

BOROUGH OF HAMBURG

COUNTY OF SUSSEX

REPORT OF AUDIT

2015

*NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS*

BOROUGH OF HAMBURG

COUNTY OF SUSSEX

REPORT OF AUDIT

2015

BOROUGH OF HAMBURG
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2015

	<u>Page</u>
<u>PART I – Financial Statements and Supplementary Data</u>	
Independent Auditors' Report	1-3
<u>Financial Statements</u>	<u>Exhibit</u>
<u>Current Fund</u>	
Comparative Balance Sheet – Regulatory Basis	A
Comparative Statement of Operations and Change in Fund Balance – Regulatory Basis	A-1
Statement of Revenue – Regulatory Basis	A-2
Statement of Expenditures – Regulatory Basis	A-3
<u>Trust Funds</u>	
Comparative Balance Sheet – Regulatory Basis	B
<u>General Capital Fund</u>	
Comparative Balance Sheet – Regulatory Basis	C
Statement of Fund Balance – Regulatory Basis	C-1
<u>Water/Sewer Utility Fund</u>	
Comparative Balance Sheet – Regulatory Basis	D
Comparative Statement of Operations and Change in Fund Balance - Water/Sewer	
Utility Operating Fund – Regulatory Basis	D-1
Statement of Fund Balance - Water/Sewer Utility Capital Fund – Regulatory Basis	D-1A
Statement of Revenue - Water/Sewer Utility Operating Fund – Regulatory Basis	D-2
Statement of Expenditures - Water/Sewer Utility Operating Fund – Regulatory Basis	D-3
<u>Public Assistance Fund – Not Applicable</u>	
<u>General Fixed Assets Account Group (Unaudited) – Regulatory Basis</u>	
Comparative Balance Sheet (Unaudited) – Regulatory Basis	F
	<u>Page</u>
<u>Notes to Financial Statements</u>	1-16
<u>Supplementary Data</u>	<u>Schedule</u>
Officials in Office and Surety Bonds	1
<u>Current Fund</u>	<u>Exhibit</u>
Schedule of Cash	A-4
Schedule of Cash - Grant Funds (Not Applicable)	A-5
Schedule of Taxes Receivable and Analysis of Property Tax Levy	A-6
Schedule of Tax Title Liens	A-7
Schedule of Revenue Accounts Receivable	A-8
Schedule of 2014 Appropriation Reserves	A-9
Schedule of Local School District Taxes Payable	A-10
Schedule of Regional School District Taxes Payable	A-11
Schedule of Grants Receivable - Federal and State Grant Fund	A-12
Schedule of Unappropriated Reserves - Federal and State Grant Fund	A-13
Schedule of Appropriated Reserves - Federal and State Grant Fund	A-14
<u>Trust Funds</u>	
Schedule of Cash - Treasurer	B-1
Schedule of Reserve for Animal Control Fund Expenditures - Animal Control Fund	B-2

BOROUGH OF HAMBURG
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

PART I – Financial Statements and Supplementary Data (Cont'd)

<u>Supplementary Data (Cont'd)</u>	<u>Exhibit</u>
<u>General Capital Fund</u>	
Schedule of Cash - Treasurer	C-2
Analysis of Cash	C-3
Schedule of Deferred Charges to Future Taxation - Unfunded	C-4
Schedule of Improvement Authorizations	C-5
Schedule of Capital Improvement Fund	C-6
Schedule of Bond Anticipation Notes Payable	C-7
Schedule of Serial Bonds Payable (Not Applicable)	C-8
Schedule of Bonds and Notes Authorized but not Issued (Not Applicable)	C-9
<u>Water/Sewer Utility Fund</u>	
Schedule of Cash - Treasurer – Water/Sewer Utility Fund	D-4
Schedule of Cash - Collector – Water/Sewer Utility Fund (Not Applicable)	D-4A
Analysis of Cash - Water/Sewer Utility Capital Fund	D-5
Schedule of Consumer Accounts Receivable and Liens - Water/Sewer Utility Operating Fund	D-6
Schedule of Fixed Capital - Water/Sewer Utility Capital Fund	D-7
Schedule of Fixed Capital Authorized and Uncompleted - Water/Sewer Utility Capital Fund	D-8
Schedule of 2014 Appropriation Reserves - Water/Sewer Utility Operating Fund	D-9
Schedule of Improvement Authorizations - Water/Sewer Utility Capital Fund	D-10
Schedule of Capital Improvement Fund - Water/Sewer Utility Capital Fund	D-11
Schedule of Deferred Reserve for Amortization - Water/Sewer Utility Capital Fund	D-12
Schedule of Reserve for Amortization - Water/Sewer Utility Capital Fund	D-12A
Schedule of Bond Anticipation Notes Payable - Water/Sewer Utility Capital Fund (Not Applicable)	D-13
Schedule of New Jersey Environmental Infrastructure Trust Loans Payable - Water/Sewer Utility Capital Fund	D-14
Schedule of New Jersey Environmental Infrastructure Fund Loans Payable - Water/Sewer Utility Capital Fund	D-14A
Schedule of Bonds and Notes Authorized but not Issued - Water/Sewer Utility Capital Fund	D-15

PART II – Single Audit

	<u>Page</u>
Schedule of Expenditures of Federal Awards	1
Schedule of Expenditures of State Awards	2
Notes to Schedules of Expenditures of Federal and State Awards	3
Independent Auditors' 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	4-5
Schedule of Findings and Responses	6-7
Summary Schedule of Prior Audit Findings	8

PART III – Comments and Recommendations

Comments and Recommendations	9-12
Summary of Recommendations	13

BOROUGH OF HAMBURG

PART I

FINANCIAL STATEMENTS AND

SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2015



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

The Honorable Mayor and Members
 of the Borough Committee
 Borough of Hamburg
 Hamburg, New Jersey

Report on the Financial Statements

We have audited the financial statements – *regulatory basis* – of the various funds of the Borough of Hamburg, in the County of Sussex (the "Borough") as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, as listed in the foregoing 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 accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws 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 fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Borough'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 Borough's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1, these financial statements are prepared by the Borough on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of each fund and account group of the Borough as of December 31, 2015 and 2014 or the changes in financial position or where applicable, cash flows thereof for the years then ended.

Basis for Qualified Opinion

The Borough's general fixed assets account group is stated at historical cost or estimated historical cost in the accompanying financial statements. We were unable to obtain sufficient evidence to support the cost of the fixed assets of the general fixed assets account group. As more fully described in Note 1, due to the length of time over which these fixed assets were acquired, it is not practical to determine their actual costs. Therefore, based upon the underlying accounting records, we have not audited the general fixed assets account group.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects on the December 31, 2015 and 2014 financial statements of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds of the Borough of Hamburg as of December 31, 2015 and 2014, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of the accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

Emphasis of Matter

As discussed in Note 4 to the financial statements, the Borough implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to 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* during the year ended December 31, 2015. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds that collectively comprise the Township's financial statements. The supplementary data schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2016 on our consideration of the Borough of Hamburg'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Hamburg's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
March 29, 2016

NISIVOCCIA LLP

William F. Schroeder
Certified Public Accountant
Registered Municipal Accountant No. 452

BOROUGH OF HAMBURG
COUNTY OF SUSSEX
2015
CURRENT FUND

BOROUGH OF HAMBURG
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2015	2014
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 2,015,314.39	\$ 2,032,193.81
Change Fund		370.00	370.00
Procurement Card		50.00	50.00
		<u>2,015,734.39</u>	<u>2,032,613.81</u>
Due from State of New Jersey:			
Senior Citizen and Veteran Deductions		11,674.03	10,978.83
		<u>2,027,408.42</u>	<u>2,043,592.64</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-6	176,445.24	170,463.48
Tax Title Liens Receivable	A-7	303,919.16	271,331.02
Revenue Accounts Receivable	A-8	2,560.62	6,841.54
Total Receivables and Other Assets With Full Reserves		<u>482,925.02</u>	<u>448,636.04</u>
Deferred Charges:			
Emergency Authorization (NJSA 40A:4-48)	A-3	56,000.00	
Special Emergency Authorization (NJSA 40A:4-53)		150,000.00	200,000.00
		<u>206,000.00</u>	<u>200,000.00</u>
Total Regular Fund		<u>2,716,333.44</u>	<u>2,692,228.68</u>
Federal and State Grant Fund:			
Due From Current Fund	A	38,385.97	39,838.57
Grants Receivable	A-12		124.35
Total Federal and State Grant Fund		<u>38,385.97</u>	<u>39,962.92</u>
<u>TOTAL ASSETS</u>		<u>\$ 2,754,719.41</u>	<u>\$ 2,732,191.60</u>

