 31, <u>2017</u>
		<u>Budget</u>	<u>Non-Budgeted Grants*</u>			
Alcohol Rehabilitation	\$ 3,391.65	\$ 321.70				\$ 3,713.35
Clean Community	9,297.73	9,173.35		6,780.04		11,691.04
Recycling Tonnage	10,846.31	19,937.81				30,784.12
Drunk Driving Enforcement Fund	599.63	5,500.00				6,099.63
Safety Belt Performance Grant	555.00					555.00
Bergen County Community Development Grant	2,150.00					2,150.00
Police Vest Grant	1,967.45	1,783.18				3,750.63
Body Armor Grant		1,785.52				1,785.52
Shade Tree	300.00	30,000.00		30,000.00		300.00
SLAHEOP OEM Grant	14.22					14.22
Municipal Alliance	5,960.29	10,591.58		5,669.08		10,882.79
Municipal Alliance Matching Funds	27,210.50	4,000.00		875.00		30,335.50
Stormwater Management Grant	1,526.76					1,526.76
Distracted Driver Grant			4,724.32	4,724.32		-
Impaired Driving Countermeasure Grant			3,168.26	3,168.26		-
	<u>\$ 63,819.54</u>	<u>\$ 83,093.14</u>	<u>\$ 7,892.58</u>	<u>\$ 51,216.70</u>	<u>\$ -</u>	<u>\$ 103,588.56</u>
<u>Reference</u>	G	Below	G-3	Below	G	G
Budget Appropriations-Grants Receivable	G-2	\$ 73,238.38				
Budget Appropriations - Matching Fund	G-3	4,000.00				
Budget Appropriation- Applied from Unappropriated	G-4	5,854.76				
	A-3,Above	<u>\$ 83,093.14</u>				
Grant Expended in Current Fund	G-3			\$ 9,502.72		
	G-1			41,713.98		
				<u>\$ 51,216.70</u>		

* See audit finding

See independent auditor's report and the notes to the financial statements.

**BOROUGH OF HO-HO-KUS
LAST TEN FISCAL YEARS ENDED JUNE 30,**

Exhibit H-1

**SCHEDULE OF BOROUGH'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Police and Firemen's Retirement System (PFRS)**

	Fiscal Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Borough's proportionate share of the net pension liability (asset) **	0.05083%	0.04555%	0.04911%	0.05443%	0.05508%					
Borough's proportionate share of the net pension liability (asset) associated with the Borough	\$ 7,847,747	\$ 8,701,950	\$ 8,180,710	\$ 6,846,511	\$ 7,322,928					
Total	<u>7,847,747</u>	<u>8,701,950</u>	<u>8,180,710</u>	<u>6,846,511</u>	<u>7,322,928</u>					
Borough's covered employee payroll	\$ 1,604,634	\$ 1,556,787	\$ 1,621,489	\$ 1,611,239	\$ 1,706,938					
Borough's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	489%	559%	505%	425%	429%					
Plan fiduciary net position as a percentage of the total pension liability (Local)	58.60%	52.01%	56.31%	62.41%	58.70%					

Public Employees' Retirement System (PERS)

	Fiscal Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Borough's proportionate of the net pension liability (asset)	0.02072%	0.01774%	0.02004%	0.02150%	0.02293%					
Borough's proportionate share of the net pension liability (asset)	\$ 4,823,972	\$ 5,255,492	\$ 4,499,642	\$ 4,024,709	\$ 4,381,976					
Borough's covered employee payroll	\$ 1,392,651	\$ 1,355,308	\$ 1,251,402	\$ 1,390,435	\$ 1,549,832					
Borough's proportionate share of net pension liability (asset) as a percentage of its covered -employee payroll	346%	388%	360%	289%	283%					
Plan fiduciary net position as a percentage of the total pension liability (Local)	48.10%	40.14%	47.93%	52.08%	48.72%					

* Until a full ten year trend is compiled, information will be presented for those years for which information is available.

