

TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
REPORT OF AUDIT
For the Year Ended December 31, 2015

TOWNSHIP OF SOUTH HARRISON

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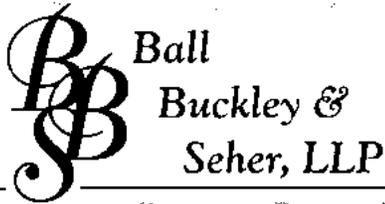
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TOWNSHIP OF SOUTH HARRISON

**REPORT OF EXAMINATION ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY DATA**

For the Year Ended December 31, 2015



CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Township Committee
Township of South Harrison
County of Gloucester
Harrisonville, New Jersey

Report on the Financial Statements

We have audited the accompanying statements of assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Township of South Harrison, County of Gloucester, State of New Jersey, as of December 31, 2015 and 2014, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis, statement of expenditures - regulatory basis, and statement of general fixed assets group of accounts for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Township'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 in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 error or fraud.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1 to the financial statements, the financial statements are prepared by the Township on the basis of financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey.

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

Adverse Opinion of U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2015 and 2014, or the results of its operations and changes in fund balance for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to previously present fairly, in all material respects, the assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Township as of December 31, 2015 and 2014, and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended, and the revenues - regulatory basis, expenditures - regulatory basis of the various funds, and general fixed assets, for the year ended December 31, 2015, in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the Township adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. As a result of the regulatory basis of accounting, described in the previous paragraph, the implementation of these Statements only required financial statement disclosures. Our opinions are not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2016, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Township's internal control over financial reporting and compliance.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township's financial statements as a whole. The accompanying supplemental schedules and information presented in the "General Comments", "Other Comments", and "Schedule of Findings and Questioned Costs" sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information, is fairly stated in all material respects, in relation to the financial statements as a whole.

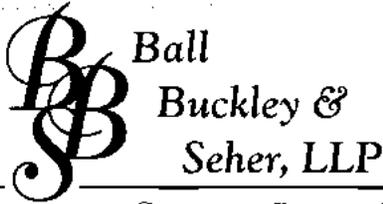
Respectfully submitted,

Ball, Buckley & Seher, LLP

BALL, BUCKLEY & SEHER, LLP
Certified Public Accountants
Woodbury, New Jersey


William H. Buckley, III
Registered Municipal Accountant #46
Certified Public Accountant

June 29, 2016



CERTIFIED PUBLIC ACCOUNTANTS



**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**

The Honorable Mayor and Members
of the Township Committee
Township of South Harrison
County of Gloucester
Harrisonville, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements prepared on a regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey of the Township of South Harrison, County of Gloucester, State of New Jersey as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated June 29, 2016. That report indicated that the Township's financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America, but were prepared on a regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. In addition, our report on the financial statements also included an emphasis of matter paragraph describing the adoption of new accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2010-2).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 which is described in the accompanying summary schedule of prior year audit findings and questioned costs as item 2010-2.

Township’s Response to Finding

The Township’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Township’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

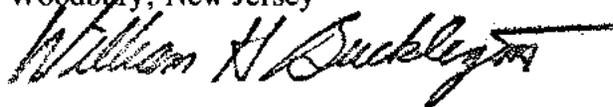
Purpose of this Report

This report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, in considering the Township’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Ball, Buckley & Seher, LLP

BALL, BUCKLEY & SEHER, LLP
Certified Public Accountants
Woodbury, New Jersey



William H. Buckley, III
Registered Municipal Accountant #46
Certified Public Accountant

June 29, 2016

CURRENT FUND

**TOWNSHIP OF SOUTH HARRISON
CURRENT FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE
REGULATORY BASIS
December 31, 2015 and 2014**

			Balance December 31, 2015	Balance December 31, 2014				Balance December 31, 2015	Balance December 31, 2014
<u>ASSETS</u>	<u>Ref.</u>				<u>LIABILITIES, RESERVES, AND FUND BALANCE</u>	<u>Ref.</u>			
Regular fund:					Regular fund:				
Cash - chief financial officer	A-4	\$	2,465,275.19	\$ 2,274,790.02	Appropriation reserves	A-3;A-8	\$	155,443.88	\$ 212,815.69
Cash - change fund			50.00	50.00	Encumbrances payable	A-3		725.09	1,114.94
			<u>2,465,325.19</u>	<u>2,274,840.02</u>	Due to State of New Jersey:				
					Senior citizens and veterans deductions			3,019.35	3,269.35
Receivables and other assets with full reserves:					Marriage license fees			100.00	150.00
Delinquent property taxes receivable	A-5		125,422.91	145,621.83	Due county for added and omitted taxes	A-11		35,843.03	29,917.86
Tax title liens receivable	A-6		38,150.19	35,796.89	Accounts payable			1,524.85	1,674.85
Tax penalty receivable			1,845.03	1,845.03	Local district school tax payable	A-9		1,030,760.75	981,750.75
Amount due from state and federal grant fund	A		86,695.11	100,813.07	Prepaid taxes	A-4;A-5		110,113.26	104,482.71
Amount due from dog trust fund	B		806.17	855.42	Tax overpayments			12,528.45	14,833.33
Amount due from general capital fund	C		415.93	213.19	Reserve for revaluation of real property and the preparation of an approved tax map			2,751.79	2,751.79
Amount due from payroll account	F		111.38	23,381.49	Regional high school taxes payable	A-10		3.99	3.75
Amount due trust - other funds	B		22,595.47	12,326.69	Reserve for special emergency			<u>3,634.54</u>	<u>3,634.54</u>
Revenue accounts receivable	A-7		10,851.03	10,466.79	Reserve for receivables and other assets	A		1,356,448.98	1,356,399.56
			<u>286,893.22</u>	<u>331,320.40</u>	Fund balance	A-1		<u>1,108,876.21</u>	<u>918,440.46</u>
Total regular fund			<u>2,752,218.41</u>	<u>2,606,160.42</u>				<u>2,752,218.41</u>	<u>2,606,160.42</u>
Federal and state grant fund:					Federal and state grant fund:				
State grants receivable	A-12		200,626.94	173,837.98	Reserve for state grants:				
			<u>200,626.94</u>	<u>173,837.98</u>	Appropriated	A-14		104,394.33	63,890.53
					Unappropriated	A-13		4,737.50	4,334.38
					Due to current fund	A		86,695.11	100,813.07
					Reserve for encumbrances			250.00	250.00
					Due to general capital fund	C		4,550.00	4,550.00
								<u>200,626.94</u>	<u>173,837.98</u>
Total		\$	<u>2,952,845.35</u>	\$ 2,779,998.40	Total		\$	<u>2,952,845.35</u>	\$ 2,779,998.40

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH HARRISON
CURRENT FUND
COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCE
REGULATORY BASIS

For the Years Ended December 31, 2015 and 2014

	Ref.	Year 2015	Year 2014
Revenue and other income realized:			
Fund balance utilized	A-2	\$ 286,000.00	\$ 236,000.00
Miscellaneous revenue anticipated	A-2	1,086,678.20	1,085,338.29
Receipts from delinquent taxes	A-2	158,868.55	195,021.95
Receipts from current taxes	A-2	10,488,040.19	9,862,207.24
Non-budget revenue	A-2	11,856.07	9,408.95
Other credits to income:			
Unexpended balance of appropriation reserves	A-8	157,528.72	172,424.69
Interfunds cleared		26,865.80	0.00
Prior year's accounts payables canceled		529.49	0.00
Total income		<u>12,216,367.02</u>	<u>11,560,401.12</u>
Expenditures:			
Budget operations:			
Operations within "CAPS":			
Salaries and wages	A-3	686,360.00	649,871.00
Other expenses	A-3	811,775.00	806,125.00
Deferred charges and statutory expenditures		142,733.00	146,669.00
Operations excluded from "CAPS":			
Salaries and wages	A-3	24,000.00	24,000.00
Other expenses	A-3	200,545.29	207,668.42
Capital improvements	A-3	97,000.00	46,000.00
Debt service	A-3	0.00	420.35
Deferred charges	A-3	0.00	44,333.33
County taxes	A-11	2,740,007.95	2,382,149.35
Due county for added and omitted taxes	A-11	35,843.03	29,917.86
Local district school tax	A-9	3,767,454.00	3,680,149.00
Regional high school tax	A-10	3,234,213.00	3,133,066.00
Interfunds created		0.00	113,219.98
Total expenditures		<u>11,739,931.27</u>	<u>11,263,589.29</u>
Excess or (deficit) in revenue		476,435.75	296,811.83
Fund balance - January 1	A	918,440.46	857,628.63
		<u>1,394,876.21</u>	<u>1,154,440.46</u>
Decreased by utilization as anticipated revenue	A-2	286,000.00	236,000.00
Fund balance - December 31	A	<u>\$ 1,108,876.21</u>	<u>\$ 918,440.46</u>

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH HARRISON
CURRENT FUND
STATEMENT OF REVENUES
REGULATORY BASIS
For the Year Ended December 31, 2015

	Ref.	Anticipated		Realized	Excess Or (Deficit)
		Budget	Special N.J.S 40A:4-87		
Fund balance anticipated	A-1	\$ 286,000.00	\$ 0.00	\$ 286,000.00	\$ 0.00
Miscellaneous revenues:					
Fees and permits	A-2	16,000.00	0.00	29,966.91	13,966.91
Fines and costs - municipal court	A-7	41,000.00	0.00	40,702.68	(297.32)
Interest and costs on taxes	A-4	27,500.00	0.00	43,647.83	16,147.83
Consolidated municipal property tax relief act	A-7	8,874.00	0.00	8,874.00	0.00
Energy receipts tax	A-7	121,084.00	0.00	121,084.00	0.00
Franchise fees - cable tv	A-7	7,000.00	0.00	8,113.49	1,113.49
Host municipality benefits	A-4	615,000.00	0.00	616,940.00	1,940.00
Clean communities grant	A-12	0.00	8,830.91	8,830.91	0.00
Municipal alliance for drug and alcohol abuse	A-12	8,784.00	0.00	8,784.00	0.00
Community development block grant	A-12	1,400.00	0.00	1,400.00	0.00
Reserve for recycling tonnage grant	A-12	4,216.22	0.00	4,216.22	0.00
Safe and secure communities grant	A-12	24,000.00	0.00	24,000.00	0.00
Alcohol education and rehabilitation act	A-12	118.16	0.00	118.16	0.00
New Jersey department of transportation	A-12	0.00	170,000.00	170,000.00	0.00
Total	A-1	<u>874,976.38</u>	<u>178,830.91</u>	<u>1,086,678.20</u>	<u>32,870.91</u>
Receipts from delinquent taxes	A-2	127,000.00	0.00	158,868.55	31,868.55
Amount to be raised by taxes for support of municipal budget - local taxes for municipal purposes	A-2	<u>748,826.67</u>	<u>0.00</u>	<u>963,742.88</u>	<u>214,916.21</u>
Budget totals		<u>2,036,803.05</u>	<u>178,830.91</u>	<u>2,495,289.63</u>	<u>279,655.67</u>
Non-budget revenues	A-2	<u>0.00</u>	<u>0.00</u>	<u>11,856.07</u>	<u>11,856.07</u>
Total		<u>\$ 2,036,803.05</u>	<u>\$ 178,830.91</u>	<u>\$ 2,507,145.70</u>	<u>\$ 291,511.74</u>

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH HARRISON
CURRENT FUND
STATEMENT OF REVENUES
REGULATORY BASIS
For the Year Ended December 31, 2015

ANALYSIS OF REALIZED REVENUES

	<u>Ref.</u>		
Allocations of current tax collections:			
Revenue from collections	A-1,A-5	\$	10,488,040.19
Allocated to:			
School, county, and special district taxes	A-5		<u>9,777,517.98</u>
Balance for support of municipal appropriations			710,522.21
Add: appropriation "reserve for uncollected taxes"	A-3		<u>253,220.67</u>
Amount for support of municipal budget appropriations	A-2	\$	<u>963,742.88</u>
Analysis of receipts from delinquent taxes:			
Delinquent tax collections	A-5	\$	120,873.50
Tax title liens			<u>37,995.05</u>
Total	A-2	\$	<u>158,868.55</u>
Fees and permits:			
Chief financial officer:			
Street opening permits		\$	2,975.00
Bulk variance permits			<u>2,850.00</u>
	A-4		5,825.00
Revenue accounts receivable:			
Township clerk	A-7	13,600.00	
Police	A-7	514.91	
Registrar of vital statistics	A-7	<u>352.00</u>	
			14,466.91
Construction code trust fund:			
Road access permits		1,275.00	
Lot grading fees		500.00	
Housing inspection fees		2,100.00	
Zoning fees		<u>5,800.00</u>	
			<u>9,675.00</u>
Total fees and permits		\$	<u>29,966.91</u>
		Ref.	A-2

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH HARRISON
CURRENT FUND
STATEMENT OF REVENUES
REGULATORY BASIS
For the Year Ended December 31, 2015

	<u>Ref.</u>		
Miscellaneous revenue not anticipated:			
Cash collections:			
Road inspection fines from the D.M.V.		\$ 350.00	
Prior year refunds		1,218.96	
Bad check fees		100.00	
Senior citizens/veterans administrative charge		450.00	
Interest earned on investments		6,869.82	
Tax penalties		1,845.04	
Sale of recyclables		180.00	
Mailing fee - homestead rebate		150.00	
Tax search fees		100.00	
Tax sale cost		584.25	
Miscellaneous		<u>8.00</u>	
Total cash collections	A-4		<u>\$ 11,856.07</u>
Total miscellaneous revenue not anticipated	A-2		<u>\$ 11,856.07</u>

See accompanying notes to the financial statements.