BOROUGH OF HAMBURG
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(continued)

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	December 31,	
		2015	2014
Regular Fund:			
Appropriation Reserves:			
Encumbered	A-3;A-9	\$ 27,252.58	\$ 91,498.31
Unencumbered	A-3;A-9	213,092.96	206,618.16
		240,345.54	298,116.47
Accounts Payable - Vendors			1,075.80
Special Emergency Notes Payable		150,000.00	200,000.00
Prepaid Taxes		50,316.75	55,908.55
County Taxes Payable		558.19	6,594.66
Tax Overpayments		8,439.38	12,331.32
Due to Federal and State Grant Fund	A	38,385.97	39,838.57
Due to Other Trust Funds - Reserve for Open Space Trust	B	4.56	27.84
Due to State of New Jersey:			
Marriage License Fees		400.00	375.00
Reserve for:			
Coalition on Affordable Housing Litigation		14,544.68	
Emergency Servers		31,000.00	
Third Party Tax Title Liens		23,458.39	31,916.40
Sale of Municipal Assets		31,869.46	31,869.46
		589,322.92	678,054.07
Reserve for Receivables and Other Assets	A	482,925.02	448,636.04
Fund Balance	A-1	1,644,085.50	1,565,538.57
Total Regular Fund		2,716,333.44	2,692,228.68
Federal and State Grant Fund:			
Appropriated Reserve for Grants	A-14	38,385.97	31,182.59
Unappropriated Reserve for Grants	A-13		8,780.33
Total Federal and State Grant Fund		38,385.97	39,962.92
		\$ 2,754,719.41	\$ 2,732,191.60

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF HAMBURG
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE - REGULATORY BASIS

	Ref.	Year Ended December 31,	
		2015	2014
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 400,000.00	\$ 400,000.00
Miscellaneous Revenue Anticipated		401,438.28	370,958.55
Receipts from:			
Delinquent Taxes		159,181.56	288,641.05
Current Taxes		8,861,237.07	8,733,067.29
Nonbudget Revenue		33,827.31	43,497.71
Other Credits to Income:			
Federal and State Grant Fund:			
Unappropriated Reserves Cancelled		0.17	
Unexpended Balance of Appropriation Reserves		216,350.45	292,056.01
Accounts Payable Cancelled		1,075.80	
Reserve for Revaluation of Property Cancelled			120,457.78
Interfunds Returned			155,551.78
		<u>10,073,110.64</u>	<u>10,404,230.17</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Municipal Purposes		2,654,824.17	2,604,793.88
County Taxes		1,395,777.79	1,361,253.69
Local School District Taxes		4,084,516.00	4,007,189.00
Regional School District Taxes		1,508,113.00	1,479,516.52
Municipal Open Space Tax Levy		7,332.56	7,354.84
Federal and State Grant Fund:			
Grants Receivable Cancelled		0.19	
Prior Year Senior Citizens' and Veterans' Deductions Disallowed:			
Tax Collector			1,001.09
		<u>9,650,563.71</u>	<u>9,461,109.02</u>
Excess in Revenue		422,546.93	943,121.15
Adjustment to Excess Before Fund Balance:			
Expenditures included above which are by Statute			
Deferred Charges to Budget of Succeeding Year		56,000.00	
Statutory Excess to Fund Balance		478,546.93	943,121.15
<u>Fund Balance</u>			
Balance January 1		<u>1,565,538.57</u>	<u>1,022,417.42</u>
		2,044,085.50	1,965,538.57
Decreased by:			
Utilized as Anticipated Revenue		<u>400,000.00</u>	<u>400,000.00</u>
Balance December 31	A	<u>\$ 1,644,085.50</u>	<u>\$ 1,565,538.57</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF HAMBURG
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	Budget	Added by NASA 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 400,000.00		\$ 400,000.00	
Miscellaneous Revenue:				
Alcoholic Beverage Licenses	2,400.00		1,899.00	\$ 501.00 *
Municipal Court - Fines and Costs	44,200.00		49,076.20	4,876.20
Interest and Costs on Taxes	36,920.00		34,373.56	2,546.44 *
Rental of Cell Tower	27,600.00		31,740.00	4,140.00
Consolidated Municipal Property Tax Relief Act	14,203.00		14,203.00	
Energy Receipts Tax	211,721.00		211,721.00	
Emergency Management Services - Hardyston Township	24,000.00		24,000.00	
Clean Communities Program	4,500.00	\$ 2,133.10	6,633.10	
Body Armor Grant	1,175.00	1,173.55	2,348.55	
Recycling Tonnage Grant	7,481.00		7,481.00	
Drunk Driving Enforcement Fund		1,797.07	1,797.07	
EMS Freeholder Grant		5,055.00	5,055.00	
Fire Department Donations Grant		11,110.80	11,110.80	
Total Miscellaneous Revenue	<u>374,200.00</u>	<u>21,269.52</u>	<u>401,438.28</u>	<u>5,968.76</u>
Receipts from Delinquent Taxes	170,000.00		159,181.56	10,818.44 *
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	2,073,006.00		2,285,497.72	212,491.72
Budget Totals	3,017,206.00	21,269.52	3,246,117.56	207,642.04
Nonbudget Revenue	\$ 3,017,206.00	\$ 21,269.52	\$ 3,279,944.87	\$ 241,469.35

BOROUGH OF HAMBURG
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(continued)

Allocation of Current Tax Collections:		
Revenue from Collection of Current Taxes		\$ 8,861,237.07
Allocated to School and County Taxes	\$ 6,988,406.79	
Allocated to Municipal Open Space Tax Levy	<u>7,332.56</u>	
		<u>6,995,739.35</u>
Balance for Support of Municipal Budget		1,865,497.72
Add: Appropriation "Reserve for Uncollected Taxes"		<u>420,000.00</u>
Realized for Support of Municipal Budget		<u><u>\$ 2,285,497.72</u></u>
Analysis of Nonbudget Revenue:		
Treasurer:		
Interest on Investments		\$ 4,549.75
Land Use Fees		1,000.00
Zoning Fees		750.00
Health Food Licenses		325.00
Clerk Fees		467.00
Administration Fee - Veterans and Senior Citizens Deductions		678.05
Police Fees		1,699.70
Cable Television Franchise Fee		13,247.00
Traffic Control		1,800.55
DMV Fines		200.00
Road Opening		100.00
Public Defender		2,700.00
Other Miscellaneous		5,465.26
Tax Collector - Other Miscellaneous		<u>845.00</u>
		<u><u>\$ 33,827.31</u></u>

BOROUGH OF HAMBURG
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
GENERAL GOVERNMENT:					
Administrative & Executive:					
Salaries & Wages	\$ 29,050.00	\$ 29,050.00	\$ 29,050.00		
Other Expenses (N.J.S.A. 40A:4-48)	7,500.00	38,500.00	37,607.87	\$ 892.13	
Municipal Clerk:					
Salaries & Wages	58,700.00	58,700.00	58,700.00		
Other Expenses	23,000.00	23,000.00	23,000.00		
Financial Administration:					
Salaries & Wages	39,400.00	39,400.00	39,400.00		
Other Expenses	5,000.00	5,000.00	3,422.46	1,577.54	
Audit Services	24,000.00	24,000.00	23,000.00	1,000.00	
Collection of Taxes:					
Salaries & Wages	30,400.00	30,400.00	30,400.00		
Other Expenses	5,100.00	5,100.00	3,734.99	1,365.01	
Assessment of Taxes:					
Other Expenses	22,300.00	22,300.00	22,090.67	209.33	
Legal Services and Costs:					
Other Expenses	45,000.00	45,000.00	43,297.18	1,702.82	
Municipal Court:					
Prosecutor:					
Salaries & Wages	17,400.00	17,400.00	11,000.00	6,400.00	
Engineering Services and Costs:					
Other Expenses	12,000.00	12,000.00	7,630.35	4,369.65	
Economic Development Agency:					
Other Expenses	2,000.00	2,000.00		2,000.00	