See independent auditor's report and notes to the financial statements

BOROUGH OF HO-HO-KUS
LAST TEN FISCAL YEARS ENDED JUNE 30,

Exhibit H-2

SCHEDULE OF BOROUGH CONTRIBUTIONS
Police and Firemen's Retirement System (PFRS)

	Fiscal Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution*	\$ 449,888	\$ 371,419	\$ 418,043	\$ 405,240	\$ 403,209					
Contributions in relation to the contractually required contributions*	<u>(449,888)</u>	<u>(371,419)</u>	<u>(418,043)</u>	<u>(405,240)</u>	<u>(403,209)</u>					
Contributions deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>					
Borough's covered employee payroll	\$ 1,604,634	\$ 1,556,787	\$ 1,621,489	\$ 1,611,239	\$ 1,706,938					
Contributions as a percentage of covered-employee payroll	28.04%	23.86%	25.78%	25.15%	23.62%					

Public Employees' Retirement System (PERS)

	Fiscal Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution*	\$ 191,976	\$ 157,642	\$ 175,407	\$ 183,706	\$ 152,310					
Contributions in relation to the contractually required contributions*	<u>(191,976)</u>	<u>(157,642)</u>	<u>(175,407)</u>	<u>(183,706)</u>	<u>(152,310)</u>					
Contributions deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>					
Borough's covered employee payroll	\$ 1,392,651	\$ 1,355,308	\$ 1,251,402	\$ 1,390,435	\$ 1,549,832					
Contributions as a percentage of covered-employee payroll	13.78%	11.63%	14.02%	13.21%	9.83%					

* Until a full ten year trend is compiled, information will be presented for those years for which information is available.

BOROUGH OF HO-HO-KUS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Pension Schedules
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Exhibit H-3

Police & Firemen's Retirement System

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service, and disability benefits after 4 years of service

Changes of assumptions. Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

Public Employees' Retirement System (PERS)

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

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) with adjustments for mortality improvements from the base year of 2013 based on Projection Scale AA.

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

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of Ho-Ho-Kus, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), the financial statements – regulatory basis (the "financial statements") of the Borough of Ho-Ho-Kus, State of New Jersey (the "Borough"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated February 27, 2018. As described in Note 1, the Borough prepares its financial statements on a basis of accounting prescribed by the Division that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Borough's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control, that is less severe than a material weakness, yet important enough to merit attention to 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 the deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying findings and responses as items 17-001 thru 17-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and requirements prescribed by the Division, which are described in the accompanying comments and recommendations as items 2017-005 through 2017-008.

Management's Response to Findings

Management's responses to the findings identified in our audit are described in the accompanying schedule of audit findings and recommendations. Management's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Paul W. Garbarini, CPA
Registered Municipal Accountant
No. 534



Garbarini & Co. P.C. CPAs
Registered Municipal Accountants

February 27, 2018
Carlstadt, New Jersey

BOROUGH OF HO-HO-KUS
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2017

Schedule I-1

Federal Grant Program	Pass - Through Entity ID #	Federal Account Number	Grant Period	Cash Received	Program Expenditures	Receivable
Department of Transportation NJ DOT- Ord # 2016-09 NJ DOT Ord #1029	NJ Dept of Transportation	CFDA 20.205	01/01/6-12/31/17 01/01/14-12/31/17	\$ -		\$ 304,500.00 200,000.00
Department of Law & Public Safety Distractive Driver Incentive Grant Impaired Driver Counter Measure Grant		CFDA 20.616 CFDA 20.616	01/01/2017-12/31/2017	4,724.32 3,168.26	4,724.32 3,168.26	
Community Development Grant	Bergen County	CFDA 14.218	01/01/16 - 12/31/16	-		36,000.00
Total Federal Financial Assistance				<u>\$ 7,892.58</u>	<u>\$ 7,892.58</u>	<u>\$ 540,500.00</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS
 SCHEDULE OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2017

	State Account Number	Grant Period	Cash Received	Program Expenditures	Schedule I-2 Receivable
State Grant Program					
New Jersey Department of Treasury: Library State Aid	2541-100-074-2541-006	01/01/16 - 12/31/16			\$ -
Solid Waste Administration: Clean Communities Grant	4900-765-042-4900-004	01/01/17 - 12/31/17	9,173.35	5,169.90	
Recycling Tonnage Grant	4900-752-042-4900-001	01/01/17 - 12/31/17	19,937.81		
Shade Tree Grant		01/01/17 - 12/31/17		30,000.00	30,000.00
Municipal Court Judiciary: Alcohol Education & Rehabilitation Grant	9735-760-098-9735-001	01/01/17 - 12/31/17	5,908.76	-	
Drunk Driving Enforcement Fund		01/01/17 - 12/31/17	2,500.00	-	
Body Armor Replacement Fund	1020-718-066-001	01/01/17 - 12/31/17	1,785.52	-	
Total State Financial Assistance			\$ 39,305.44	\$ 35,169.90	\$ 30,000.00