**TOWNSHIP OF SOUTH HARRISON
CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
For the Year Ended December 31, 2015**

	Appropriations		Expended		
	Budget	Budget After Modifications	Paid Or Charged	Encumbered	Reserved
<u>OPERATIONS WITHIN "CAP"</u>					
Department of administration and finance:					
General administration:					
Other expenses	\$ 11,000.00	\$ 12,000.00	\$ 11,112.90	\$ 0.00	\$ 887.10
Human resources (personnel):					
Other expenses	1,000.00	1,000.00	0.00	0.00	1,000.00
Executive:					
Salaries and wages	13,800.00	13,800.00	13,760.00	0.00	40.00
Other expenses	3,500.00	3,500.00	2,685.68	0.00	814.32
Municipal clerk:					
Salaries and wages	76,400.00	76,400.00	75,242.39	0.00	1,157.61
Other expenses	15,500.00	15,500.00	9,857.25	0.00	5,642.75
Financial administration:					
Salaries and wages	33,450.00	35,150.00	35,072.83	0.00	77.17
Other expenses	9,700.00	9,700.00	9,049.98	0.00	650.02
Audit services:					
Other expenses	27,450.00	27,450.00	24,858.00	0.00	2,592.00
Revenue administration (tax collector):					
Salaries and wages	17,250.00	17,250.00	16,966.67	0.00	283.33
Other expenses	6,200.00	6,200.00	3,788.74	0.00	2,411.26
Legal services and costs:					
Other expenses	67,500.00	62,500.00	59,525.70	0.00	2,974.30
Engineering services and costs:					
Other expenses	23,000.00	26,000.00	22,757.47	0.00	3,242.53

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH HARRISON
CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
For the Year Ended December 31, 2015

	Appropriations		Expended		
	Budget	Budget After Modifications	Paid Or Charged	Encumbered	Reserved
<u>OPERATIONS WITHIN "CAP"</u>					
Land use administration:					
Planning board:					
Salaries and wages	\$ 17,375.00	\$ 17,375.00	\$ 17,169.55	\$ 0.00	\$ 205.45
Other expenses	13,400.00	13,400.00	6,031.15	0.00	7,368.85
Zoning board:					
Salaries and wages	4,450.00	4,450.00	4,328.31	0.00	121.69
Other expenses	200.00	200.00	200.00	0.00	0.00
Insurance:					
Liability insurance	20,700.00	20,700.00	20,700.00	0.00	0.00
Workers compensation	41,000.00	41,000.00	40,172.00	0.00	828.00
Employee group insurance	96,000.00	93,000.00	88,900.42	725.09	3,374.49
Public safety:					
Police:					
Salaries and wages	372,000.00	369,750.00	317,639.06	0.00	52,110.94
Other expenses	19,500.00	21,750.00	19,074.85	0.00	2,675.15
Office of emergency management:					
Salaries and wages	350.00	350.00	337.00	0.00	13.00
Other expenses	300.00	300.00	0.00	0.00	300.00
Aid to volunteer fire company:					
Other expenses	25,000.00	25,000.00	25,000.00	0.00	0.00
Municipal prosecutor:					
Salaries and wages	3,210.00	3,210.00	3,207.96	0.00	2.04

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH HARRISON
CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
For the Year Ended December 31, 2015

	Appropriations		Expended		
	Budget	Budget After Modifications	Paid Or Charged	Encumbered	Reserved
<u>OPERATIONS WITHIN "CAP"</u>					
Public works:					
Road repair and maintenance:					
Salaries and wages	\$ 119,000.00	\$ 119,000.00	\$ 113,315.84	\$ 0.00	\$ 5,684.16
Other expenses	37,800.00	37,800.00	32,466.59	0.00	5,333.41
Other public works functions:					
Recycling- other expenses	2,000.00	2,000.00	1,842.50	0.00	157.50
Solid waste collection:					
Contractual services	130,000.00	130,000.00	117,809.01	0.00	12,190.99
Building and grounds:					
Salaries and wages	4,925.00	4,925.00	4,879.55	0.00	45.45
Other expenses	16,000.00	16,000.00	15,638.44	0.00	361.56
Vehicle maintenance:					
Other expenses	18,000.00	22,000.00	18,670.97	0.00	3,329.03
Health and human services:					
Environmental health services:					
Other expenses	450.00	450.00	450.00	0.00	0.00
Parks and recreation:					
Recreation services and program:					
Other expenses	20,000.00	20,000.00	16,474.96	0.00	3,525.04
Maintenance of parks:					
Other expenses	5,600.00	6,600.00	5,922.99	0.00	677.01

See accompanying notes to the financial statements.

**TOWNSHIP OF SOUTH HARRISON
CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
For the Year Ended December 31, 2015**

	Appropriations		Expended		
	Budget	Budget After Modifications	Paid Or Charged	Encumbered	Reserved
<u>OPERATIONS WITHIN "CAP"</u>					
Municipal court:					
Municipal court:					
Salaries and wages	\$ 24,700.00	\$ 24,700.00	\$ 24,689.92	\$ 0.00	\$ 10.08
Other expenses	9,175.00	9,175.00	6,023.07	0.00	3,151.93
Utility expenses and bulk purchases:					
Electricity	19,000.00	22,000.00	19,605.90	0.00	2,394.10
Street lighting	14,000.00	14,000.00	11,481.89	0.00	2,518.11
Telephone	15,000.00	15,000.00	12,707.64	0.00	2,292.36
Fuel oil	6,000.00	6,000.00	4,383.87	0.00	1,616.13
Gasoline	33,000.00	21,300.00	17,119.32	0.00	4,180.68
Sanitation:					
Landfill/solid waste disposal cost:					
Other expenses	100,000.00	106,000.00	99,119.82	0.00	6,880.18
Farmland preservation:					
Other expenses	500.00	500.00	500.00	0.00	0.00
State uniform construction code:					
Uniform construction code enforcement:					
Other expenses	3,750.00	3,750.00	3,642.10	0.00	107.90
Total operations	<u>1,498,135.00</u>	<u>1,498,135.00</u>	<u>1,354,182.29</u>	<u>725.09</u>	<u>143,227.62</u>
<i>Detail:</i>					
Salaries and wages	686,910.00	686,360.00	626,609.08	0.00	59,750.92
Other expenses	811,225.00	811,775.00	727,573.21	725.09	83,476.70

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH HARRISON
CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
For the Year Ended December 31, 2015

	Appropriations		Expended		
	Budget	Budget After Modifications	Paid Or Charged	Encumbered	Reserved
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAP"</u>					
Statutory expenditures:					
Contribution to:					
Social security system (O.A.S.I.)	\$ 60,000.00	\$ 60,000.00	\$ 54,360.14	\$ 0.00	\$ 5,639.86
Public employees retirement system	28,856.00	28,856.00	28,856.00	0.00	0.00
Police and firemen's retirement system	51,877.00	51,877.00	51,877.00	0.00	0.00
Defined contribution retirement plan	2,000.00	2,000.00	423.60	0.00	1,576.40
Total deferred charges and statutory expenditures within "CAP"	<u>142,733.00</u>	<u>142,733.00</u>	<u>135,516.74</u>	<u>0.00</u>	<u>7,216.26</u>
Total general appropriations for municipal purposes within "CAP"	<u>1,640,868.00</u>	<u>1,640,868.00</u>	<u>1,489,699.03</u>	<u>725.09</u>	<u>150,443.88</u>
<u>OPERATIONS EXCLUDED FROM "CAP"</u>					
Landfill fees- recycling tax	5,000.00	5,000.00	0.00	0.00	5,000.00
Public and private programs offset by revenues:					
Municipal alliance program:					
State share	8,784.00	8,784.00	8,784.00	0.00	0.00
Local share	2,196.00	2,196.00	2,196.00	0.00	0.00
Clean communities grant	0.00	8,830.91	8,830.91	0.00	0.00

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH HARRISON
CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
For the Year Ended December 31, 2015

	Appropriations		Expended		
	Budget	Budget After Modifications	Paid Or Charged	Encumbered	Reserved
<u>OPERATIONS EXCLUDED FROM "CAP"</u>					
Community development block grant	\$ 1,400.00	\$ 1,400.00	\$ 1,400.00	\$ 0.00	\$ 0.00
Safe and secure communities grant	24,000.00	24,000.00	24,000.00	0.00	0.00
Reserve for recycling tonnage grant	4,216.22	4,216.22	4,216.22	0.00	0.00
Alcohol education and rehabilitation grant	118.16	118.16	118.16	0.00	0.00
State road aid - Cedar Grove Road - Phase IV/ Lincoln Mill Road- Phase II	0.00	170,000.00	170,000.00	0.00	0.00
Total operations excluded from "CAP"	45,714.38	224,545.29	219,545.29	0.00	5,000.00
<i>Detail:</i>					
Salaries and wages	24,000.00	24,000.00	24,000.00	0.00	0.00
Other expenses	21,714.38	200,545.29	195,545.29	0.00	5,000.00

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH HARRISON
CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
State share

	Appropriations		Expended		
	Budget	Budget After Modifications	Paid Or Charged	Encumbered	Reserved
<u>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAP"</u>					
Capital improvement fund	\$ 97,000.00	\$ 97,000.00	\$ 97,000.00	\$ 0.00	\$ 0.00
Total capital improvements excluded from "CAP"	97,000.00	97,000.00	97,000.00	0.00	0.00
Total general appropriations for municipal purposes - excluded from "CAP"	142,714.38	321,545.29	316,545.29	0.00	5,000.00
Subtotal general appropriations	1,783,582.38	1,962,413.29	1,806,244.32	725.09	155,443.88
Reserve for uncollected taxes	253,220.67	253,220.67	253,220.67	0.00	0.00
Total general appropriations	\$ 2,036,803.05	\$ 2,215,633.96	\$ 2,059,464.99	\$ 725.09	\$ 155,443.88
	<u>Ref.</u>		A-3		A
Adopted budget	A-2	\$ 2,036,803.05			
Added by N.J.S. 40A:4-87	A-2	178,830.91			
		<u>\$ 2,215,633.96</u>			

See accompanying notes to the financial statements.

**TOWNSHIP OF SOUTH HARRISON
CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
For the Year Ended December 31, 2015**

	<u>Ref.</u>	
Paid or charged:		
Federal and state grants	A-14	\$ 219,545.29
Reserve for uncollected taxes	A-2	253,220.67
Cash disbursed	A-4	<u>1,586,699.03</u>
		<u>\$ 2,059,464.99</u>
	Ref.	A-3

See accompanying notes to the financial statements.