BOROUGH OF HAMBURG
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
GENERAL GOVERNMENT (continued):					
Historical Society:					
Other Expenses	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00		
Historical Preservation:					
Salaries & Wages	5,300.00	5,300.00	2,765.29	\$ 2,534.71	
Other Expenses	1,700.00	1,700.00	98.00	1,602.00	
Municipal Land Use Law (N.J.S.A. 40:55D-1):					
Municipal Land Use Board:					
Salaries & Wages	8,400.00	8,400.00	7,507.63	892.37	
Other Expenses (N.J.S.A 40A:4-48)	13,600.00	38,600.00	38,548.90	51.10	
PUBLIC SAFETY FUNCTIONS:					
Police:					
Salaries & Wages	765,000.00	765,000.00	661,362.94	103,637.06	
Other Expenses	75,000.00	75,000.00	64,178.85	10,821.15	
Crossing Guard:					
Salaries & Wages	19,000.00	19,000.00	17,438.46	1,561.54	
Other Expenses	4,000.00	4,000.00	1,800.00	2,200.00	
Office of Emergency Management/"911":					
Salaries & Wages	3,000.00	3,000.00	2,947.20	52.80	
Other Expenses	5,000.00	5,000.00	4,730.80	269.20	
Aid to Volunteer Fire Company	25,500.00	25,500.00	25,296.55	203.45	
Dispatching Agreement:					
Other Expenses	70,700.00	70,700.00	70,629.75	70.25	

BOROUGH OF HAMBURG
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
PUBLIC WORKS FUNCTIONS:					
Streets and Roads:					
Road Repairs and Maintenance:					
Salaries & Wages	\$ 78,000.00	\$ 78,000.00	\$ 78,000.00		
Other Expenses	53,000.00	53,000.00	50,167.38	\$ 2,832.62	
Public Buildings and Grounds:					
Other Expenses	27,000.00	27,000.00	26,989.30	10.70	
HEALTH AND WELFARE FUNCTIONS:					
Board of Health:					
Other Expenses	400.00	400.00	397.72	2.28	
Dog Regulation:					
Other Expenses	7,500.00	7,500.00	6,911.25	588.75	
Contribution to First Aid Squad	13,500.00	13,500.00	13,416.20	83.80	
PARK AND RECREATION FUNCTIONS:					
Recreation and Education:					
Other Expenses	22,500.00	22,500.00	22,500.00		
UTILITIES:					
Utilities	51,500.00	51,500.00	51,500.00		
Electricity	44,000.00	44,000.00	44,000.00		
Telephone	27,000.00	27,000.00	27,000.00		
Gas/Propane	16,000.00	16,000.00	13,470.89	2,529.11	
Gasoline	14,000.00	14,000.00	13,977.95	22.05	
Insurance:					
Other Insurance Premiums	65,000.00	65,000.00	64,936.50	63.50	
Workmen's Compensation Insurance	40,000.00	40,000.00	40,000.00		
Group Insurance for Employees	169,730.00	169,730.00	155,626.32	14,103.68	
Municipal Court:					
Salaries & Wages	69,500.00	69,500.00	64,143.03	5,356.97	
Other Expenses	7,500.00	7,500.00	5,242.17	2,257.83	

BOROUGH OF HAMBURG
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(Continued)

	Appropriations		Budget After Modification	Expended By		Unexpended Balance Cancelled
	Budget			Paid or Charged	Reserved	
Public Defender (P.L. 1997, C.256):	\$	7,200.00	\$	7,200.00		
Other Expenses						
Health and Safety Occupational Act:		550.00		240.00	\$	310.00
Hepatitis B Vaccine						
Construction Code Official:		25,000.00		1,263.00		23,737.00
Other Expenses						
UNCLASSIFIED:						
Street Lighting		36,800.00		28,540.43		8,259.57
Accumulated Leave Compensation		1,000.00		1,000.00		
Total Operations Within "CAPS"		2,095,230.00		1,947,660.03		203,569.97
Detail:						
Salaries & Wages		1,123,150.00		1,002,714.55		120,435.45
Other Expenses		972,080.00		944,945.48		83,134.52
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System		34,000.00		34,000.00		
Social Security System (O.A.S.I.)		87,600.00		78,466.79		9,133.21
Police and Firemen's Retirement System		93,500.00		93,416.00		84.00
Unemployment Compensation Insurance		4,800.00		4,670.22		129.78
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"		219,900.00		210,553.01		9,346.99
Total General Appropriations for Municipal Purposes Within "CAPS"		2,315,130.00		2,158,213.04		212,916.96

BOROUGH OF HAMBURG
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS":					
Group Insurance for Employees	\$ 5,270.00	\$ 5,270.00	\$ 5,270.00		
State and Federal Programs Offset by Revenues:					
Clean Communities Grant					
(N.J.S.A. 40A:4-87 + \$2,133.10)	4,500.00	6,633.10	6,633.10		
Recycling Tonnage Grant	7,481.00	7,481.00	7,481.00		
Donations - EMS -					
(N.J.S.A. 40A:4-87 + \$855.00)		855.00	855.00		
Donations - Fire Department -					
(N.J.S.A. 40A:4-87 + \$11,100.80)		11,110.80	11,110.80		
EMS Freeholder Grant -					
(N.J.S.A. 40A:4-87 + \$4,200.00)		4,200.00	4,200.00		
Body Armor Grant					
(N.J.S.A. 40A:4-87 + \$1,173.55)	1,175.00	2,348.55	2,348.55		
Drunk Driving Enforcement Fund -					
(N.J.S.A. 40A:4-87 + \$1,797.07)		1,797.07	1,797.07		
Shared Service Agreements:					
Emergency Management Services:					
Other Expenses	13,500.00	13,500.00	4,433.37		\$ 9,066.63
Total Operations Excluded from "CAPS"	31,926.00	53,195.52	44,128.89		9,066.63
Detail:					
Other Expenses	31,926.00	53,195.52	44,128.89		9,066.63
Capital Improvements - Excluded from "CAPS":					
Capital Improvement Fund	70,000.00	70,000.00	70,000.00		
Municipal Facilities Improvements	13,650.00	13,650.00	13,474.00	\$ 176.00	
Emergency Management Services Equipment	10,500.00	10,500.00			10,500.00
Total Capital Improvements - Excluded from "CAPS"	94,150.00	94,150.00	83,474.00	176.00	10,500.00

BOROUGH OF HAMBURG
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(Continued)

	Appropriations		Paid or Charged	Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification		Reserved	Reserved	
Municipal Debt Service - Excluded from "CAPS":						
Payment of Bond Anticipation Notes	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00			
Interest on Notes	6,000.00	6,000.00	5,915.28			\$ 84.72
Total Municipal Debt Service - Excluded from "CAPS"	106,000.00	106,000.00	105,915.28			84.72
Deferred Charges - Municipal - Excluded from "CAPS":						
Special Emergency Authorization - 5 Years (N.J.S.A. 40A:4-55)	50,000.00	50,000.00	50,000.00			
Total Deferred Charges - Municipal - Excluded from "CAPS"	50,000.00	50,000.00	50,000.00			
Total General Appropriations - Excluded from "CAPS"	282,076.00	303,345.52	283,518.17	\$ 176.00		19,651.35
Subtotal General Appropriations	2,597,206.00	2,674,475.52	2,441,731.21	213,092.96		19,651.35
Reserve for Uncollected Taxes	420,000.00	420,000.00	420,000.00			
Total General Appropriations	\$ 3,017,206.00	\$ 3,094,475.52	\$ 2,861,731.21	\$ 213,092.96		\$ 19,651.35

Ref. A

BOROUGH OF HAMBURG
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 3,017,206.00	
Emergency Appropriation (N.J.S.A 40A:4-48)		56,000.00	
Additional Appropriations (N.J.S.A. 40A:4-87)		<u>21,269.52</u>	
		<u>\$ 3,094,475.52</u>	
Reserve for Uncollected Taxes			\$ 420,000.00
Reserve for Encumbrances	A		27,252.58
Due to Federal and State Grant Fund			34,425.52
Deferred Charges:			
Special Emergency Authorization			50,000.00
Reserve for:			
Coalition on Affordable Housing			25,000.00
Emergency Servers			31,000.00
Cash Disbursed			<u>2,371,263.50</u>
			2,958,941.60
Less: Refunds			<u>97,210.39</u>
			<u>\$ 2,861,731.21</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF HAMBURG
COUNTY OF SUSSEX
2015
TRUST FUNDS