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS
 SCHEDULE OF COUNTY FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2017

Schedule I-3

County Grant Program	Pass - Through Entity ID #	County Account Number	Grant Period	Cash Received	Program Expenditures	Receivable
Municipal Alliance Grant		026-032-651-16-58	01/01/17 - 12/31/17	\$ 4,659.08	\$ 5,669.08	\$ 4,860.92
Total County Financial Assistance				<u>\$ 4,659.08</u>	<u>\$ 5,669.08</u>	<u>\$ 4,860.92</u>
Total Federal, State & County Financial Assistance				<u>\$ 51,857.10</u>	<u>\$ 48,731.56</u>	<u>\$ 575,360.92</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF HO-HO-KUS, NJ
NOTES TO THE SCHEDULES OF EXPENDITURES
OF FEDERAL AND STATE FINANCIAL ASSISTANCE
DECEMBER 31, 2017

1. General

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

2. Basis of Accounting

The accompanying schedules are presented using the modified accrual 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 generally accepted accounting principles (GAAP) applicable to local government units. This basis of accounting is described in Note 1C of the Borough's financial statements.

3. Relationship of Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in the Borough's financial statements, exclusive of the unappropriated reserves. Expended State, Federal, and County awards amounted to \$ 48,731.56 in 2017.

4. Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

See independent auditor's report.

**BOROUGH OF HO-HO-KUS
 ROSTER OF OFFICIALS AND SURETY BONDS
 DECEMBER 31, 2017**

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Thomas Randall	Mayor	
Douglas Troast	Council President	
Edmund Iannelli	Council Member	
Steven Shell	Council Member	
Thomas Fiato	Council Member	
Philip Rorty	Council Member	
Kevin Crossley	Council Member	
William Jones	Borough Administrator Human Resource Director	
Joseph Citro	Chief Financial Officer Qualified Purchasing Agent	\$1,000,000 (A)
Laura Borchers	Borough Clerk Registrar of Vital Statistics Registrar of Elections Assessment Search Officer Liaison/Secretary for Board of Health Claims Processor Public Agency Compliance Officer Security Information Officer Municipal Housing Liaison	(B)
Dan McEldowney	Property Maintenance Officer Fire Prevention Officer	
Mark Berninger	Chief Construction Code Official Building Subcode Official	
JoAnn Carroll	Zoning Board Secretary Planning Board Secretary	

See independent auditor's report.

**BOROUGH OF HO-HO-KUS
 ROSTER OF OFFICIALS AND SURETY BONDS (Continued)
 DECEMBER 31, 2017**

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Nick Lordo	Electrical Sub-Code Official	
Paul Albanese	Plumbing Sub-Code Official	
Tom Tormey	Fire Sub-Code Official	
Harry Norton	Municipal Judge	(B)
Rosemarie Novelli-Salyer	Court Administrator/Violations Clerk	(B)
Marie Merolla	Tax Assessor	
Jeff Kropiewnicki	Tax Collector/Payroll Supervisor	\$1,000,000 (A)
Claudette Wahid (01/01/17-09/30/17) Lisa Perricelli (10/01/17-12/31/17)	Deputy Tax Collector/Water Registrar Deputy Tax Search Officer/ Deputy Purchasing Agent/Assistant Solid Waste Registrar	\$1,000,000 (A)
Lisa Caporale	Administrative Assistant to Borough Administrator/Mayor and Council	(B)

(A)- The Municipal Excess Liability Joint Insurance Fund (MEL) Blanket Bond Coverage of \$1,000,000 is provided through the Bergen County Municipal Joint Insurance Fund.

(B)- Covered under the Blanket Bond Limit with the Bergen County Municipal JIF.

All bonds were examined and properly executed.

See independent auditor's report.

**BOROUGH OF HO-HO-KUS
GENERAL COMMENTS
DECEMBER 31, 2017**

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

N.J.S.40A:11-4 states “Every contract awarded by the contracting agents, for the provision or performance of any goods or services, the cost of which in the aggregate exceed the bid threshold [40A:11-3 “a contract year the total sum of \$40,000. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L.1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$40,000.”], shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law.”