TRUST FUND

**TOWNSHIP OF SOUTH HARRISON
TRUST FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE
REGULATORY BASIS
December 31, 2015 and 2014**

		Balance December 31, 2015	Balance December 31, 2014			Balance December 31, 2015	Balance December 31, 2014
<u>ASSETS</u>	<u>Ref.</u>			<u>LIABILITIES, RESERVES, AND FUND BALANCE</u>	<u>Ref.</u>		
Dog license fund:				Dog license fund:			
Cash	B-1	\$ 6,828.93	\$ 9,006.42	Amount due to current fund	A	\$ 806.17	\$ 855.42
		<u>6,828.93</u>	<u>9,006.42</u>	Due to State of New Jersey		0.60	0.00
				Reserve for dog fund expenditures	B-3	<u>6,022.16</u>	<u>8,151.00</u>
						<u>6,828.93</u>	<u>9,006.42</u>
Other trust funds:				Other trust funds:			
Cash - chief financial officer	B-1	816,650.99	792,767.53	Due to State:			
Cash - tax collector	B-2	58,922.07	35,109.02	DCA fees- construction		4,135.00	4,308.00
Amount due from contractors		11,253.50	12,609.50	Amount due to current fund		22,595.47	12,326.69
Amount due from developers		25,591.56	16,023.59	Reserve for encumbrances		22,194.38	12,180.38
Due from payroll fund	F	1,218.10	0.00	Reserve for:			
		<u>913,636.22</u>	<u>856,509.64</u>	Escrow deposits		66,392.77	102,038.06
				Tax title lien redemptions and tax sale premiums	B-4	24,851.93	24,951.93
				Tax sale premium	B-5	34,100.00	10,200.00
				Escrow interest earnings		78,914.07	78,914.07
				POAA		2.00	2.00
				Maintenance and performance bonds		321,028.43	321,028.43
				Public defender fees		4.62	4.62
				Unemployment compensation		18,717.35	16,255.94
				Snow removal		3,887.12	3,887.12
				Parks and recreation		6,117.92	5,551.92
				Scholarship fund		23,052.12	25,503.47
				UCC construction		228,520.00	190,107.62
				Off-duty police		59,123.04	49,249.39
						<u>913,636.22</u>	<u>856,509.64</u>
 Total all funds		 <u>\$ 920,465.15</u>	 <u>\$ 865,516.06</u>	 Total all funds		 <u>\$ 920,465.15</u>	 <u>\$ 865,516.06</u>

See accompanying notes to the financial statements.

GENERAL CAPITAL FUND

**TOWNSHIP OF SOUTH HARRISON
GENERAL CAPITAL FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE
REGULATORY BASIS
December 31, 2015 and 2014**

	Ref.	Balance December 31, 2015	Balance December 31, 2014
<u>ASSETS</u>			
Cash - chief financial officer	C-1	\$ 394,234.88	\$ 410,341.38
State grants receivable	C-5	62,713.95	180,000.00
Amount due from state and federal grant fund	A	4,550.00	4,550.00
		<u>\$ 461,498.83</u>	<u>\$ 594,891.38</u>
<u>LIABILITIES, RESERVES, AND FUND BALANCE</u>			
Capital improvement fund	C-3	\$ 20,227.78	\$ 42,227.78
Amount due to current fund	A	415.93	213.19
Improvement authorizations:			
Funded	C-5	127,283.78	237,929.07
Capital reserves	C-4	313,571.34	314,521.34
		<u>\$ 461,498.83</u>	<u>\$ 594,891.38</u>

See accompanying notes to the financial statements.

PAYROLL ACCOUNT

**TOWNSHIP OF SOUTH HARRISON
PAYROLL ACCOUNT
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE
REGULATORY BASIS
December 31, 2015 and 2014**

	<u>Ref.</u>	<u>Balance December 31, 2015</u>	<u>Balance December 31, 2014</u>
<u>ASSETS</u>			
Cash - chief financial officer	F-1	\$ 8,590.20	\$ 25,456.04
<u>LIABILITIES AND RESERVES</u>			
Payroll taxes payable	F-2	\$ 7,260.72	\$ 2,074.55
Due to trust fund - other		1,218.10	0.00
Amount due current fund		111.38	23,381.49
		<u>\$ 8,590.20</u>	<u>\$ 25,456.04</u>

See accompanying notes to the financial statements.

GENERAL FIXED ASSETS

**TOWNSHIP OF SOUTH HARRISON
GENERAL FIXED ASSETS
STATEMENTS OF GENERAL FIXED ASSETS
REGULATORY BASIS
At December 31, 2015 and 2014**

	Balance December 31, 2015	Balance December 31, 2014
	<u> </u>	<u> </u>
General fixed assets:		
Land and buildings	\$ 1,675,577.00	\$ 1,693,952.00
Equipment	430,003.04	430,003.04
Total general fixed assets	<u>2,105,580.04</u>	<u>2,123,955.04</u>
Investments in general fixed assets	<u>\$ 2,105,580.04</u>	<u>\$ 2,123,955.04</u>

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of South Harrison was formed as a Township by an act of the New Jersey legislature on March 2, 1883, from portions of Harrison Township and is located in the County of Gloucester in the State of New Jersey. The Township covers approximately 15.8 square miles with a population, according to the 2010 census, of 3,162. The governing body, the Township Committee, is comprised of five elected members who serve three-year terms. The Mayor and Deputy Mayor are elected by the members of the Committee, from within, and serve for a one-year term in this office.

The Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria to be used to determine which component units should be included in the financial statements of an oversight entity. The primary criterion for including activities within the reporting entity, as set forth in the Statement, is the degree of oversight responsibility maintained by the reporting entity. However, the State of New Jersey, Division of Local Government Services requires the financial statements of the Township to be presented separately. As such, the financial statements of the Township of South Harrison include each board, body, officer, or commission supported and maintained wholly or in part by funds appropriated by the Township, as required by N.J.S. 40A:5-5.

Except as noted below, the financial statements of the Township of South Harrison include every board, body, officer, or commission supported and maintained wholly or in part by funds appropriated by the Township of South Harrison, as required by N.J.S. 40A:5-5.

B. Description of Funds

The accounting policies of the Township of South Harrison conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township of South Harrison accounts for its financial transactions through the following separate funds and accounts as presented below. This presentation differs from the three fund, two account group presentation as required by GAAP.

Current Fund - resources and expenditures for governmental operations of a general nature, including Federal and State grant funds.

Trust Fund - receipts, custodianship, and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund - receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund. In addition, the fund is used to track the status of debt authorized for capital projects.

Payroll Account - receipt and disbursement of funds to meet obligations to employees and payroll tax liabilities.

General Fixed Assets Account Group - to account for fixed assets used in governmental operations.

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from accounting principles generally accepted in the United States of America applicable to local governmental units. A modified accrual basis of accounting is followed with minor exceptions. The more significant policies in New Jersey follow.

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the Township budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Township which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received. Fund balance utilized to balance budget is recorded as revenue and budgeted transfers from other funds are also recorded as revenue when anticipated in the budget.

Expenditures - are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuances of a purchase order in accordance with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as cash liability in the financial statements. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Grant appropriations are charged upon budget adoption to create separate spending reserves. Budgeted transfers to other funds are recorded as expenditures when the budget is adopted to the extent permitted or required by law. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis.

Property Taxes - Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied annually and are payable in quarterly installments on February 1, May 1, August 1, and November 1 of each year. All unpaid taxes levied become delinquent January 1 of the following year. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Deferred Charges - The recognition of certain expenditures is deferred to future periods. These expenditures, or deferred charges, are generally overexpenditures of legally adopted budget appropriations or emergency appropriations made in accordance with N.J.S.A. 40A:4-46 et seq. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

Insurance - Cost of insurance for all funds are recorded as expenditures at the time of payment. Insurance costs chargeable to future periods are not carried as prepayments.

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. New Jersey municipalities are permitted to accrue a compensated absences liability. The Township has not begun to accumulate funds for accrued absences. See Note 16 for additional information on the Township's compensated absences policy.

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

General Fixed Assets - The Township has developed a fixed asset accounting and reporting system as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles.

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical costs is not available, except for land which is valued at assessed value at the time the land is foreclosed or donated. Land purchased by the Township is valued at cost.

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed Assets acquired through grants in aid or contributed capital have not been accounted for separately.

Tax Appeals and Other Contingent Losses - Losses which arise from tax appeals and other contingent losses are recognized at the time an unfavorable decision is rendered by an administrative or judicial body.

Budgets - The governing body prepares and approves by resolution an operating and capital budget for the Current Fund which is then submitted for certification to the State of New Jersey, Department of Community Affairs, Director of Local Government Services. Upon the receipt of such certification and after a public hearing, the budget is then adopted by resolution. Transfers of budgeted amounts may be made by resolution of the Township Committee subsequent to October 31 in the current budget year and up to March 31 of the following year.

Once adopted, the Township may make emergency appropriations for purposes which are not known at the time the budget was adopted per N.J.S.A. 40A:4-46. Also, the Township may make amendments to the budget for any special item of revenue made available by any public or private funding source per N.J.S.A. 40A:4-87.

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Reserve for Uncollected Taxes - The inclusion of the "Reserve for Uncollected Taxes" appropriation in the Township's annual budget protects the Township 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, with certain exceptions, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations.

School Taxes - The municipality is responsible for levying, collecting, and remitting school taxes for the Township of South Harrison School District and the Township's share of the Kingsway Regional High School District. Operations are charged for the full amount required to be raised from taxation to operate the local school district and the regional high school district for the period from January 1 to December 31.

County Taxes - The municipality is responsible for levying, collecting, and remitting the Township's share of county taxes for the County of Gloucester. 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.

Fund Balance - Fund balances included in the current fund represent amounts available for anticipation as revenue in futures years budgets, with certain restrictions.

Capitalization of Interest - It is the policy of the Township of South Harrison to treat interest on projects as a current expense and the interest is included in the current operating budget.

Comparative Data - Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. However, comparative data has not been presented in each of the statements because its inclusion would make the statements unduly complex and difficult to read.

Use of Estimates - The preparation of financial statements in accordance with accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

C. Basis of Accounting (Concluded)

Departures from Generally Accepted Accounting Principles - The accounting principles and practices followed by the Township of South Harrison differ in some respects, which in some instances may be material, from generally accepted accounting principles applicable to local government units. The more significant differences are as follows:

Taxes and other receivables are fully reserved.

Interfund receivables in the Current Fund are fully reserved and recognized as a revenue in the year of liquidation.

Unexpended and uncommitted appropriations are reflected as expenditures.

Overexpended appropriations and emergency appropriations are deferred to the succeeding years' operations.

No provision is made for accumulated vested vacation and sick leave.

Undetermined contributions to state-administered pension plans applicable to the six months ended December 31 are not accrued.

Estimated losses arising from tax appeals and other contingencies are not recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

Depreciation expense is not calculated on fixed assets.

It was not practicable to determine the effect of such differences.

D. Net Pension Liability, Deferred Outflow of Resources, Deferred Inflow of Resources and Expenses Related to Pensions

As previously mentioned, to meet the requirements of the State of New Jersey, the Township follows a basis of accounting other than accounting principles generally accepted in the United States of America. As such, pension expenses for the Public Employees' Retirement System (PERS) and Police and Firemen's Retirement System (PFRS) are appropriated, recorded, and provided for in the year in which they are contractually required to be paid (pay-as-you-go basis). No accrual is made for net position liability, deferred outflows of resources, and deferred inflows of resources for these cost-sharing multiple-employer defined benefit pension plans, and the financial statements are not reported in accordance with the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. See note 10 for required disclosures of these amounts.

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 2 - INVESTMENTS

As of December 31, 2015 and 2014, the Township did not have any investments.

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

Credit Risk - New Jersey Statute 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, the local unit, or school districts of which the local unit is a part; 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 Township places no limit on the amount the Township may invest in any one issuer.

NOTE 3 - CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be recovered. Although the Township does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Township in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, escrow trust, or funds that may pass to the Township relative to the happening of a future condition. Such funds are shown as uninsured and uncollateralized in the schedule below.