BOROUGH OF HAMBURG
COMPARATIVE BALANCE SHEET - TRUST FUNDS - REGULATORY BASIS

	Ref.	December 31,	
		2015	2014
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents			
Treasurer	B-1	\$ 7,926.49	\$ 8,717.14
Other Trust Funds:			
Cash and Cash Equivalents	B-1	876,756.97	858,858.93
Due from Current Fund - Open Space	A	4.56	27.84
		<u>876,761.53</u>	<u>858,886.77</u>
<u>TOTAL ASSETS</u>		<u>\$ 884,688.02</u>	<u>\$ 867,603.91</u>
<u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Reserve for Animal Control Expenditures	B-2	\$ 7,926.49	\$ 8,717.14
		<u>7,926.49</u>	<u>8,717.14</u>
Other Trust Funds:			
Reserve for:			
State Unemployment Insurance		28,428.95	27,252.53
Developer's Escrow		299,207.55	302,912.00
Recreation		13,292.84	12,911.96
Open Space Trust		70,563.84	75,871.93
Tax Sale Premium		243,500.00	227,100.00
Public Defender		457.54	10.54
Parking Offenses Adjudication Act		134.52	118.52
Small Cities Block Grant		175,459.21	168,359.21
Junior Police		3,300.45	1,500.45
LEA Fire Safety		42,416.63	42,849.63
		<u>876,761.53</u>	<u>858,886.77</u>
<u>TOTAL LIABILITIES AND RESERVES</u>		<u>\$ 884,688.02</u>	<u>\$ 867,603.91</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF HAMBURG
COUNTY OF SUSSEX
2015
GENERAL CAPITAL FUND

BOROUGH OF HAMBURG
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2015	2014
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 310,515.57	\$ 327,236.19
NJ Department of Transportation Grant Receivable		30,000.00	
Deferred Charges to Future Taxation:			
Unfunded	C-4	277,100.00	377,100.00
<u>TOTAL ASSETS</u>		<u>\$ 617,615.57</u>	<u>\$ 704,336.19</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-7	\$ 277,100.00	\$ 377,100.00
Improvement Authorizations:			
Funded	C-5	156,213.11	62,933.73
Unfunded	C-5	35,359.65	35,359.65
Capital Improvement Fund	C-6	144,653.20	224,653.20
Fund Balance	C-1	4,289.61	4,289.61
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 617,615.57</u>	<u>\$ 704,336.19</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF HAMBURG
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2014	C	<u>\$ 4,289.61</u>
Balance December 31, 2015	C	<u><u>\$ 4,289.61</u></u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF HAMBURG
COUNTY OF SUSSEX
2015
WATER/SEWER UTILITY FUND

BOROUGH OF HAMBURG
WATER/SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2015	2014
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	D-4	\$ 2,143,796.01	\$ 1,947,177.26
Receivable with Full Reserve:			
Consumer Accounts Receivable	D-6	311,061.19	299,656.55
 Total Operating Fund		<u>2,454,857.20</u>	<u>2,246,833.81</u>
Capital Fund:			
Cash and Cash Equivalents	D-4	866,385.35	866,385.35
NJ Environmental Infrastructure Loan Receivable		150,821.00	150,821.00
Fixed Capital	D-7	8,480,534.58	8,361,418.10
Fixed Capital Authorized and Uncompleted	D-8	1,834,000.00	1,834,000.00
 Total Capital Fund		<u>11,331,740.93</u>	<u>11,212,624.45</u>
 <u>TOTAL ASSETS</u>		<u>\$ 13,786,598.13</u>	<u>\$ 13,459,458.26</u>

BOROUGH OF HAMBURG
WATER/SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2015	2014
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	D-3;D-9	\$ 919,600.23	\$ 829,253.65
Encumbered	D-3;D-9	46,103.58	159,106.61
Total Appropriation Reserves		965,703.81	988,360.26
Accrued Interest on Loans		14,245.83	14,245.83
Reserve for Water/Sewer Connection Fees		47,758.75	47,758.75
		1,027,708.39	1,050,364.84
Reserve for Receivables	D	311,061.19	299,656.55
Fund Balance	D-1	1,116,087.62	896,812.42
		2,454,857.20	2,246,833.81
Total Operating Fund			
Capital Fund:			
NJ Environmental Infrastructure Trust Loan Payable	D-14	530,000.00	555,000.00
NJ Environmental Infrastructure Fund Loan Payable	D-14A	311,145.13	345,009.53
Improvement Authorizations:			
Funded	D-10	264,928.51	264,928.51
Unfunded	D-10	410,821.00	410,821.00
Capital Improvement Fund	D-11	700,999.42	700,999.42
Reserve for Amortization	D-12A	8,480,534.58	8,361,418.10
Deferred Reserve for Amortization	D-12	582,033.87	523,169.47
Reserve for Purchase of Equipment		45,000.00	45,000.00
Fund Balance	D-1A	6,278.42	6,278.42
		11,331,740.93	11,212,624.45
Total Capital Fund		11,331,740.93	11,212,624.45
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 13,786,598.13</u>	<u>\$ 13,459,458.26</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF HAMBURG
WATER/SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE - REGULATORY BASIS

	Ref.	<u>Year Ended December 31,</u>	
		<u>2015</u>	<u>2014</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 860,000.00	\$ 860,000.00
Rents		1,548,800.48	1,534,209.49
Miscellaneous Revenue Not Anticipated		46,750.92	58,228.67
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		860,088.20	626,995.44
		<u>3,315,639.60</u>	<u>3,079,433.60</u>
<u>Expenditures</u>			
Budget Expenditures:			
Operating		1,855,000.00	1,815,000.00
Capital Improvements		295,000.00	275,000.00
Debt Service		33,864.40	48,363.05
Deferred Charges and Statutory Expenditures		52,500.00	51,500.00
		<u>2,236,364.40</u>	<u>2,189,863.05</u>
Excess to Fund Balance		1,079,275.20	889,570.55
<u>Fund Balance</u>			
Balance January 1		896,812.42	867,241.87
		<u>1,976,087.62</u>	<u>1,756,812.42</u>
Decreased by:			
Utilized as Anticipated Revenue		860,000.00	860,000.00
Balance December 31	D	<u>\$ 1,116,087.62</u>	<u>\$ 896,812.42</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF HAMBURG
WATER/SEWER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2014	D	\$ <u>6,278.42</u>
Balance December 31, 2015	D	\$ <u><u>6,278.42</u></u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF HAMBURG
WATER/SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	Anticipated	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 860,000.00	\$ 860,000.00	
Water and Sewer Rents	1,376,365.00	1,548,800.48	\$ 172,435.48
Total Anticipated Revenue	2,236,365.00	2,408,800.48	172,435.48
Miscellaneous Revenue Not Anticipated		46,750.92	46,750.92
	\$ 2,236,365.00	\$ 2,455,551.40	219,186.40

Analysis of Miscellaneous Revenue Not Anticipated

Connection Fees	\$ 14,057.34
Interest on Rents	5,154.20
Miscellaneous	18,976.31
	38,187.85
Interest on Investments:	
Earned in Operating Fund	6,394.50
Earned in Capital Fund	2,168.57
	\$ 46,750.92

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF HAMBURG
 WATER/SEWER UTILITY OPERATING FUND
 STATEMENT OF EXPENDITURES - REGULATORY BASIS
 YEAR ENDED DECEMBER 31, 2015

	Appropriations		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operating:					
Salaries and Wages	\$ 450,000.00	\$ 450,000.00	\$ 308,077.62	\$ 141,922.38	
Other Expenses	1,405,000.00	1,405,000.00	865,736.27	539,263.73	
Capital Improvements:					
Capital Outlay	250,000.00	250,000.00	25,568.55	224,431.45	
Purchase of Equipment	45,000.00	45,000.00	35,039.94	9,960.06	
Debt Service:					
Payment of Loan Principal	33,865.00	33,865.00	33,864.40		\$ 0.60
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	26,000.00	26,000.00	25,800.00	200.00	
Social Security System (O.A.S.I.)	23,000.00	23,000.00	19,325.14	3,674.86	
Unemployment Compensation Insurance	3,500.00	3,500.00	3,352.25	147.75	
	<u>\$ 2,236,365.00</u>	<u>\$ 2,236,365.00</u>	<u>\$ 1,316,764.17</u>	<u>\$ 919,600.23</u>	<u>\$ 0.60</u>
			<u>Ref.</u>	<u>D</u>	
			Analysis of Paid or Charged		
			Cash Disbursed	\$ 1,270,660.59	
			Encumbrances Payable	D 46,103.58	
				<u>\$ 1,316,764.17</u>	

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF HAMBURG
COUNTY OF SUSSEX
2015
PUBLIC ASSISTANCE FUND
(NOT APPLICABLE)

BOROUGH OF HAMBURG
COUNTY OF SUSSEX
2015
GENERAL FIXED ASSETS ACCOUNT GROUP

(UNAUDITED)

BOROUGH OF HAMBURG
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
 (UNAUDITED)

	December 31,	
	2015	2014
<u>ASSETS</u>		
Land	\$ 274,700.00	\$ 274,700.00
Buildings	685,007.00	685,007.00
Machinery and Equipment	1,350,629.00	1,350,629.00
 TOTAL ASSETS	 \$ 2,310,336.00	 \$ 2,310,336.00
 <u>RESERVES</u>		
Reserve for General Fixed Assets	\$ 2,310,336.00	\$ 2,310,336.00

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
 ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF HAMBURG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

Note 1: Summary of Significant Accounting Policies

A Reporting Entity

Except as noted below, the financial statements of the Borough of Hamburg include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Hamburg, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Borough of Hamburg do not include the operations of the volunteer fire department and first aid squad.