N.J.S.40A:11-9 states “The governing body of any contracting unit may by ordinance, in the case of a municipality, by ordinance or resolution, as the case may be, in the case of a county, or by resolution in all other cases, establish the office of purchasing agent, or a purchasing department or a purchasing board, with the authority, responsibility, and accountability as its contracting agent, for the purchasing activity for the contract in unit, to prepare public advertising for bids and to receive bids for the provision or performance of goods or services on behalf of the contracting unit and to award contracts permitted pursuant to subsection a. of section 3 of P.L.1971, c. 198 (C.40A:11-3) in the name of the contracting unit, and conduct any activities as may be necessary or appropriate to the purchasing function of the contracting unit.”

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$40,000 within the calendar year or any twelve-month period. Where questions arise as to whether any contract or agreement might result in a violation of the statute, the Borough 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.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$40,000 “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.

Expenditure of \$6,000 or more and less than \$40,000 Per N.J.S.A. 40A:11-6.1

N.J.S.A 40A:11-6.1 states, “a. For all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount, and for those contracts that are for subject matter enumerated in subsection (1) of section 5 of P.L.1971, c.198 (C.40A:11-5), except for paragraph (a) of that subsection professional services and paragraph (b) of the subsection concerning work by employees of the contracting unit, the contracting agent shall award the contract after soliciting at least two competitive quotations, if practicable. The award shall be made to a vendor whose response is most advantageous, price and other factors considered. The contracting agent shall retain the record of the quotation solicitation and shall include a copy of the record with the voucher used to pay the vendor. d. Whenever two or more responses to a request of a contracting agent offer equal prices and are the lowest responsible bids or proposals, the contracting unit may award the contract to the vendor whose response, in the discretion of the contracting unit, is the most advantageous, price and other factors considered. In such a case, the award resolution or purchase order documentation shall explain why the vendor selected is the most advantageous.”

See independent auditor’s report.

**BOROUGH OF HO-HO-KUS
GENERAL COMMENTS (Continued)
DECEMBER 31, 2017**

Collection of Interest of Delinquent Taxes and Assessments and Solid Waste Charges

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

The Governing Body on January 1, 2017 adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, N.J.S.A. 54:4-67 permits the governing body of each municipality to fix the rate of interest to be charged for nonpayment of taxes or assessments subject to any abatement or discount for the late payment of taxes as provided by law; and

WHEREAS, N.J.S.A. 54:4-67 has been amended to permit the fixing of said rate of 8% annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00.

Collection of Interest of Delinquent Taxes, Assessments and Solid Waste Charges

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Borough Council of the Borough of Ho-Ho-Kus, County of Bergen, State of New Jersey as follows:

1. The Tax Collector is hereby authorized and directed to charge 8% per annum on the first \$1,500.00 of taxes becoming delinquent after due date and 18% per annum on any amount of taxes in excess of \$1,500.00. Real estate taxes for 2014 were advertised for sale on November 4, 2015.
2. Effective January 1, 2017 there will be a ten-day grace period of quarterly tax payments made by cash, check, or money order.
3. Any payments not made in accordance with paragraph two of this resolution shall be charged interest from the due date as set forth in paragraph one of this resolution.

It appears from an examination of the Collector's records, that interest was collected in accordance with the foregoing resolution.

Collection of Interest on Delinquent Water Rents

Please note Chapter 81 of the Code of the Borough provides that if a bill is not paid within thirty days from the date of the bill a penalty of 10% shall be imposed. If a bill remains unpaid for a period of over sixty days after mailing or presentation, notice will be served on or mailed to the customer. Unless the bill is paid within seven days from the date of notice, the water supply will be discontinued.

See independent auditor's report.

Borough of Ho-Ho-Kus
Schedule of Findings and Responses
For the Year Ended December 31, 2017

Part 1- Summary of Auditor's Results

Financial Statement Section

A) Type of Auditors Report Issued

Unmodified (Regulatory Basis)

B) Internal Control over Financial Reporting

1) Material weakness identified

Yes

X

No

2) Were reportable conditions identified that were not considered to be material weaknesses?

X Yes

No

C) Noncompliance material to financial statements?

Yes

X

No

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

Borough of Ho-Ho-Kus
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2017

Part 2 - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18-5.20 of *Government Auditing Standards*.

***Finding FS 2017-001**

Controls and administration over employee benefits appear to be lacking and/or ineffective.

Criteria or Specific Requirement

- Division of Pension and Benefits Chapter 78, P.L. 2011

Condition

- a. The prescription insurance premium contribution was calculated incorrectly for several employees. Employee contribution percentages used in the calculations did not agree to the rates for the corresponding level of coverage.