As of December 31, 2015, the Township's bank balances were exposed to custodial credit risk as follows:

Insurance	\$ 716,950.27
Uninsured and collateralized with securities held by pledging financial institutions (GUDPA)	3,015,031.91
	\$ 3,731,982.18

New Jersey Cash Management Fund

During the year, the Township participated in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Fund's participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. At December 31, 2015, the Township's deposits with the New Jersey Cash Management Fund were \$82,146.11.

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The following schedule reconciles interfund receivables and payables for the year ended December 31, 2015:

Due From	Due To		Total Due From
	Current Fund	General Capital Fund	
State and federal grant fund	\$ 86,695.11	\$ 4,450.00	\$ 91,145.11
Dog license trust fund	806.17	-	806.17
Other trust funds	22,295.47	-	22,295.47
General capital fund	413.93	-	413.93
Payroll fund	111.38	-	111.38
Total due to	<u>\$ 110,322.06</u>	<u>\$ 4,450.00</u>	<u>\$ 114,772.06</u>

Most grants are on a reimbursement basis. The interfund with the grant fund is the result of the expenditure of funds in advance of reimbursement. The interfunds from the dog license trust fund and other trust funds are for current and prior year's interest which has not been transferred to the current fund as of the end of the current year, along with current and prior year's fees and permits collected by the construction official and not transferred to the current fund. The interfunds from the general capital fund and the payroll fund are for current and prior year's interest not transferred at year end.

NOTE 5 - PROPERTY TAXES

The following is a three year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous two years.

Comparison of Tax Rate Information

	2015	2014	2013
Total Tax Rate	<u>\$ 2.818</u>	<u>\$ 2.697</u>	<u>\$ 2.382</u>
Apportionate of Tax Rate:			
Municipal	\$.201	\$.198	\$.171
County	.737	.649	.584
Local School	1.012	.999	.889
Regional High School	.868	.851	.738
Municipal Open Space	.000	.000	.000
Assessed Valuation:			
2015	\$ 372,384,525.00		
2014		\$ 368,089,568.00	
2013			\$ 405,587,016.00

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 5 - PROPERTY TAXES (Concluded)

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 collections could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage Of Collection</u>
2015	\$ 10,624,366.65	\$ 10,488,040.19	98.72%
2014	\$ 9,997,574.54	\$ 9,862,207.24	98.65%
2013	\$ 9,714,844.08	\$ 9,394,628.37	96.70%

Delinquent Taxes and Tax Title Liens

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

<u>Year</u>	<u>Amount Of Tax Title Liens</u>	<u>Amount Of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage Of Tax Levy</u>
2015	\$ 38,150.19	\$ 125,422.91	\$ 163,573.10	1.54%
2014	\$ 35,796.89	\$ 145,621.83	\$ 181,418.72	1.81%
2013	\$ 33,712.10	\$ 147,212.01	\$ 180,924.11	1.86%

Property Acquired by Tax Title Lien Liquidation

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

<u>Year</u>	<u>Amount</u>
2015	\$ -
2014	\$ -
2013	\$ -

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 6 - FUND BALANCES APPROPRIATED

The following schedule details the amount of fund balances available at the end of the current year and four previous years and the amounts utilized in the subsequent years' budgets.

	<u>Year</u>	<u>December 31</u>	<u>Utilized In Approved Budget Of Succeeding Year</u>
Current Fund:			
	2015	\$ 1,108,876.21	\$ 400,000.00
	2014	\$ 918,440.46	\$ 286,000.00
	2013	\$ 857,628.63	\$ 236,000.00
	2012	\$ 811,117.30	\$ 269,000.00
	2011	\$ 777,953.52	\$ 200,000.00

NOTE 7 - TAXES COLLECTED IN ADVANCE

Taxes collected in advance, set forth as cash liabilities in the financial statements as follows:

	<u>Balance December 31, 2015</u>	<u>Balance December 31, 2014</u>
Prepaid Taxes	<u>\$ 110,113.26</u>	<u>\$ 104,482.71</u>

NOTE 8 - LONG-TERM DEBT

There is no long-term debt.

Permanently funded debt (general obligation bonds) as of December 31, 2015

None Issued.

Temporary unfunded debt as of December 31, 2015

None Issued.

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of \$995,878.05.

	<u>Gross Debt</u>	<u>Deduction</u>	<u>Net Debt</u>
Local School District Debt	\$ 10,450,000.00	\$ 9,454,121.95	\$ 995,878.05
Regional High School District Debt	<u>5,938,104.56</u>	<u>5,938,104.56</u>	<u>-</u>
	<u>\$ 16,388,104.56</u>	<u>\$ 15,392,226.51</u>	<u>\$ 995,878.05</u>

Net Debt \$995,878.05 divided by Equalized Valuation Basis per N.J.S. 40A:2-2, \$378,164,878.00 = 0.263%.

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 8 - LONG-TERM DEBT (Concluded)

Equalized Valuation Basis

2013	\$ 366,908,745.00
2014	383,963,752.00
2015	<u>383,622,137.00</u>
Average	<u>\$ 378,164,878.00</u>

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

3 1/2% Of Equalized Valuation Basis (Municipal)	\$ 13,235,770.73
Net Debt	<u>995,878.05</u>
Remaining Borrowing Power	<u>\$ 12,239,892.68</u>

The Township of South Harrison School District, as a K-6 school district, is permitted to borrow up to 2.5% of the average equalized valuation for the past three years. State statutes allow a school district to exceed the district's limitations with voter approval. Any amounts in excess of the limit is treated as an impairment of the municipal limit.

The Kingsway Regional High School District is a 7-12 regional school district and as a result the amount of debt issued is not subject to any statutory limitation based on average equalized valuations. Debt is allocated based on the municipality's equalized valuation as a percentage of the total regional school district's equalized valuation. Since all debt authorized by the regional school district is deductible, it does not effect the net debt of the municipality.

NOTE 9 - SPECIAL EMERGENCY NOTES

The Township has no outstanding special emergency notes at December 31, 2015.

NOTE 10 - PENSION PLANS

A substantial number of the Township's employees participate in one of the following defined benefit pension plans: the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), which are administered by the New Jersey Division of Pensions and Benefits. In addition, one Township employee participated in the Defined Contribution Retirement Program (DCRP), which is a defined contribution pension plan. This plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes the financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, Post Office Box 295, Trenton, New Jersey 08625-0295, <http://www.state.nj.us/treasury/pensions>.

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 10 - PENSION PLANS (Continued)

General Information About the Pension Plans

Plan Descriptions

Public Employees' Retirement System

The Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability, and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Township, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Police and Firemen's Retirement System

The Police and Fireman's Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A. The PFRS's designated purpose is to provide retirement, death, disability, and medical benefits to certain qualified members. Membership in the PFRS is mandatory for substantially all full-time police and firemen of the Township. The PFRS's Board of Trustees is primarily responsible for the administration of the PFRS.

Defined Contribution Retirement Program

The Defined Contribution Retirement Program (DCRP) is a multiple-employer defined contribution pension fund which was established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a) et seq. and is a "governmental plan" within the meaning of IRC 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in PERS after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 10 - PENSION PLANS (Continued)

General Information About the Pension Plans (Continued)

Vesting and Benefit Provisions

Public Employees' Retirement System

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 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

Tier 1 - Members who were enrolled prior to July 1, 2007

Tier 2 - Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008

Tier 3 - Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010

Tier 4 - Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011

Tier 5 - Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to 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 before age 62 with 25 or more years of service credit, and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not yet reached the service retirement age for the respective tier.

Police and Firemen's Retirement System

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 10 years of service, except for disability benefits, which vest after 4 years of service.

The following represents the membership tiers for PFRS:

Tier 1 - Members who were enrolled prior to May 22, 2010

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

Tier 3 - Members who were eligible to enroll on or after June 28, 2011

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 10 - PENSION PLANS (Continued)

General Information About the Pension Plans (Continued)

Vesting and Benefit Provisions (Concluded)

Police and Firemen's Retirement System (Concluded)

Service retirement benefits are available at age 55 and are generally determined to be 2.0% of final compensation for each year of creditable service, as defined, up to 30 years plus 1.0% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65.0% (tiers 1 and 2 members) and 60.0% (tier 3 members) of final compensation plus 1.0% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving 10 years of service, in which case benefits would begin at age 55 equal to 2.0% of final compensation for each year of service.

Defined Contribution Retirement Program

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Contributions

Public Employees' Retirement System

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.80% in State fiscal year 2015. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The Township's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

The Township's contractually required contribution rate for the year ended December 31, 2015 was 12.9% of the Township's covered-employee payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

The Township's contractually required contribution to the pension plan for the year ended December 31, 2015 was \$28,812.00, which was paid on April 1, 2016. No liability has been accrued in the financial statements for this amount. The Township's contractually required contribution to the pension plan for the year ended December 31, 2014 was \$28,856.00, which was paid on April 1, 2015. Employee contributions to the plan during the year ended December 31, 2015 were \$22,619.61.

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 10 - PENSION PLANS (Continued)

General Information About the Pension Plans (Concluded)

Contributions (Concluded)

Police and Firemen's Retirement System

The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 8.5% to 10.0% in October 2011.

Special Funding Situation Component - Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993, and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation.

The Township's contractually required contribution rate for the year ended December 31, 2015 was 25.40% of the Township's covered-employee payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The Township's contractually required contribution to the pension plan for the year ended December 31, 2015 was \$74,821.00, which was paid on April 1, 2016. No liability has been accrued in the financial statements for this amount. The Township's contractually required contribution to the pension plan for the year ended December 31, 2014 was \$51,877.00, which was paid on April 1, 2015. Employee contributions to the plan during the year ended December 31, 2015 were \$33,375.91.

The amount of the contractually required contribution for the State of New Jersey's proportionate share, associated with the Township, for the year ended December 31, 2015 is 0.00% and its contractually required contribution rate for the year ended December 31, 2014 was 0.00% of the Township's covered-employee payroll. The State's contractually required contribution on-behalf of the Township for the fiscal year ended June 30, 2015 was \$0.00.

Defined Contribution Retirement Program

The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Township contributes 3.0% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the year ended December 31, 2015, employee contributions totaled \$1,021.64, and the Township's contributions were \$157.69. There were no forfeitures during the year.

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 10 - PENSION PLANS (Continued)

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

Public Employees' Retirement System

At December 31, 2015, the Township's proportionate share of the PERS net pension liability was \$752,295.00. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, which was the measurement date, the Township's proportion was 0.0033512777% which was a decrease of 0.000149026% from its proportion measured as of June 30, 2014.

As previously mentioned, for the year ended December 31, 2015, the Township's contributions to the PERS were \$28,812.00 and were paid on April 1, 2016.

At December 31, 2015, the Township had deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflow Of Resources</u>	<u>Deferred Inflow Of Resources</u>
Differences between expected and actual experience	\$ 17,947.00	\$ -
Changes of assumptions	80,790.00	-
Net difference between projected and actual earnings on pension plan investments	-	12,095.00
Changes in proportion and differences between Township contributions and proportionate share of contributions	18,519.00	23,671.00
Township contributions subsequent to the measurement date	<u>28,812.00</u>	<u>-</u>
	<u>\$ 146,068.00</u>	<u>\$ 35,766.00</u>

\$28,812.00 included in deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the year ending December 31, 2016.

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 10 - PENSION PLANS (Continued)

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

Public Employees' Retirement System (Concluded)

Other amounts included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

Fiscal Year Ending June 30,	PERS
2015	\$ (14,831.18)
2016	(14,831.18)
2017	(14,831.18)
2018	(23,632.10)
2019	(13,364.36)
Thereafter	-
	\$ (81,490.00)

Police and Firemen's Retirement System

At December 31, 2015, the Township's and the State of New Jersey's proportionate share of PFRS net pension liability was:

Township's proportionate share of net pension liability	\$ 1,533,193.00
State of New Jersey's proportionate share of net pension liability associated with the Township	-
	\$ 1,533,193.00

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. At June 30, 2015, which was the PFRS measurement date, the Township's proportion was 0.0092047638%, which was an increase of 0.004505535% from its proportionate share measured as of June 30, 2014. Likewise at June 30, 2015, which was the PFRS measurement date, the State of New Jersey's proportion, on-behalf of the Township of 0.00%, which was an increase of 0.00% from its proportion measured as of June 30, 2014.