Governmental Accounting Standards Board ("GASB") Codification Section 2100 "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to resources, and significance) should be included in the financial reporting entities. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

The accounting policies of the Borough of Hamburg conform to the accounting practices applicable to municipalities which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough of Hamburg accounts for its financial transactions through the following separate funds:

Current Fund - Resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

Trust Funds - 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.

Water/Sewer Utility Operating and Capital Funds - Account for the operations and acquisition of capital facilities of the municipally owned Water/Sewer Utility.

General Fixed Assets Account Group (Unaudited) - Estimated value of land, buildings and certain fixed assets of the Borough as discussed in Note 1E.

BOROUGH OF HAMBURG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The more significant accounting policies in New Jersey follow.

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey and for the prepayment of future years' revenue. Grant revenue is realized in the Operating Funds when it is budgeted and in the Capital Funds when improvements are authorized. The amounts recorded as property taxes and consumer accounts receivable have not been included in revenue. Amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund, and Water/Sewer Utility Funds.

Expenditures are charged to operations based on budgeted amounts. Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. 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 cancelled 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.

Had the Borough's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when awarded; inventories would not be reflected as expenditures at the time of purchase; fixed assets purchased by the Water/Sewer Utility Capital Fund would be depreciated and the Borough's net pension liability and related deferred inflows and outflows would be recorded.

The cash basis of accounting is followed in the Trust and the Capital Funds.

BOROUGH OF HAMBURG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

D. Deferred Charges to Future Taxation – The General Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means that debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget, by collecting a grant, by selling bonds, by loans or by capital lease purchase agreements.

E. Other significant accounting policies include:

Management Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments – Investments are stated at cost or amortized cost, which approximates market.

Grants Receivable – Grants receivable represent total grant awards less amounts collected to date. Because the amount of grants funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

Allowance for Uncollectible Accounts – No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Compensated Absences – Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

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.

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

BOROUGH OF HAMBURG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

E. Other significant accounting policies include: (Cont'd)

General Fixed Assets (Unaudited)

General fixed assets are recorded at cost except for land, which is recorded at assessed value. Infrastructure assets are not included in general fixed assets, as per state directive. Major renewals and betterments are charged to the asset accounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided on general fixed assets. The total value recorded for general fixed assets is offset by a "Reserve for General Fixed Assets". When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Assets recorded in the General Fixed Assets Account Group may also be recorded in the Current Fund, the General Capital Fund and the Water/Sewer Utility Fund. The values recorded in the General Fixed Assets Account Group and the Current, General Capital and Water/Sewer Utility Funds may not always agree due to differences in valuation methods, timing of recognition of assets and the recognition of infrastructures. Capital assets are reviewed for impairment.

Property and equipment purchased by the Water/Sewer Utility Fund are recorded in the Water/Sewer Utility Capital Fund at cost and are not adjusted for dispositions and abandonments. The amounts shown do not purport to represent replacement costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization account in the Water/Sewer Utility Capital Fund represents charges to operations for the cost of acquisitions of property, equipment and improvements. The Water/Sewer Utility does not record depreciation on fixed assets.

- F. Budget/Budgetary Control – Annual appropriated budgets are usually prepared in the first quarter for Current operating, utility and Open Space Trust Funds. The budgets are submitted to the governing body and the Division of Local Government Services. Budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the Borough during the year.

BOROUGH OF HAMBURG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 2: Long-Term Debt

The Local Bond Law governs the issuance of bonds to finance general Borough capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds. The Borough's full faith and credit and taxing power has been pledged to the payment of the general obligation debt principal and interest.

Summary of Municipal Debt

	December 31,		
	2015	2014	2013
<u>Issued</u>			
General:			
Bonds and Notes	\$ 277,100	\$ 377,100	\$ 477,100
Water and Sewer Utility:			
Loans and Notes	841,145	900,010	1,031,046
Net Debt Issued	<u>1,118,245</u>	<u>1,277,110</u>	<u>1,508,146</u>
<u>Authorized but not Issued</u>			
Water and Sewer Utility:			
Bonds and Notes	338,650	338,650	338,650
Total Authorized but not Issued	<u>338,650</u>	<u>338,650</u>	<u>338,650</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 1,456,895</u>	<u>\$ 1,615,760</u>	<u>\$ 1,846,796</u>

Footnote: In addition to the Capital Fund debt shown in the above summary, there was Current Fund debt issued as follows:

	<u>Amount</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>
Special Emergency Notes	\$ 150,000	5/19/2015	5/19/2016	1.00%

BOROUGH OF HAMBURG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Municipal Debt Issued and Outstanding – Current and Prior Years

Current Year:	Balance 12/31/2014	Additions	Retirements	Balance 12/31/2015
Bond Anticipation Notes:				
General Capital Fund	\$ 377,100	\$ 277,100	\$ 377,100	\$ 277,100
Loans:				
Water/Sewer Utility Capital Fund	900,010		58,865	841,145
Total	\$ 1,277,110	\$ 277,100	\$ 435,965	\$ 1,118,245
Prior Year:	Balance 12/31/2013	Additions	Retirements	Balance 12/31/2014
Bond Anticipation Notes:				
General Capital Fund	\$ 477,100	\$ 377,100	\$ 477,100	\$ 377,100
Loans:				
Water/Sewer Utility Capital Fund	1,031,046		131,036	900,010
Total	\$ 1,508,146	\$ 377,100	\$ 608,136	\$ 1,277,110

Summary of Statutory Debt Condition – Revised 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 0.103%.

	Gross Debt	Deductions	Net Debt
Local School Debt	\$ 1,190,000	\$ 1,190,000	
Regional High School Debt	3,460,000	3,460,000	
Water and Sewer Utility Debt	1,179,795	1,179,795	
General Debt	277,100		\$ 277,100
	\$ 6,106,895	\$ 5,829,795	\$ 277,100

BOROUGH OF HAMBURG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 2: Long-Term Debt (Cont'd)

Net Debt \$277,100 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$270,005,220 = 0.103%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 9,450,183
Net Debt	<u>277,100</u>
Remaining Borrowing Power	<u>\$ 9,173,083</u>

Calculation of "Self-Liquidating Purpose", Water/Sewer Utility Per N.J.S. 40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 2,455,551
Deductions:	
Operating and Maintenance Costs	\$ 1,907,500
Debt Service	<u>33,865</u>
	<u>1,941,365</u>
Excess in Revenue	<u>\$ 514,186</u>

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

The foregoing information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

Analysis of Debt Issued and Outstanding at December 31, 2015

General Capital Fund - Bond Anticipation Notes

<u>Purpose</u>	<u>Maturities of Notes</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2015</u>
	<u>Outstanding Dec. 31, 2015 Date</u>	<u>Amount</u>		
Improvements to Recreation Fields and the Purchase of Related Equipment	5/19/2016	\$ 110,100	1.00%	\$ 110,100
Purchase of an Ambulance	5/19/2016	167,000	1.00%	<u>167,000</u>
				<u>\$ 277,100</u>

BOROUGH OF HAMBURG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 2: Long-Term Debt (Cont'd)

New Jersey Environmental Infrastructure Trust Loan

In 2010, the Borough of Hamburg entered into a loan agreement with the New Jersey Department of Environmental Protection in the amount of \$666,000 for the Fund Loan portion and \$620,000 for the Trust Loan portion which represents direct obligations of the Borough. The loan agreements were obtained to finance a pump station at Heritage Lake.