Context

- a. Employee contribution percentages used in the calculations did not agree to the rates for the corresponding level of coverage.

Effect

The Borough is not withholding the correct amount for employee benefits contributions as required by Chapter 78, P.L. 2011.

Cause

Procedures were not in place to review and apply requirements in regards to health benefit contributions. These issues are systematic problems.

Recommendation

- a. Employee contribution calculations must be reviewed regularly for accuracy of premium amounts, coverage levels, and employee income.

Management's Response

Management has reviewed this finding and has indicated that corrective action has been developed and implemented to address this finding.

Borough of Ho-Ho-Kus
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2017

Part 2 - Schedule of Financial Statement Findings (Continued)

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*.

***Finding FS 2017-002**

Controls and administration over out-of-town bail receipts are lacking and/or ineffective.

Criteria or Specific Requirement

- AOC Financial Procedures Manual
- ATS/ACS Procedures Manual

Condition

When Bail monies are collected for an out-of-town municipal court and the payment is in the form of a check, the check is made payable to another municipality and mailed directly there. These payments are not processed through the Ho-Ho-Kus Municipal Court ATS/ACS system as "out-of-town bail" as they should be. When accepting bail monies in the form of a check for an "out-of-town summons/warrant, the check should be made payable to Ho-Ho-Kus Municipal Court.

Context

During testing of out-of-town bail receipts it was noted that the bailor was directed to issue their check to the out-of-town municipal court and not the Ho-Ho-Kus Municipal Court as required.

Effect

Without following proper procedures to accept and deposit all out-of-town bail in the Ho-Ho-Kus Municipal Court, the risk of loss or misplacement of such payment is a probability.

Cause

Out-of-town bail collected by the Ho-Ho-Kus Municipal Court but not processed through the ATS/ACS system disregards the procedures established by the Administrative Office of the Courts (the "AOC"). This issue is a systematic problem.

Recommendation

That all out-of-town traffic and criminal bail monies posted must be receipted and disbursed through Ho-Ho-Kus ATS/ACS system. When accepting bail monies in the form of a check for an out-of-town summons/warrant, the check should be made payable to the Ho-Ho-Kus Municipal Court.

Management's Response

Management has reviewed this finding and has indicated that the court will continue processing out-of-town bail in the same manner against the AOC's recommendation. The Court Administrator noted that issues processing out-of-town bail as per the AOC expose the Ho-Ho-Kus Municipal Court to possible returned check items creating a deficit in the bail account.

Borough of Ho-Ho-Kus
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2017

Part 2 - Schedule of Financial Statement Findings (Continued)

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*.

***Finding FS 2017-003**

The “Distracted Driver Grant” in the amount of \$4,724.32 and the “Impaired Driver Counter Measure Grant” in the amount of \$ 3,168.26 were expended and not appropriated in the 2017 budget.

Context

During the testing of grants, it was determined that two grants that were received by the Borough were not posted to the correct revenue account. The amounts expended, were also not appropriated in the budget.

Effect

Improper posting of grants has resulted in expenditures without appropriation. Both grant expenditures were posted to the police other expense line item, and the resulting receipts was posted as a miscellaneous revenue not anticipated. There was an auditor’s adjustment made to move both these grants to the Grant Fund.

Cause

The Borough incorrectly posted grants which resulted in expenditures without appropriation.

Recommendation

All grant awards should be appropriated in the Borough’s budget in order to properly authorize its expenditure. Chapter 159’s should be requested for any grants that were not anticipated at the time of budget adoption, if the Borough intends on expending the grant during the budget year.

Management’s Response

Management has reviewed this finding and has indicated that corrective action has been developed and implemented to address this finding.

Borough of Ho-Ho-Kus
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2017

Finding FS 2017-004

Supporting documentation for parking permit revenue is inadequate.

Context

During the testing of cash receipts, we were unable to reconcile parking permit revenue posted in the accounting software to supporting documentation. Several prenumbered permits did not have applications available for inspection. Furthermore, several applications did not indicate the date payment was received or whether the payment was made by cash or check.

Effect

The lack of supporting documentation creates the possibility of revenue being misstated.

Cause

The Borough did not have adequate procedures in place to properly account for all parking permits issued.

Recommendation

Procedures must be implemented to account for all parking permits issued. Revenue and supporting documentation must be reviewed and reconciled regularly.