As previously mentioned, for the year ended December 31, 2015, the Township's contributions to the PFRS were \$74,821.00 and were paid on April 1, 2016 and the State of New Jersey's on-behalf PFRS contributions, attributable to the Township, were \$0.00.

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 10 - PENSION PLANS (Continued)

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

Police and Firemen's Retirement System (Concluded)

At December 31, 2015, the Township had deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflow Of Resources</u>	<u>Deferred Inflow Of Resources</u>
Differences between expected and actual experience	\$ -	\$ 13,224.00
Changes of assumptions	283,065.00	-
Net difference between projected and actual earnings on pension plan investments	-	26,684.00
Changes in proportion and differences between township contributions and proportionate share of contributions	268,802.00	89,813.00
Township contributions subsequent to the measurement date	<u>74,821.00</u>	<u>-</u>
	<u>\$ 626,688.00</u>	<u>\$ 129,721.00</u>

\$74,821.00 included in deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the year ending December 31, 2016.

Other amounts included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

<u>Fiscal Year Ending June 30.</u>	<u>PFRS</u>
2016	\$ (80,175.34)
2017	(80,175.34)
2018	(80,164.16)
2019	(131,459.93)
2020	(50,171.23)
Thereafter	<u>-</u>
	<u>\$ (422,146.00)</u>

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 10 - PENSION PLANS (Continued)

Actuarial Assumptions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PERS</u>	<u>PFRS</u>
Inflation	3.04%	3.04%
Salary increases:		
2012-2021	2.15% - 4.40%	2.60% - 9.48%
Thereafter	3.15% - 5.40%	3.60% - 10.40%
	based on age	based on age
	based on age	based on age
Investment rate of return	7.90%	7.90%
Mortality rate table	RP-2000	RP-2000
Period of actuarial experience study upon which actuarial assumptions were based	July 1, 2008 - June 30, 2011	July 1, 2010 - June 30, 2013

For PERS, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

For PFRS, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables with adjustments for mortality improvements from the base year of 2011 based on Projection Scale AA.

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 10 - PENSION PLANS (Continued)

Actuarial Assumptions (Concluded)

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees, and the actuaries. Best estimates of arithmetic real rates of returns for each major asset class included in PERS's and PFRS's target asset allocation as of June 30, 2015, the plans' measurement dates, are summarized in the following table:

Asset Class	PERS		PFRS	
	Target Allocation	Long-Term Expected Real Rate Of Return	Target Allocation	Long-Term Expected Real Rate Of Return
Cash	5.00%	1.04%	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%	1.75%	1.64%
Investment grade credit	10.00%	1.79%	10.00%	1.79%
Mortgages	2.10%	1.62%	2.10%	1.62%
High yield bonds	2.00%	4.03%	2.00%	4.03%
Inflation-indexed bonds	1.50%	3.25%	1.50%	3.25%
Broad US equities	27.25%	8.52%	27.25%	8.52%
Developed foreign equities	12.00%	6.88%	12.00%	6.88%
Emerging market equities	6.40%	10.00%	6.40%	10.00%
Private equity	9.25%	12.41%	9.25%	12.41%
Hedge funds/absolute return	12.00%	4.72%	12.00%	4.72%
Real estate (property)	2.00%	6.83%	2.00%	6.83%
Commodities	1.00%	5.32%	1.00%	5.32%
Global debt ex US	3.50%	(0.40%)	3.50%	(0.40%)
REIT	4.25%	5.12%	4.25%	5.12%
	<u>100.00%</u>		<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 4.90% and 5.39% for PERS as of June 30, 2015 and 2014, respectively, and 5.79% and 6.32% for PFRS as of June 30, 2015 and 2014, respectively. For PERS and PFRS, these single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, 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 rates for PERS and PFRS 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 average of the last 5 years. 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 2033 for PERS and 2045 for PFRS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033 for PERS and 2045 for PFRS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 10 - PENSION PLANS (Continued)

Supplementary Pension Information

In accordance with GASB 68, the following information is also presented for the PERS and PFRS pension plans. These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

Public Employees' Retirement System

Schedule of the Township's Proportionate Share of the Net Pension Liability
(Last Two Fiscal Years)

	Measurement Date Ended June 30,	
	2015	2014
Township's proportion of the net pension liability	0.0033512777%	0.0035003038%
Township's proportionate share of the net pension liability	\$ 752,294.69	\$ 655,352.60
Township's covered-employee payroll	\$ 223,427.86	\$ 229,435.00
Township's proportionate share of the net pension liability as a percentage of its covered-employee payroll	336.71%	285.64%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	52.08%

Schedule of the Township's Contributions
(Last Two Fiscal Years)

	Fiscal Year Ended June 30,	
	2015	2014
Township's contractually required contribution	\$ 28,812.00	\$ 28,856.00
Township's contribution in relation to the contractually required contribution	(28,812.00)	(28,856.00)
Township's contribution deficiency (excess)	\$ -	\$ -
Township's covered-employee payroll	\$ 223,427.86	\$ 229,435.00
Township's contributions as a percentage of its covered-employee payroll	12.90%	12.58%

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 10 - PENSION PLANS (Continued)

Supplementary Pension Information (Concluded)

Police and Firemen's Retirement System

Schedule of the Township's Proportionate Share of the Net Pension Liability
(Last Two Fiscal Years)

	Measurement Date Ended June 30,	
	2015	2014
Township's proportion of the net pension liability	0.0092047638%	0.0067542103%
Township's proportionate share of the net pension liability	\$ 1,667,648.65	\$ 941,106.48
State's proportionate share of the net pension liability associated with the Township	-	-
Total	<u>\$ 1,667,648.65</u>	<u>\$ 941,106.48</u>
Township's covered-employee payroll	\$ 294,516.24	\$ 269,201.00
Township's proportionate share of the net pension liability as a percentage of its covered-employee payroll	566.24%	349.59%
Plan fiduciary net position as a percentage of the total pension liability	56.31%	62.41%

Schedule of the Township's Contributions
(Last Two Fiscal Years)

	Fiscal Year Ended June 30,	
	2015	2014
Township's contractually required contribution	\$ 74,821.00	\$ 51,877.00
Township's contribution in relation to the contractually required contribution	<u>(74,821.00)</u>	<u>(51,877.00)</u>
Township's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Township's covered-employee payroll	\$ 294,516.24	\$ 269,201.00
Township's contributions as a percentage of its covered-employee payroll	25.40%	19.27%

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 10 - PENSION PLANS (Concluded)

Other Notes to Supplementary Pension Information

Public Employees' Retirement System

Changes in Benefit Terms - None.

Changes in Assumptions - The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015, in accordance with Paragraph 44 of GASB Statement No. 67.

Police and Firemen' Retirement System

Changes in Benefit Terms - None.

Changes in Assumptions - The discount rate changed from 6.32% as of June 30, 2014 to 5.79% as of June 30, 2015, in accordance with Paragraph 44 of GASB Statement No. 67.

NOTE 11 - POST-RETIREMENT BENEFITS

As indicated in Note 10 above, employees of the Township of South Harrison are members of the Public Employees' Retirement System and the Police and Fireman's Retirement System however, as of December 31, 2015, they are not members of the State Health Benefits Plan.

NOTE 12 - SCHOOL TAXES

School taxes in the State of New Jersey may be raised by either of the following methods:

Calendar year basis - whereby the tax is levied and paid based on the District's needs for one-half of each school year encompassed in the calendar year.

School year basis - taxes are raised for the school year commencing July 1 of the current year, paid out over the twelve months beginning with July 1.

The Township of South Harrison School District raises taxes on a school year basis so there is a school tax payable at December 31, 2015 of \$1,030,760.75 and a deferred school tax of \$295,631.25.

The Kingsway Regional Board of Education raises taxes on a calendar year basis and therefore, there should be no school taxes payable or deferred at December 31, 2015. However, there is a payable in the amount of \$3.99 at December 31, 2015.

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 13 - GENERAL FIXED ASSETS

General fixed assets activity for the years ended December 31, 2015 and 2014 was as follows:

	Balance December 31, 2014	Additions	Disposals/ Adjustments	Balance December 31, 2015
Land and buildings	\$ 1,693,952.00	\$ 18,375.00	\$ -	\$ 1,712,327.00
Equipment	430,003.04	-	-	430,003.04
	<u>\$ 2,123,955.04</u>	<u>\$ 18,375.00</u>	<u>\$ -</u>	<u>\$ 2,142,330.04</u>

	Balance December 31, 2013	Additions	Disposals/ Adjustments	Balance December 31, 2014
Land and buildings ¹	\$ 1,693,952.00	\$ -	\$ -	\$ 1,693,952.00
Equipment	386,003.04	44,000.00	-	430,003.04
	<u>\$ 2,079,955.71</u>	<u>\$ 44,000.00</u>	<u>\$ -</u>	<u>\$ 2,123,955.04</u>

NOTE 14 - DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

There were no deferred charges to be raised in succeeding budgets at December 31, 2015.

NOTE 15 - RISK MANAGEMENT

The Township 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 Township maintains commercial insurance coverage for property, liability, and surety bonds through the Gloucester, Salem, and Cumberland Counties Municipal Joint Insurance Fund.

The Fund provides the Township with the following coverage:

- Property Policy
- Automobile Policy
- Crime Policy and Excess Crime Policy
- Casualty Policy
- Workers' Compensation and Excess Workers Compensation Policy
- Environmental Legal Liability Policy
- Excess Liability Policy
- Public Officials and Employment Liability Policy
- Volunteer Directors and Officers Policy

Contributions to the Fund, are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The Township's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will reinsure through the Municipal Excess Liability Joint Insurance Fund for claims in excess of \$50,000.00 to \$250,000.00 based on the line of coverage for each insured event.

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 15 - RISK MANAGEMENT (Concluded)

The fund publishes its own financial report for the year ended December 31, 2015, which can be obtained from:

Gloucester, Salem, Cumberland Counties Municipal Joint Insurance Fund
Post Office Box 488
Marlton, New Jersey 08053

NOTE 16 - COMPENSATED ABSENCES

Township employees are entitled to paid vacation and sick time depending on their length of service with the Township. Vacation days not used during the year may be accumulated and carried forward for two years. Vacation days not used within this time period are forfeited. Vacation time unused at termination is reimbursed to the employee at their current rate of pay. Unused sick leave may be accumulated and carried forward to subsequent years. One-half of accrued sick time is reimbursed to employees only if they meet the requirements of retirement according to the Public Employees' Retirement System or Police and Fireman's Retirement System. Sick time is reimbursed to the employee at their current rate of pay up to a maximum of 62 to 65 days depending on their job classification.

At December 31, 2015 and 2014, the Township estimates this liability to approximate \$0.00 and \$0.00, respectively. The policy of not reflecting the accrued benefit is not in agreement with GASB Statement No. 12. Effective January 1, 2002, the State of New Jersey is allowing municipalities to accrue a compensated absences liability. The Township has not yet established an accrual.

NOTE 17 - NEW JERSEY UNEMPLOYMENT COMPENSATION INSURANCE

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

Year	Township Contributions	Amount Reimbursed	Ending Balance
2015	\$ -	\$ -	\$ 18,717.35
2014	\$ -	\$ 1,001.04	\$ 16,255.94
2013	\$ -	\$ -	\$ 16,457.57

NOTE 18 - LITIGATION

The Township is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Township, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

**TOWNSHIP OF SOUTH HARRISON
COUNTY OF GLOUCESTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

NOTE 19 - HOST COMMUNITY BENEFITS AGREEMENT

The Gloucester County Improvement Authority (Authority) is the owner and operator of a sanitary landfill facility located in the Township. The Township is entitled to a host community benefits pursuant to N.J.S.A. 13:1E-28.

The Township entered into an agreement on "host community benefits" with the Authority on February 21, 1989.

This agreement was amended on September 8, 2004 whereby the Township and the Authority mutually agreed to supplement the host community benefits to reflect the increased size of the landfill. This amendment to the agreement increased the host community benefits fee to \$600,000.00, which in accordance with the terms in the agreement started in 2007 and included a prorated increase from 2006.