At December 31, 2015, the Borough had borrowed or "drawn down" \$860,130 for this project and \$269,083 of the "Fund" loan had been cancelled. The unexpended proceeds of the "Trust" loan will be retired by New Jersey Infrastructure Trust from funds on hand, and the unexpended proceeds of the "Fund" will be reduced from future debt service payments. Principal payments to the Fund commenced on August 1, 2011, and will continue on a semiannual basis over 20 years at zero interest. Principal payments to the "Trust" commenced on February 1, 2012, and will continue on a semiannual basis over 20 years at 5.00% interest. It is expected that interest will be paid from trust bond proceeds on deposit in the capitalized interest account (as defined in the bond resolution transferred to such capitalized interest account. The Borough will nonetheless be responsible for all such interest payments to the extent such trust bond proceeds and interest earnings are not available from the capitalized interest account.

Also, an annual administrative fee of fifteen one hundredths of one percent (.15%) of the initial principal amount of the loan or such lesser amount, if any, as the Trust may approve from time to time is payable on these loans.

Schedule of Annual Debt Service for Principal and Interest for the Next Five Years and Thereafter
for Loans Issued and Outstanding

<u>Year</u>	<u>Fund Loan</u>	<u>Trust Loan</u>		<u>Total</u>
		<u>Principal</u>	<u>Interest</u>	
2016	\$ 33,864.40	\$ 25,000.00	\$ 26,500.00	\$ 85,364.40
2017	33,864.40	25,000.00	25,250.00	84,114.40
2018	33,864.40	25,000.00	24,000.00	82,864.40
2019	33,864.40	30,000.00	22,750.00	86,614.40
2020	33,864.40	30,000.00	21,250.00	85,114.40
2021-2025	141,823.13	175,000.00	82,250.00	399,073.13
2026-2030	_____	220,000.00	34,250.00	254,250.00
	<u>\$ 311,145.13</u>	<u>\$ 530,000.00</u>	<u>\$ 236,250.00</u>	<u>\$ 1,077,395.13</u>

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$1,358,126 at December 31, 2014. The State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$1,529,923 at December 31, 2014. See Note 4 for further information on the PERS and PFRS.

BOROUGH OF HAMBURG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

(Continued)

Note 3: Fund Balances Appropriated

The amount of fund balance at December 31, 2015 included in the 2016 Introduced Current Fund budget for the year ending December 31, 2016 is \$485,500. The amount of surplus at December 31, 2015 included in the 2016 Introduced Water/Sewer Utility budget for the year ending December 31, 2016 is \$870,000.

Note 4: Pension Plans

Borough employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employee's Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to 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 to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to 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 members 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 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

BOROUGH OF HAMBURG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 4: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Borough contributions to PERS amounted to \$59,800 for 2015.

The employee contribution rate was 6.92% effective July 1, 2014 and increased to 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities and Pension Expense

At December 31, 2015, the Borough's liability was \$1,358,126 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the Borough's proportion was 0.0073%, which was an increase of 0.0005% from its proportion measured as of June 30, 2013. The Borough has rolled forward the net pension liability to December 31, 2014 with no adjustments.

For the year ended December 31, 2015, the Borough recognized actual pension expense in the amount of \$59,800.

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	3.01%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

BOROUGH OF HAMBURG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 4: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions (Cont'd)

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.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad U.S. Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

BOROUGH OF HAMBURG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 4: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 5.39% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Borough's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Borough's proportionate share of the collective net pension liability as of December 31, 2014 calculated using the discount rate as disclosed below, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Year Ended December 31, 2014		
	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Borough's Proportionate Share of the Net Pension Liability	\$ 1,708,569	\$ 1,358,126	\$ 1,063,843

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Police and Firemen's Retirement System (PFRS)

Plan Description

The State of New Jersey, State of New Jersey Police and Firemen's Retirement System (PFRS), is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

BOROUGH OF HAMBURG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

(Continued)

Note 4: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Benefits Provided

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

The following represents the membership tiers for PFRS:

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

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual amounts over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of the assets.

Special Funding Situation

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. The June 30, 2014 State special funding situation net pension liability amounts are the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2014 State special funding situation pension expense is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2014. The pension expense is deemed to be a State administrative expense due to the special funding situation. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific funded 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. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer.

BOROUGH OF HAMBURG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 4: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Special Funding Situation (Cont'd)

Borough contributions to PFRS amounted to \$93,416 for the year ended December 31, 2015. During the fiscal year ended June 30, 2014, the State of New Jersey contributed \$6,841 to the PFRS for normal pension benefits on behalf of the Borough, which is less than the contractually required contribution of \$20,874.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

Pension Liabilities and Pension Expense

At December 31, 2015, the Borough's liability for its proportionate share of the net pension liability was \$1,529,923. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the Borough's proportion was 0.0122%, which was an increase of 0.0005% from its proportion measured as of June 30, 2013. The Borough has rolled forward the net pension liability to December 31, 2014 with no adjustments.

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$164,747 as of December 31, 2015. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The State's proportionate share of the net pension liability associated with the Borough was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the State's proportion was 0.0122%, which was a decrease of 0.0005% from its proportion measured as of June 30, 2013 which is the same proportion as the Borough's.

Borough's Proportionate Share of the Net Pension Liability	\$ 1,529,923
State's Proportionate Share of the Net Pension Liability Associated with the Borough	<u>164,747</u>
Total Net Pension Liability	<u><u>\$ 1,694,670</u></u>

For the year ended December 31, 2015, the Borough recognized total pension expense of \$93,416.

BOROUGH OF HAMBURG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 4: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	3.01%
Salary Increases:	
2012-2021	3.95% - 8.62% based on age
Thereafter	4.95% - 9.62% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Males and Females Mortality Tables for Males with adjustments for mortality improvements from the base year of 2011 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2010.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2014 is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad U.S. Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

BOROUGH OF HAMBURG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 4: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 6.32% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2045. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Total Net Pension Liability (including the State's proportionate share of the net pension liability attributable to the Borough) to Changes in the Discount Rate

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Borough) as of December 31, 2014 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Year Ended December 31, 2014		
	1% Decrease (5.32%)	Current Discount Rate (6.32%)	1% Increase (7.32%)
Borough's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Borough	\$ 2,283,786	\$ 1,694,670	\$ 1,207,780

Pension Plan Fiduciary Net Position - PFRS

Detailed information about the PFRS's fiduciary net position is available in the separately issued PFRS financial statements.

Note 5: Local and Regional School Districts Taxes

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the respective school district.

The Borough of Hamburg has elected not to defer school taxes.

BOROUGH OF HAMBURG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 6: Accrued Sick and Vacation Benefits

The Borough permits employees to accrue a limited amount of unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$10,826 at December 31, 2015. This amount is not reported either as an expenditure or a liability. It is expected that the cost of such unpaid compensation would be included in the Borough's budget operating expenditures in the year in which it is used.

Note 7: Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and the imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the prior year may be placed in lien at a tax sale held after April 1 and through December 31. Unpaid taxes of the current year may be placed in lien at a tax sale held after December 10.

Comparative Schedule of Tax Rate Information

	<u>2015</u>	<u>2014*</u>	<u>2013</u>
<u>Tax Rate</u>	\$ 3.704	\$ 3.637	\$ 4.324
<u>Apportionment of Tax Rate</u>			
Municipal	.846	.832	.968
Municipal-Open Space	.002	.002	.003
County	.572	.556	.694
Local School	1.668	1.641	1.913
Regional High School	.616	.606	.746
<u>Assessed Valuations</u>			
2015	<u>\$ 244,812,792</u>		
2014		<u>\$ 244,247,275</u> *	
2013			<u>\$ 205,740,358</u>

* - Revaluation year.

BOROUGH OF HAMBURG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

(Continued)

Note 7: Selected Tax Information (Cont'd)

Comparison of Tax Levies and Collection Currently

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

Year	Tax Levy	Currently	
		Cash Collections	Percentage of Collection
2015	\$ 9,076,490	\$ 8,861,237	97.62%
2014	8,930,640	8,733,067	97.78%
2013	8,938,656	8,582,261	96.01%

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the municipality, such as federal or state aid, should decline without corresponding decreases in budgeted expenditures.

Note 8: Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Borough classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the Borough in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Borough ensures that any deposit or investments matures within the period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Borough limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed on the following pages.