Management's Response

A subsidiary ledger for parking permits will be maintained and regularly reconciled to the accounting software. Applications for all parking permits issued will be maintained, reviewed, and made available for inspection.

Borough of Ho-Ho-Kus
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2017

Finding FS 2017-005

Our testing indicated several instances where entries were not made to proper accounts in the accounting software.

Context

The instances included expenditures being charged to incorrect budget accounts and reimbursements being recorded as budget offsets when they should have been posted against established accounts receivable.

Effect

The improper entries create the possibility of reported expenditure amounts being inaccurate.

Cause

Charges to budget accounts were not reviewed prior to entry in the accounting software.

Recommendation

Expenditures should be charged to the correct budget account. When there are insufficient funds in budget accounts, budget transfers should be executed to ensure sufficient funding. Furthermore, if a receivable has been established for funds to be reimbursed to the Borough, reimbursements should be posted against the receivable.

Management's Response

Expenditures will be reviewed for appropriate budget lines. Budget transfers will be executed if there are insufficient funds in budget lines. Reimbursements will be reviewed and posted appropriately.

Part 3- Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB's Circular 15-08, as amended.

CURRENT YEAR FEDERAL AWARDS

Not Applicable

CURRENT YEAR STATE AWARDS

Not Applicable

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

This section identifies the status of prior year findings related to the financial statements and federal and state awards required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, The Uniform Guidance and NJ OMB Circular 15-08.

Status of Prior Year Findings

FINANCE:

***Recommendation 16-001:**

- a. The prescription insurance contributions must be adjusted every year to the new premiums, which changes the rate of contribution.
- b. Former employees must be removed from the Borough's prescription and health insurance plans immediately upon termination or resignation.

Status:

Partial corrective action has been taken.

- Several employee benefits contributions remain incorrect.
- All terminated employees have been removed from health insurance in a timely manner.

*** Recommendation 16-002:**

That all out-of-town traffic and criminal bail monies posted must be receipted and disbursed through Ho-Ho-Kus ATS/ACS system. When accepting bail monies in the form of a check for an out-of-town summons/warrant, the check should be made payable to the Ho-Ho-Kus Municipal Court.

Status:

Corrective action has not been taken.

***Recommendation 16-003:**

All grant awards should be appropriated in the Borough's budget in order to properly authorize its expenditure. Chapter 159's should be requested for any grants that were not anticipated at the time of budget adoption, if the Borough intends on expending the grant during the budget year.

Status:

Corrective action has not been taken.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (Continued)

***Recommendation 16-004:**

That all contracts are reviewed to ensure that all required documents are included before the contract is awarded.

Status:

Corrective action has been taken.

***Recommendation 16-005:**

That Form W-9 is requested from all vendors that the Borough intends to purchase from.

Status:

Corrective action has been taken.

BOROUGH OF HO-HO-KUS
AUDIT COMMENTS AND RECOMMENDATIONS
DECEMBER 31, 2017

Current Fund

Finding 17-006

One vendor was paid in excess of the bid threshold without formal bids being solicited. Our test did note, however, that quotes were obtained, and the vendor who provided the lowest was awarded the work.

Criteria:

- N.J.S.A. 40A:11-4.5a, 52:34-15, 52:25-24.2 (P.L. 1977, c. 33)

Recommendation:

The borough should follow formal bid procedures for all projects with anticipated costs in excess of the bid threshold.

Management's Response:

Formal bids will be solicited for all projects with anticipated costs in excess of the bid threshold.

Finding 17-007

Several employee files inspected did not contain the required I-9 employment eligibility verification form.

Criteria:

- OMB No. 1615-0047

Recommendation:

The Borough should have completed I-9 forms for all employees.

Management's Response:

Employee files will be reviewed and I-9 forms will be obtained for all employees.

*** Reported from prior year's audit**

BOROUGH OF HO-HO-KUS
AUDIT COMMENTS AND RECOMMENDATIONS (Continued)
DECEMBER 31, 2017

Finding 17-008

The Borough does not verify payments made by the payroll services provider to taxing agencies for accuracy and timeliness.

Criteria:

- Local Finance Notices 2009-18 and 2003-15.

Recommendation:

The Borough should verify payments made to taxing agencies on a regular basis.

Management's Response:

The Borough will establish procedures to verify federal and New Jersey payroll tax payments are being made accurately and on a timely basis by the payroll service provider.

APPRECIATION

We desire to express our appreciation of the assistance and courtesies rendered by the Borough Officials and employees during the year

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