The amended agreement requires that the Township's share of the benefit fee be reduced by payments to be made directly by the Authority to the Township's volunteer fire company in the amount of \$25,000.00; \$575,000.00 is to be paid to the Township.

The agreement further indicates an increase to the host community benefits shall be made every five years using the cumulative percent changes in the consumer price index for all urban consumers, as published by the United States Department of Labor Bureau of Labor Statistics for the Philadelphia and Southern New Jersey region, for the four years preceding the date that the adjustment is to be made. In 2013, the host community benefits was recalculated, and increased to \$640,000.00.

NOTE 20 - SUBSEQUENT EVENTS

Subsequent events were evaluated through June 29, 2016, which is the date that the financial statements were available to be issued.

CURRENT FUND

****SCHEDULES****

TOWNSHIP OF SOUTH HARRISON
CURRENT FUND
SCHEDULE OF CASH - CHIEF FINANCIAL OFFICER
For the Year Ended December 31, 2015

	Ref.	Regular Fund
Balance - December 31, 2014	A	\$ 2,274,790.02
Increased by:		
Property taxes receivable	A-5	\$ 10,482,930.98
Taxes paid in advance	A	110,113.26
Fees and permits	A-2	5,825.00
Interest and costs on taxes	A-2	43,647.83
Revenue accounts receivable	A-7	854,488.42
Miscellaneous revenue not anticipated	A-2	11,856.07
State of New Jersey - statutory deduction		21,250.00
Due to State of New Jersey- marriage licenses		250.00
Due from payroll account	A	14,957.29
Due from general capital fund		117,286.05
Contra - police overtime wages	Contra	52,810.00
Refunds- current appropriations	Contra	27,108.31
Contra- UCC wages	Contra	66,987.78
Reserve for unappropriated state grant	A-13	4,737.50
State grants receivable	A-12	186,225.95
		<u>12,000,474.44</u>
		14,275,264.46
Decreased by:		
2015 budget appropriations	A-3	1,586,699.03
2014 appropriation reserves	A-8	55,872.42
County taxes	A-11	2,769,925.81
Local district school taxes	A-9	3,718,444.00
Regional high school taxes	A-10	3,234,212.76
Due to State of New Jersey- marriage licenses		300.00
Property tax refunds		654.74
Contra- UCC wages	Contra	66,987.78
Due to other trust fund		646.88
Refunds- current appropriations	Contra	27,108.31
Contra - police overtime wages	Contra	52,810.00
Due to general capital fund		117,286.05
Reserve for state grants	A-14	179,041.49
		<u>11,809,989.27</u>
Balance - December 31, 2015	A	<u>\$ 2,465,275.19</u>

See accompanying auditor's report.

**TOWNSHIP OF SOUTH HARRISON
CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY
For the Year Ended December 31, 2015**

Year	Balance	Levy	Added Taxes	Collections		Due From State Of New Jersey	Adjustments and Canceled	Transferred To Tax Title Liens	Balance
	December 31, 2014			2014	2015				December 31, 2015
2003	\$ 459.63	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 459.63
2012	9,442.07	0.00	0.00	0.00	2,441.29	0.00	0.00	0.00	7,000.78
2013	3,721.39	0.00	0.00	0.00	3,721.39	0.00	0.00	0.00	0.00
2014	131,998.74	0.00	7,040.97	0.00	114,710.82	0.00	351.73	23,976.60	0.56
	145,621.83	0.00	7,040.97	0.00	120,873.50	0.00	351.73	23,976.60	7,460.97
2015	0.00	10,624,366.65	0.00	104,482.71	10,362,057.48	21,500.00	5,526.62	12,837.90	117,961.94
	<u>\$ 145,621.83</u>	<u>\$ 10,624,366.65</u>	<u>\$ 7,040.97</u>	<u>\$ 104,482.71</u>	<u>\$ 10,482,930.98</u>	<u>\$ 21,500.00</u>	<u>\$ 5,878.35</u>	<u>\$ 36,814.50</u>	<u>\$ 125,422.91</u>
Ref.	A	A-5	A-5	A	A-4			A-6	A
			<u>\$ 7,040.97</u>						

Analysis of 2015 property tax levy:

Tax yield:

General property tax

Added and rollback taxes (54:4-63.1 et seq.)

Ref.

\$ 10,493,795.91

130,570.74

\$ 10,624,366.65

Tax levy:

Local district school tax

Regional high school district tax

County tax

County library taxes

County open space preservation

Due county for added taxes

Total county taxes

Total taxes other than municipal

Local tax for municipal purposes levied

Add: additional tax levied

Local tax for municipal purposes levied

A-9

A-10

A-11

A-11

A-11

A-11

A-2

A-2

\$ 3,767,454.00

3,234,213.00

\$ 2,397,649.46

180,761.07

161,597.42

35,843.03

2,775,850.98

9,777,517.98

748,826.67

98,022.00

846,848.67

\$ 10,624,366.65

See accompanying auditor's report.

**TOWNSHIP OF SOUTH HARRISON
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS
For the Year Ended December 31, 2015**

	<u>Ref.</u>	
Balance - December 31, 2014	A	\$ 35,796.89
Increased by:		
Transfers from taxes receivable	A-5	36,814.50
Interest and costs on sale	A-5	3,533.85
		<u>76,145.24</u>
Decreased by:		
Collections	A-2,A-4	<u>37,995.05</u>
Balance - December 31, 2015	A	<u>\$ 38,150.19</u>

See accompanying auditor's report.

**TOWNSHIP OF SOUTH HARRISON
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
For the Year Ended December 31, 2015**

	Balance December 31, 2014	Accrued In 2015	Collected	Balance December 31, 2015
Clerk:				
Other fees and permits	\$ 0.00	\$ 13,600.00	\$ 13,600.00	\$ 0.00
Registrar of vital statistics:				
Miscellaneous	0.00	352.00	352.00	0.00
Police:				
Other fees and permits	0.00	514.91	514.91	0.00
Municipal court:				
Fines and costs	2,353.02	39,630.78	40,702.68	1,281.12
Interest earned	0.28	3.17	3.23	0.22
Interest on taxes	0.00	44,304.11	44,304.11	0.00
Energy receipts tax	0.00	121,084.00	121,084.00	0.00
Cable TV franchise fee	8,113.49	9,569.69	8,113.49	9,569.69
Consolidated municipal property tax relief act	0.00	8,874.00	8,874.00	0.00
Host municipal benefits	0.00	616,940.00	616,940.00	0.00
Total	\$ 10,466.79	\$ 854,872.66	\$ 854,488.42	\$ 10,851.03
Ref.	A		A-4	A

See accompanying auditor's report.

**TOWNSHIP OF SOUTH HARRISON
CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2014
For the Year Ended December 31, 2015**

	Balance December 31, 2014	Balance After Transfers	Paid or Charged	Lapsed
Salaries and wages:				
Executive	\$ 10.00	\$ 10.00	\$ 0.00	\$ 10.00
Municipal clerk	99.77	99.77	0.00	99.77
Financial administration	1,425.07	1,425.07	0.00	1,425.07
Revenue administration	79.84	79.84	0.00	79.84
Planning board	24.15	24.15	0.00	24.15
Zoning board	50.91	50.91	0.00	50.91
Police	53,493.54	53,493.54	0.00	53,493.54
Office of emergency management	20.00	20.00	0.00	20.00
Prosecutor	5.01	5.01	0.00	5.01
Road repair and maintenance	3,219.75	3,219.75	0.00	3,219.75
Buildings and grounds	2.07	2.07	0.00	2.07
Municipal court	20.03	20.03	0.00	20.03
Other expenses:				
General administration	1,738.11	1,738.11	15.87	1,722.24
Executive	370.52	370.52	0.00	370.52
Municipal clerk	5,699.30	5,699.30	68.40	5,630.90
Financial administration	287.88	287.88	0.00	287.88
Revenue administration (tax collector)	661.39	661.39	0.00	661.39
Legal services and costs	16,992.04	16,992.04	13,498.00	3,494.04
Engineering services and costs	9,687.75	9,687.75	388.00	9,299.75
Planning board	6,786.07	6,786.07	53.15	6,732.92

See accompanying auditor's report.

**TOWNSHIP OF SOUTH HARRISON
CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2014
For the Year Ended December 31, 2015**

	Balance December 31, 2014	Balance After Transfers	Paid or Charged	Lapsed
Other expenses (continued):				
Insurance:				
Workers compensation	\$ 1,038.00	\$ 1,038.00	\$ 0.00	\$ 1,038.00
Employee group health	18,948.15	18,948.15	320.45	18,627.70
Police	2,897.88	2,897.88	720.74	2,177.14
Office of emergency management	300.00	300.00	0.00	300.00
Road repairs and maintenance	1,378.86	1,378.86	1,378.86	0.00
Other public works functions	0.00	0.00	0.00	0.00
Solid waste collection	22,900.90	22,900.90	21,419.82	1,481.08
Building and grounds	3,326.02	3,326.02	3,107.57	218.45
Vehicle maintenance	2,979.17	2,979.17	1,581.34	1,397.83
Public health services	100.00	100.00	0.00	100.00
Recreation services and program	5,021.42	5,021.42	530.75	4,490.67
Maintenance of parks	1,710.95	1,710.95	0.00	1,710.95
Electricity	4,290.39	4,290.39	15.04	4,275.35
Street lighting	1,581.88	1,581.88	1,145.48	436.40
Telephone	252.37	252.37	252.37	0.00
Fuel oil	2,530.12	2,530.12	809.58	1,720.54
Gasoline	4,863.25	4,863.25	2,400.18	2,463.07
Landfill/solid waste disposal cost	15,685.98	15,685.98	7,758.64	7,927.34

See accompanying auditor's report.

TOWNSHIP OF SOUTH HARRISON
CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2014
For the Year Ended December 31, 2015

	Balance December 31, 2014	Balance After Transfers	Paid or Charged	Lapsed
Other expenses (concluded):				
Municipal court	\$ 4361.36	\$ 4,361.36	\$ 50.00	\$ 4,311.36
Farmland preservation	500.00	500.00	0.00	500.00
Social security system	6674.18	6,674.18	0.00	6,674.18
Public employees' retirement system	2477.06	2,477.06	358.18	2,118.88
Police and firemen's retirement system	3910.00	3,910.00	0.00	3,910.00
Landfill fees recycling tax	5000.00	5,000.00	0.00	5,000.00
Total	\$ 213,401.14	\$ 213,401.14	\$ 55,872.42	\$ 157,528.72
Ref.	A		A-4	A-1

See accompanying auditor's report.

**TOWNSHIP OF SOUTH HARRISON
CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAXES
For the Year Ended December 31, 2015**

	<u>Ref.</u>		
Balance - December 31, 2014:			
School tax payable	A	\$ 981,750.75	
School tax deferred	Footnote	<u>295,631.25</u>	
			\$ 1,277,382.00
Increased by:			
Levy - school year July 1, 2014 to June 30, 2015	A-1, A-5	<u>3,767,454.00</u>	
			<u>5,044,836.00</u>
Decreased by:			
Payments	A-4	<u>3,718,444.00</u>	
Balance - December 31, 2015:			
School tax payable	A	1,030,760.75	
School tax deferred	Footnote	<u>295,631.25</u>	
			<u>\$ 1,326,392.00</u>

See accompanying auditor's report.

**TOWNSHIP OF SOUTH HARRISON
CURRENT FUND
SCHEDULE OF REGIONAL HIGH SCHOOL DISTRICT TAX
For the Year Ended December 31, 2015**

	<u>Ref.</u>	
Balance - December 31, 2014	A	\$ 3.75
Increased by:		
Levy for calendar year 2015	A-1,A-5	<u>3,234,213.00</u>
		3,234,216.75
Decreased by:		
Payments	A-4	<u>3,234,212.76</u>
Balance - December 31, 2015	A	<u><u>\$ 3.99</u></u>

See accompanying auditor's report.