Deposits:

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Municipalities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

BOROUGH OF HAMBURG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 8: Cash and Cash Equivalents (Cont'd)

Deposits: (Cont'd)

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of collected public funds on deposit

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

New Jersey statutes permit the Borough to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund; or

BOROUGH OF HAMBURG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 8: Cash and Cash Equivalents (Cont'd)

Investments: (Cont'd)

- (8) Agreements for the repurchase of fully collateralized securities if:
- (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2015, cash and cash equivalents of the Borough of Hamburg consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>Totals</u>
Current	\$ 370.00	\$ 2,015,364.39	\$ 2,015,734.39
Animal Control		7,926.49	7,926.49
Other Trust		876,756.97	876,756.97
General Capital		310,515.57	310,515.57
Water/Sewer Utility Operating		2,143,796.01	2,143,796.01
Water/Sewer Utility Capital		866,385.35	866,385.35
	<u>\$ 370.00</u>	<u>\$ 6,220,744.78</u>	<u>\$ 6,221,114.78</u>

During the period ended December 31, 2015, the Borough did not hold any investments. The carrying amount of the Borough of Hamburg's cash and cash equivalents at December 31, 2015, was \$6,221,114.78 and the bank balance was \$6,223,114.18.

BOROUGH OF HAMBURG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 9: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2015, the following deferred charge is shown on the balance sheet of the Current Fund:

	<u>Balance Dec 31, 2015</u>	<u>Required 2016 Budget Appropriation</u>	<u>Balance to Succeeding Years' Budgets</u>
Current Fund:			
Special Emergency Appropriation - (N.J.S.A. 40A:4-53)	\$ 150,000	\$ 50,000	\$ 100,000

The appropriation in the 2016 budget is not less than that required by statute.

Note 10: Risk Management

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Health benefits are provided to employees through the State of New Jersey Health Benefits Plan.

The Borough of Hamburg is a member of the Statewide Insurance Fund, (the "Fund"). The Fund provides its members with workers' compensation insurance and surety bond coverage. The Fund is a risk-sharing public entity risk pool that is both an insured and self-administered group of municipalities established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum.

As a member of the Fund, the Borough could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

BOROUGH OF HAMBURG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 10: Risk Management (Cont'd)

The December 31, 2015 audit report of the Statewide Insurance Fund is not filed as of the date of this audit. Selected financial information for the Fund as of December 31, 2014 is as follows:

	<u>Statewide Insurance</u>
Total Assets	\$ 37,339,955
Net Position	\$ 5,177,252
Total Revenue	\$ 25,202,318
Total Expenditures	\$ 27,035,844
Change in Net Position	\$ (1,833,526)
Member Dividends	-0-

Financial statements for the Fund are available at the office of the Fund's Executive Director:

Statewide Insurance Fund
One Sylvan Way
Parsippany, New Jersey 07054

Property and Liability Insurance – The Borough maintains commercial insurance coverage for property, liability and surety bonds.

New Jersey Unemployment Compensation Insurance

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State.

The following is a summary of Borough and employee contributions, interest earned and reimbursements to the State for benefits paid and the ending balance of the Borough's expendable trust fund for the current and previous two years:

<u>Year</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015	\$ 6,943	\$ 17	\$ 5,784	\$ 28,429
2014	8,002	15	6,996	27,253
2013	5,329	22	5,088	26,232

BOROUGH OF HAMBURG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 11: Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2015:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current		\$ 38,391
Federal and State Grant	\$ 38,386	
Other Trust Fund	5	
	<u>\$ 38,391</u>	<u>\$ 38,391</u>

The Borough utilizes the Current Fund as a clearing account for receipts and disbursements of the other funds. The Chief Financial Officer monitors all interfunds for these accounts and liquidates them on a monthly basis. The balances remaining at December 31, 2015, represent activity not liquidated by year end which was subsequently liquidated in 2016.

Note 12: Contingencies

The Borough is periodically involved in various lawsuits arising in the normal course of business, including claims for disputes over contract awards. In the opinion of management, the ultimate outcome of these lawsuits will not have a material adverse effect on the Borough's financial position as of December 31, 2015.

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Borough as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Borough officials expect such amounts, if any, to be immaterial.

Note 13: Economic Dependency

The Borough receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Borough's programs and activities.

Note 14: Open Space Trust Fund

The Borough created an Open Space Trust Fund with a tax levy of \$.003 per \$100 of assessed valuation in 2001. In 2014 the Open Space Trust Fund tax levy was adjusted to \$.002 per \$100 of assessed valuation. The funds collected are used to acquire and maintain open space property in the Borough. The balances of the Open Space Trust Fund at December 31, 2015 and 2014 were \$70,563.84 and \$75,871.93, respectively.

BOROUGH OF HAMBURG

SUPPLEMENTARY DATA

BOROUGH OF HAMBURG
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2015

Name	Title	Amount of Bond	Name of Corporate Surety
Paul Marino	Mayor		
Richard Krasnomowitz	Council President		
Daniel Barr	Councilman		
Mark Sena	Councilman		
Russell Law	Councilman		
John Burd	Councilman		
Ron Garrett	Councilman		
Amy B. Maronpot	Chief Financial Officer; Treasurer	\$ 1,000,000.00	Statewide Insurance Fund
Regina Flammer	Tax Collector; Tax Search Official; Water/Sewer Collector	1,000,000.00	Statewide Insurance Fund
Doreen Schott	Borough Clerk; Registrar; Assessment Search Officer	(a)	
Megan Sena	Administrative Assistant/Accounts Payable Clerk	(a)	
Marguerite Nemeth	Recycling Coordinator	(a)	
Wendy Brick	Secretary - Land Use Board, Historic Preservation	(a)	
Jason Laliker	Tax Assessor - Shared Service Agreement with Lafayette Township	(a)	
JoAnn Coan	Court Administrator; Violations Clerk	(a)	
John Mulhern	Magistrate	(a)	
Kathleen Garrett	Deputy Clerk; DPW Secretary; Recreation Secretary	(a)	
Keith Sukennikoff	Office of Emergency Management	(a)	
Jeff Stabile	Zoning Officer - Shared Service Agreement with Hardyston Township	(a)	
Gerald Kastner	Water/Sewer Operator	(a)	
Richard J. Clemack	Attorney		
Hatch Mott MacDonald	Engineer		
Wayne Yahm	Police Director	(a)	

All bonds were examined and were properly executed

(a) - There is a Public Employees Blanket Bond for \$1,000,000.00 through Statewide Insurance Fund

BOROUGH OF HAMBURG
COUNTY OF SUSSEX
2015
CURRENT FUND

BOROUGH OF HAMBURG
CURRENT FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2014	A	\$ 2,032,193.81
Increased by Receipts:		
Taxes Receivable	\$ 8,917,606.64	
Tax Sale Premiums	95,800.00	
Prepaid Taxes	50,316.75	
Tax Overpayments	8,624.01	
Interest and Costs on Taxes	34,373.56	
Revenue Accounts Receivable	332,639.20	
Due from State of New Jersey:		
Veterans and Senior Citizens' Deductions	33,902.74	
Third Party Liens	469,778.54	
Miscellaneous Revenue Not Anticipated	33,827.31	
Special Emergency Note	150,000.00	
Due to Federal and State Grant Fund:		
Federal and State Grants Receivable	25,769.52	
Appropriation Refunds	97,210.39	
Appropriation Reserve Refunds	2,315.85	
Due to State of New Jersey:		
Marriage License Fees	550.00	
	10,252,714.51	12,284,908.32
Decreased by Disbursements:		
2015 Appropriation Expenditures	2,371,263.50	
2014 Appropriation Reserves	84,081.87	
Local School Taxes	4,084,516.00	
Regional School Taxes	1,508,113.00	
County Taxes	1,401,814.26	
Tax Overpayments Refunded	210.45	
Refund of Third Party Liens	478,236.55	
Special Emergency Note	200,000.00	
Reserve for Coalition on Affordable Housing Litigation	10,455.32	
Due to Other Trust Fund:		
Open Space Tax Levy	7,328.00	
Open Space - Interfund Returned	27.84	
Tax Sale Premiums	95,800.00	
Due from Federal and State Grant Fund:		
Appropriated Reserves	27,222.14	
Due to State of New Jersey:		
Marriage License Fees	525.00	
	10,269,593.93	
Balance December 31, 2015	A	\$ 2,015,314.39