**TOWNSHIP OF SOUTH HARRISON
CURRENT FUND
SCHEDULE OF COUNTY TAXES
For the Year Ended December 31, 2015**

	<u>Ref.</u>	
Balance - December 31, 2014:		
Due county for added and omitted taxes	A	\$ 29,917.86
Increased by:		
Levy for calendar year 2015:		
General county taxes	A-5	\$ 2,397,649.46
County library taxes	A-5	180,761.07
County open space taxes	A-5	<u>161,597.42</u>
Total original county tax levy	A-1	2,740,007.95
Due county for added and omitted	A-1,A-5	<u>35,843.03</u>
		<u>2,775,850.98</u>
		<u>2,805,768.84</u>
Decreased by:		
Payments	A-4	<u>2,769,925.81</u>
Balance - December 31, 2015:		
Due county for added and omitted taxes	A	<u>\$ 35,843.03</u>

See accompanying auditor's report.

**TOWNSHIP OF SOUTH HARRISON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF FEDERAL, STATE AND LOCAL GRANTS RECEIVABLE
For the Year Ended December 31, 2015**

Purpose	Balance December 31, 2014	2015 Revenue	Cash Received	Transferred From Unappropriated Reserve	Balance December 31, 2015
Federal grants:					
NJ transportation trust 2012 municipal aid grant for Cedar Grove Road	\$ 113,868.90	\$ 0.00	\$ 110,291.04	\$ 0.00	\$ 3,577.86
NJ transportation trust 2015 municipal aid grant for Cedar Grove Road and Lincoln Mill Road	0.00	170,000.00	0.00	0.00	170,000.00
Community development block grant	0.00	1,400.00	1,400.00	0.00	0.00
Total federal grants	113,868.90	171,400.00	111,691.04	0.00	173,577.86
State grants:					
Municipal alliance grant	8,920.00	8,784.00	17,704.00	0.00	0.00
Recycling tonnage program	0.00	4,216.22	0.00	4,216.22	0.00
Safe and secure communities grant	39,530.00	24,000.00	48,000.00	0.00	15,530.00
Clean communities act	7,269.08	8,830.91	8,830.91	0.00	7,269.08
Association of NJ environmental commissions	500.00	0.00	0.00	0.00	500.00
N.J.D.E.P. - municipal storm water regulation program	3,750.00	0.00	0.00	0.00	3,750.00
Alcohol addiction and rehabilitation fund	0.00	118.16	0.00	118.16	0.00
Total state grants	59,969.08	45,949.29	74,534.91	4,334.38	27,049.08
Total all grants	\$ 173,837.98	\$ 217,349.29	\$ 186,225.95	\$ 4,334.38	\$ 200,626.94

Ref.	A	A-2	A-4	A-13	A
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See accompanying auditor's report.

TOWNSHIP OF SOUTH HARRISON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF RESERVE FOR STATE GRANTS UNAPPROPRIATED
For the Year Ended December 31, 2015

Purpose	Balance December 31, 2014	Received In 2015	Budgeted In 2015	Balance December 31, 2015
Division of criminal justice - body armor	\$ 0.00	\$ 920.97	\$ 0.00	\$ 920.97
Municipal alliance grant	0.00	2,260.00	0.00	2,260.00
Alcohol education and rehabilitation fund	118.16	88.93	118.16	88.93
Recycling tonnage grants	4,216.22	1,467.60	4,216.22	1,467.60
	<u>\$ 4,334.38</u>	<u>\$ 4,737.50</u>	<u>\$ 4,334.38</u>	<u>\$ 4,737.50</u>
	A	A-4	A-12	A

See accompanying auditor's report.

**TOWNSHIP OF SOUTH HARRISON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF RESERVE FOR FEDERAL, STATE AND LOCAL GRANTS APPROPRIATED
For the Year Ended December 31, 2015**

Program	Balance December 31, 2014	2015 Appropriations	Expended	Balance December 31, 2015
Federal grants:				
NJ transportation trust 2012 municipal aid grant for Cedar Grove Road	\$ 23,591.20	\$ 0.00	\$ 20,013.34	\$ 3,577.86
NJ transportation trust 2015 municipal aid grant for Cedar Grove Road and Lincoln Mill Road	0.00	170,000.00	110,253.54	59,746.46
Community development block grant	0.00	1,400.00	1,400.00	0.00
Total federal grants	23,591.20	171,400.00	131,666.88	63,324.32
State grants:				
Alcohol education and rehabilitation fund	5,526.12	118.16	0.00	5,644.28
Municipal alliance grant	16,166.20	10,980.00	9,298.21	17,847.99
Clean communities grant	3,740.52	8,830.91	4,789.26	7,782.17
Safe and secure communities grant	0.00	24,000.00	24,000.00	0.00
Division of criminal justice - body armor fund	2,216.31	0.00	2,216.31	0.00
Recycling tonnage grant	3,475.39	4,216.22	6,000.00	1,691.61
Association of NJ environmental commissions	1,412.21	0.00	0.00	1,412.21
NJDEP - municipal storm water regulation program	334.75	0.00	0.00	334.75
Body armor grant	1,070.83	0.00	1,070.83	0.00
Total state grants	33,942.33	48,145.29	47,374.61	34,713.01
Other grants:				
Comcast technology grant	1,357.00	0.00	0.00	1,357.00
Delaware Valley regional planning commission	5,000.00	0.00	0.00	5,000.00
Total other grants	6,357.00	0.00	0.00	6,357.00
Total all grants	\$ 63,890.53	\$ 219,545.29	\$ 179,041.49	\$ 104,394.33

Ref.

A

A-3

A-4

A

See accompanying auditor's report.

TRUST FUND
****SCHEDULES****

**TOWNSHIP OF SOUTH HARRISON
TRUST FUND
SCHEDULE OF CASH - CHIEF FINANCIAL OFFICER
For the Year Ended December 31, 2015**

	<u>Ref.</u>	<u>Dog License Fund</u>	<u>Other Trust Funds</u>
Balance - December 31, 2014	B	\$ 9,006.42	\$ 792,767.53
Receipts:			
Interest earned		\$ 17.59	\$ 1,627.89
Unemployment compensation - contributions		0.00	1,209.47
Escrow deposits		0.00	55,728.40
Parks and recreations fees		0.00	10,566.00
Police overtime charges		0.00	87,455.50
Construction fees and permits		0.00	106,765.00
Other fees and permits due current fund		0.00	9,675.00
Dog fees collected	B-3	4,255.20	0.00
Due State of New Jersey:			
Dog license fees		1,168.80	0.00
Construction surcharge fees		0.00	12,163.00
Total receipts		<u>5,441.59</u>	<u>285,190.26</u>
		14,448.01	1,077,957.79

See accompanying auditor's report.

TOWNSHIP OF SOUTH HARRISON
TRUST FUND
SCHEDULE OF CASH - CHIEF FINANCIAL OFFICER
For the Year Ended December 31, 2015

	<u>Ref.</u>	<u>Dog License Fund</u>	<u>Other Trust Funds</u>
Disbursements:			
Due to State of New Jersey:			
Construction surcharge fees		\$ 1,168.20	\$ 12,336.00
Scholarship fund award		0.00	2,500.00
Escrow disbursements		0.00	90,927.66
Parks and recreation programs		0.00	10,000.00
Costs of construction department		0.00	67,705.74
Police overtime costs		0.00	76,225.85
Due to current fund		16.84	1,611.55
Dog fund expenditures	B-3	6,434.04	0.00
Total disbursements		<u>\$ 7,619.08</u>	<u>\$ 261,306.80</u>
Balance - December 31, 2015	B	<u>\$ 6,828.93</u>	<u>\$ 816,650.99</u>

See accompanying auditor's report.

**TOWNSHIP OF SOUTH HARRISON
TRUST FUND
SCHEDULE OF CASH - TAX COLLECTOR
For the Year Ended December 31, 2015**

	<u>Ref.</u>		
Balance - December 31, 2014	B		\$ 35,109.02
Receipts:			
Deposits for redemption of tax sale certificates	B-4	\$ 84,874.70	
Tax sale premium		31,100.00	
Tax receipts due current fund		24,010.26	
Interest earned on investments		<u>142.95</u>	
			<u>140,127.91</u>
			175,236.93
Disbursements:			
Deposits for redemption of tax sale certificates	B-4	84,874.70	
Refund tax sale premium		7,300.00	
Due to current fund - taxes receivable		24,010.26	
Due current fund - interest earnings		<u>129.90</u>	
			<u>116,314.86</u>
Balance - December 31, 2015	B		<u>\$ 58,922.07</u>

See accompanying auditor's report.

**TOWNSHIP OF SOUTH HARRISON
TRUST FUND
SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES
For the Year Ended December 31, 2015**

	Ref.			
Balance - December 31, 2014	B		\$	8,151.00
Increased by:				
Dog license fees collected	B-1	\$		4,255.20
Kennel license fees collected- due from current fund	B-1			50.00
				4,305.20
				12,456.20
Decreased by:				
Expenditures under R.S. 4:19-15.11	B-1			6,434.04
Balance - December 31, 2015	B		\$	6,022.16

License Fees Collected	
Year	Amount
2014	\$ 4,397.60
2013	3,909.60
	\$ 8,307.20

See accompanying auditor's report.

**TOWNSHIP OF SOUTH HARRISON
TRUST FUND
SCHEDULE OF DEPOSITS FOR REDEMPTION OF TAX TITLE LIENS
For the Year Ended December 31, 2015**

	<u>Ref.</u>	
Balance - December 31, 2014	B	\$ 24,951.93
Increased by:		
Cash receipts	B-2	84,874.70
		<u>109,826.63</u>
Decreased by:		
Cash disbursements	B-3	\$ 84,874.70
Transfer to tax sale premium	B-5	<u>100.00</u>
		<u>84,974.70</u>
Balance - December 31, 2015	B	<u><u>\$ 24,851.93</u></u>

See accompanying auditor's report.

**TOWNSHIP OF SOUTH HARRISON
TRUST FUND
SCHEDULE OF RESERVE FOR TAX TITLE LIEN REDEMPTION
For the Year Ended December 31, 2015**

	<u>Ref.</u>		
Balance - December 31, 2014	B		\$ 10,200.00
Increased by:			
Transfer from tax title lien redemption	B-4	\$ 100.00	
Tax sale premiums	B-2	<u>31,100.00</u>	
			<u>31,200.00</u>
			41,400.00
Decreased by:			
Refund of tax sale premium	B-2		<u>7,300.00</u>
Balance - December 31, 2015	B		<u><u>\$ 34,100.00</u></u>

See accompanying auditor's report.

GENERAL CAPITAL FUND

****SCHEDULES****

**TOWNSHIP OF SOUTH HARRISON
GENERAL CAPITAL FUND
SCHEDULE OF CASH - CHIEF FINANCIAL OFFICER
For the Year Ended December 31, 2015**

	<u>Ref.</u>		
Balance - December 31, 2014	C		\$ 410,341.38
Increased by receipts:			
Interest on investments in money market account - due current fund		\$ 754.56	
State grants receivable		117,286.05	
Capital improvement fund	C-3	97,000.00	
Capital reserves	C-4	500.00	215,540.61
		<u>625,881.99</u>	
Decreased by disbursements:			
Improvement authorizations	C-5	231,095.29	
Amount due to current fund		551.82	231,647.11
		<u>231,647.11</u>	
Balance - December 31, 2015	C		<u>\$ 394,234.88</u>

See accompanying auditor's report.

**TOWNSHIP OF SOUTH HARRISON
GENERAL CAPITAL FUND
ANALYSIS OF CASH
For the Year Ended December 31, 2015**

	<u>Balance December 31, 2015</u>
Capital improvement fund	\$ 20,227.78
Capital reserves	313,571.34
Amount due to current fund	415.93
Amount due from state and federal grant fund	(4,550.00)
State grants receivable	(62,713.95)
Improvement authorizations:	
Ordinance	
<u>Number</u>	
13-9 Athletic field improvements within Stewart Park	6,694.18
14-08 Municipal code update	1,724.50
14-13 Lincoln Mill Road - phase II	18,875.85
14-14 Body cameras and computers	1,075.00
15-02 Steward Memorial Park sign	2.00
15-05 Improvement to various roads	98,287.25
15-06 Construction of pole barn	625.00
	<u>\$ 394,234.88</u>

Ref. C-1

See accompanying auditor's report.

**TOWNSHIP OF SOUTH HARRISON
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND
For the Year Ended December 31, 2015**

	<u>Ref.</u>	
Balance - December 31, 2014	C	\$ 42,227.78
Increased by:		
2015 budget appropriation	C-1;A-3	97,000.00
		<u>139,227.78</u>
Decreased by:		
Appropriated to finance improvement authorizations	C-4	119,000.00
		<u>119,000.00</u>
Balance - December 31, 2015	C	<u>\$ 20,227.78</u>

See accompanying auditor's report.

**TOWNSHIP OF SOUTH HARRISON
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL RESERVES
For the Year Ended December 31, 2015**

	Balance December 31, 2014	Increases In 2015	Decreases In 2015	Balance December 31, 2015
Reserve for:				
Road improvements	\$ 8,530.00	\$ 0.00	\$ 0.00	\$ 8,530.00
Parkland trust	64,912.52	0.00	1,450.00	63,462.52
Farmland preservation	195,397.61	500.00	0.00	195,897.61
Contribution - Unity Ambulance dissolution	45,681.21	0.00	0.00	45,681.21
Total	\$ 314,521.34	\$ 500.00	\$ 1,450.00	\$ 313,571.34
Ref.	C	C-5		C

See accompanying auditor's report.

**TOWNSHIP OF SOUTH HARRISON
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
For the Year Ended December 31, 2015**

Ordinance Number	Improvement Description	Ordinance		Balance December 31, 2014 Funded	2015 Authorizations		Paid Or Charged	Balance December 31, 2015 Funded
		Date	Amount		Capital Improvement Fund	Capital Reserve Funds		
13-9	Athletic field improvements within Stewart Park	12/04/13	\$ 175,000.00	\$ 71,784.57	\$ 0.00	\$ 0.00	\$ 65,090.39	\$ 6,694.18
14-08	Municipal code update	05/14/14	6,000.00	1,724.50	0.00	0.00	0.00	1,724.50
14-13	Lincoln Mill Road - phase II	10/08/14	196,000.00	160,920.00	0.00	0.00	142,044.15	18,875.85
14-14	Body cameras and computer equipment	11/10/14	3,500.00	3,500.00	0.00	0.00	2,425.00	1,075.00
15-02	Steward Memorial Park signs	04/08/15	1,450.00	0.00	0.00	1,450.00	1,448.00	2.00
15-05	Improvement to various roads	05/13/15	100,000.00	0.00	100,000.00	0.00	1,712.75	98,287.25
15-06	Construction of pole barn	05/13/15	19,000.00	0.00	19,000.00	0.00	18,375.00	625.00
				<u>\$ 237,929.07</u>	<u>\$ 119,000.00</u>	<u>\$ 1,450.00</u>	<u>\$ 231,095.29</u>	<u>\$ 127,283.78</u>
		Ref.	C		C-3	C-4	C-1	C

See accompanying auditor's report.

PAYROLL ACCOUNT

****SCHEDULES****

**TOWNSHIP OF SOUTH HARRISON
PAYROLL ACCOUNT
SCHEDULE OF CASH - CHIEF FINANCIAL OFFICER
For the Year Ended December 31, 2015**

	<u>Ref.</u>	
Balance - December 31, 2014	F	\$ 25,456.04
Increased by:		
Deposits to pay gross salaries		\$ 737,399.88
Township's share of social security and medicare		58,400.12
Pension payments		80,733.00
Interest earnings		24.49
Due from current fund - bank charges		1,399.40
		<u>877,956.89</u>
		<u>903,412.93</u>
Decreased by:		
Net payroll		486,416.57
Deductions paid to various agencies		309,624.24
Due current fund		17,533.51
Bank service charges		515.41
Pension billings		80,733.00
		<u>894,822.73</u>
Balance - December 31, 2015	F	<u>\$ 8,590.20</u>

See accompanying auditor's report.

**TOWNSHIP OF SOUTH HARRISON
PAYROLL ACCOUNT
SCHEDULE OF PAYROLL DEDUCTIONS PAYABLE
For the Year Ended December 31, 2015**

	Balance December 31, 2015
New Jersey unemployment compensation	\$ 153.70
Public employees' retirement system	1,945.15
Police and firemen's pension system	4,971.99
Deferred contribution retirement program	(157.69)
AFLAC	(97.28)
Colonial insurance	444.85
	\$ 7,260.72
	\$ 7,260.72

F

See accompanying auditor's report.

TOWNSHIP OF SOUTH HARRISON

LETTER OF COMMENTS AND RECOMMENDATIONS

For the Year Ended December 31, 2015

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised per N.J.S. 40A:11-4

N.J.S. 40A:11-4 states, "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the costs or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials, or supplies shall be undertaken, acquired, or furnished for a sum exceeding in the aggregate \$36,000.00, except by contract or agreement".

The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed Bidding Requirements within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

The minutes indicated that the bids were requested by public advertising:

Lincoln Mill Road - Phase II
Cedar Grove Road - Phase V
Vestry Road - Phase I
2015 Maintenance and Repair Program

N.J.S. 40A:11-5 provides for exceptions to the above-mentioned statutory bidding requirements for various stipulated areas of expenditures. Included in these areas of exception are all professional services which include but are not limited to solicitors, engineers, land surveyors, and accountants. However, in lieu of requiring formal bidding procedures for these categories of expenditures, in awarding contracts to fill these positions, certain other statutory requirements must be adhered to by the governing body. These requirements include the following stipulation (N.J.S. 40A:11-5 (l) (a) (i)):

"The governing body shall in each instance state supporting reasons for its action in the resolution awarding each contract and shall forthwith cause to be printed once, in a newspaper authorized by law to publish its legal advertisements, a brief notice stating the nature, duration, service, and amount of the contract, and that the resolution and contract are on file..."

My examination indicated that the Township complied with this requirement during 2015.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

My examination of expenditures did not reveal any individual payments, contracts, or agreements in excess of \$36,000.00 for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

GENERAL COMMENTS (Continued)

Contracts or Agreements Not Required to be Advertised in Accordance with N.J.S. 40A:11-6.1

N.J.S. 40A:11-6.1 states, "Except contracts which require the performance of professional services, all contracts or agreements which do not require public advertising for bids and the estimated cost or price exceeds \$5,400.00, at least three quotations as to the cost or price, whenever practicable, shall be solicited by the contracting agent, and the contract agreement shall be made with and awarded to the lowest responsible bidder."

Our audit indicated that, for individual payments, contracts, or agreements made "for the performance of any work or the furnishing or hiring of any materials or supplies" in excess of \$5,400.00, there was documentation that solicitation for quotations was done in accordance with the provisions of N.J.S. 40A:11-6.1.

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body on January 1, 2015, adopted the following resolution authorizing interest to be charged on delinquent taxes and assessments:

WHEREAS, in and by N.J.S.A. 54:4-67, a governing body of any municipality may fix the rate of interest to be charged for non-payment of taxes or assessments on or before the date when they became delinquent; and

WHEREAS, the South Harrison Township Committee has ordered that the Tax Collector charge eight (8%) percent per annum on the first \$1,500.00 of the delinquency and eighteen (18%) percent per annum on any amount in excess of \$1,500.00; and

WHEREAS, the South Harrison Township Committee has ordered the Tax Collector to charge a penalty of six (6%) percent of the delinquency in excess of \$10,000.00, to a taxpayer who fails to pay the delinquency prior to the end of the calendar year; and

NOW, THEREFORE, BE IT RESOLVED, that if said taxes are deemed to be delinquent for non-payment of taxes, the Tax Collector shall charge eight (8%) percent per annum on the first \$1,500.00 of the delinquency and eighteen (18%) percent per annum on any amount in excess of \$1,500.00.

BE IT FURTHER RESOLVED, by the South Harrison Township Committee that the Tax Collector shall charge, in addition to the interest for delinquent taxes, as noted above, a penalty of six (6%) percent of the amount of the delinquency in taxes in excess of \$10,000.00.

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on May 27, 2015 and was complete.

Inspection of tax sale certificates revealed that all were on file.

GENERAL COMMENTS (Concluded)

Delinquent Taxes and Tax Title Liens (Concluded)

The following comparison is made of the number of tax title liens receivable on December 31, of the last three years:

<u>Year</u>	<u>Number Of Liens</u>
2015	3
2014	3
2013	3

It is essential to good management that all means provided by statute be utilized to liquidate liens by seriously undertaking foreclosure proceedings on appropriate properties in order to get such properties back on a taxpaying basis.

OTHER COMMENTS

Payroll Fund

The examination of the Payroll Fund did include a sampling of the detailed computation of various deductions from the payroll of the Township employees and did ascertain that the accumulated withholdings were disbursed to the proper agencies.

Municipal Court

A separate report of the Municipal Court transactions was filed in accordance with the requirements of the Local Finance Board. As part of the test of the records, no attempt was made to differentiate among fines due the Township, County, or State, or to pass upon the authenticity of the preparation and procedures for complaints issued.

Construction Code Official

A test of the expenditures of the construction code fees was done as required by N.J.A.C. 5:23-4.17(b)3. All fees collected pursuant to the municipality's fee schedule were appropriated in accordance with the requirements of the Uniform Construction Code Act and the Local Budget Law, which were applied solely to meet the municipal costs of enforcing those regulations as specified by N.J.A.C. 5:23-4.17(c)2.

The uniform construction code annual report was prepared by the Chief Financial Officer and was in agreement with receipts recorded in the Construction Code Official's records.

TOWNSHIP OF SOUTH HARRISON
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Year Ended December 31, 2015

This section identifies the significant deficiencies, material weaknesses, and the instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None.

**TOWNSHIP OF SOUTH HARRISON
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND
QUESTIONED COSTS AS PREPARED BY MANAGEMENT**

This section identifies the status of prior year findings related to the financial statements and State Financial Assistance that are required to be reported in accordance with *Government Auditing Standards*, OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

FINANCIAL STATEMENT FINDINGS

Finding No. 2010-2

Condition

There are several accounts in developers escrow trust that have negative balances since December 31, 2010. There are also unallocated amounts and interest earnings from prior years may not have been properly allocated to develop escrow accounts.

Current Status

Condition remains unresolved. However, the new Chief Financial Officer has taken steps to eliminate these conditions and reduce the amount of the deficits.

Planned Corrective Action

The negative balances have been turned over to the solicitor for collection.

**TOWNSHIP OF SOUTH HARRISON
OFFICIALS IN OFFICE AND SURETY BONDS**

The following officials were in office during the period under review:

<u>Name</u>	<u>Title</u>
James McCall	Mayor
Robert Diaz	Deputy Mayor
John Horner	Committeeperson
Mary Howard	Committeeperson
Robert Schenk	Committeeperson
Victoria Holmstrom	Chief Financial Officer
	Tax Collector
	Tax Search Officer
Nancy E. Kearns	Township Clerk
	Improvement Search Officer
	Registrar of Vital Statistics
Joseph Wille	Construction Code Official
Nicholas Lacovara	Magistrate
Carla Rios	Court Administrator
Karen Crackovich	Deputy Court Administrator
Brian N. Lozuke, Esquire	Solicitor
Steven Bach	Engineer

Note: All officials and employees are covered by the Joint Insurance Fund with a bond in the amount of \$1,000,000.00 each.

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

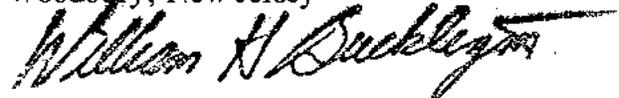
Should any questions arise as to my comments to recommendations, or should you desire assistance in implementing my recommendations, please do not hesitate to call me.

I desire to express my appreciation for the assistance and courtesies rendered by the Township officials during the course of the audit.

Respectfully submitted,

Ball, Buckley & Seher, LLP

BALL, BUCKLEY & SEHER, LLP
Certified Public Accountants
Woodbury, New Jersey



William H. Buckley, III
Registered Municipal Accountant #46
Certified Public Accountant