BOROUGH OF HAMBURG
CURRENT FUND
SCHEDULE OF CASH - GRANT FUNDS
YEAR ENDED DECEMBER 31, 2015

NOT APPLICABLE

BOROUGH OF HAMBURG
CURRENT FUND

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance		Collections		Over- Payments Applied	State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance Dec 31, 2015
	Dec 31, 2014	2015 Levy	2014	2015					
2014	\$ 170,463.48		\$ 158,931.56			\$ 250.00	\$ 6,206.13	\$ 5,075.79	
2015		\$ 9,076,490.46	\$ 55,908.55	8,758,675.08	\$ 12,305.50	34,347.94	12,043.05	26,765.10	\$ 176,445.24
	<u>\$ 170,463.48</u>	<u>\$ 9,076,490.46</u>	<u>\$ 55,908.55</u>	<u>\$ 8,917,606.64</u>	<u>\$ 12,305.50</u>	<u>\$ 34,597.94</u>	<u>\$ 18,249.18</u>	<u>\$ 31,840.89</u>	<u>\$ 176,445.24</u>
<u>Ref.</u>	A								
<u>Analysis of 2015 Property Tax Levy</u>									
Tax Yield:									
	General Purpose Tax								
	Added and Omitted Taxes								
					\$ 9,067,865.47				
					8,624.99				
						\$ 9,076,490.46			
Tax Levy:									
	Local School District Taxes								
					4,084,516.00				
	Regional School District Taxes								
					1,508,113.00				
	County Taxes								
			\$ 1,394,478.42						
	Due County for Added and Omitted Taxes								
			1,299.37		1,395,777.79				
					6,988,406.79				
Municipal Open Space Tax Levy									
			7,328.00						
Municipal Open Space Added and Omitted Tax									
			4.56		7,332.56				
Local Tax for Municipal Purposes Levied									
			2,073,006.00						
Additional Taxes Levied									
			7,745.11		2,080,751.11				
						\$ 9,076,490.46			

A

BOROUGH OF HAMBURG
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2014	A	\$ 271,331.02
Increased by:		
Interest and Costs on Tax Sale		\$ 747.25
Transfer from 2014 Taxes Receivable		5,075.79
Transfer from 2015 Taxes Receivable		26,765.10
		<u>32,588.14</u>
Balance December 31, 2015	A	<u>\$ 303,919.16</u>

BOROUGH OF HAMBURG
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec 31, 2014	Accrued In 2015	Received In 2015	Balance Dec 31, 2015
Clerk:				
Licenses:				
Alcoholic Beverage		\$ 1,899.00	\$ 1,899.00	
Municipal Court:				
Fines and Costs	\$ 6,841.51	44,795.31	49,076.20	\$ 2,560.62
Energy Receipts Taxes		211,721.00	211,721.00	
Consolidated Municipal Property				
Tax Relief Program		14,203.00	14,203.00	
Shared Services Agreement:				
Fire Department		24,000.00	24,000.00	
Rental of Cell Tower		31,740.00	31,740.00	
	<u>\$ 6,841.51</u>	<u>\$ 328,358.31</u>	<u>\$ 332,639.20</u>	<u>\$ 2,560.62</u>
	A			A

BOROUGH OF HAMBURG
CURRENT FUND
SCHEDULE OF 2014 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2015

	<u>Balance</u> <u>Dec 31, 2014</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
GENERAL GOVERNMENT:				
Administrative & Executive:				
Other Expenses	\$ 2,326.50	\$ 2,326.50	\$ 1,831.99	\$ 494.51
Municipal Clerk:				
Other Expenses	1,193.19	1,193.19	1,193.19	
Financial Administration:				
Other Expenses	4,409.55	3,009.55	1,380.98	1,628.57
Collection of Taxes:				
Other Expenses	1,013.00	1,013.00	1,013.00	
Assessment of Taxes:				
Other Expenses	761.38	761.38	162.72	598.66
Legal Services:				
Other Expenses	331.71	6,031.71	5,994.06	37.65
Municipal Court:				
Prosecutor:				
Salaries & Wages	5,357.22	5,357.22	916.66	4,440.56
Engineering Services & Costs:				
Other Expenses	6,659.23	2,359.23	708.03	1,651.20
Economic Development Agency:				
Other Expenses	2,000.00	2,000.00		2,000.00
Historical Preservation:				
Salaries & Wages	1,892.72	1,892.72		1,892.72
Other Expenses	1,022.90	1,022.90		1,022.90
Municipal Land Use Law (N.J.S.A. 40:55D-1):				
Municipal Land Use Board:				
Salaries & Wages	2,446.16	2,446.16		2,446.16
Other Expenses	6,886.02	6,886.02	505.10	6,380.92
PUBLIC SAFETY FUNCTIONS:				
Police:				
Salaries & Wages	120,464.51	120,464.51	265.40	120,199.11
Other Expenses	9,750.29	9,750.29	5,392.59	4,357.70
Crossing Guards:				
Salaries & Wages	978.02	978.02		978.02
Other Expenses	2,200.00	2,200.00		2,200.00
Office of Emergency Management/"9-1-1":				
Salaries & Wages	738.72	738.72		738.72
Other Expenses	2,510.21	2,510.21	2,044.49	465.72
Aid to Volunteer Fire Companies	9,198.33	9,198.33	9,106.93	91.40
Dispatching Agreement:				
Other Expenses	0.15	0.15		0.15
Fire Inspections:				
Other Expenses	3,000.00	3,000.00		3,000.00

BOROUGH OF HAMBURG
CURRENT FUND
SCHEDULE OF 2014 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2015

(Continued)

	Balance Dec 31, 2014	Balance After Modification	Paid or Charged	Balance Lapsed
PUBLIC WORKS FUNCTIONS:				
Road Repairs & Maintenance:				
Other Expenses	\$ 20,921.05	\$ 20,921.05	\$ 3,979.98	\$ 16,941.07
Public Buildings and Grounds:				
Other Expenses	1,535.55	1,535.55		1,535.55
HEALTH AND WELFARE FUNCTION:				
Board of Health:				
Other Expenses	0.80	0.80		0.80
Contribution to First Aid Squad	5,695.88	5,695.88	808.65	4,887.23
UTILITIES:				
Utilities	5,403.60	5,403.60	936.28	4,467.32
Gas/Propane	978.13	978.13	957.53	20.60
Insurance:				
Group Insurance for Employees	2,286.81	2,286.81		2,286.81
Municipal Court:				
Salaries & Wages	4,594.93	4,594.93		4,594.93
Other Expenses	1,556.55	1,556.55	461.49	1,095.06
Health and Safety Occupational Act:				
Hepatitis B Vaccine	550.00	550.00		550.00
Construction Code Official:				
Other Expenses	25,000.00	25,000.00	21,289.00	3,711.00
UNCLASSIFIED:				
Street Lighting	2,732.74	2,732.74	2,544.95	187.79
Statutory Expenditures:				
Contributions to:				
Public Employee's Retirement System	7,635.00	7,635.00		7,635.00
Social Security System (O.A.S.I.)	13,799.63	13,799.63		13,799.63
Police & Firemen's Retirement Fund	4.00	4.00		4.00
Unemployment Compensation Insurance	8.99	8.99		8.99
Capital Improvements:				
Municipal Facilities Improvement	20,273.00	20,273.00	20,273.00	
	<u>\$ 298,116.47</u>	<u>\$ 298,116.47</u>	<u>\$ 81,766.02</u>	<u>\$ 216,350.45</u>
 <u>Balance December 31, 2014</u>				
	<u>Ref.</u>			
Encumbered	A	\$ 91,498.31		
Unencumbered	A	206,618.16		
		<u>\$ 298,116.47</u>		
		Cash Disbursed	\$ 84,081.87	
		Appropriation Reserve Refunds	(2,315.85)	
			<u>\$ 81,766.02</u>	

BOROUGH OF HAMBURG
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2015

Increased by:		
Levy - Calendar Year 2015	\$	4,084,516.00
Decreased by:		
Payments to Local School District	\$	<u>4,084,516.00</u>

BOROUGH OF HAMBURG
CURRENT FUND
SCHEDULE OF REGIONAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2015

Increased by:		
Levy - Calendar Year 2015	\$	1,508,113.00
Decreased by:		
Payments to Regional School District	\$	<u>1,508,113.00</u>

BOROUGH OF HAMBURG
FEDERAL AND STATE GRANT FUND
SCHEDULE OF GRANTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2015

Grant	Balance Dec 31, 2014	2015 Realized Revenue	2015 Receipts	Canceled to Current Fund Operations	Transferred from Unappropriated Reserve
Clean Communities Program		\$ 6,633.10	\$ 6,633.10		
Body Armor Fund	\$ 124.35	2,348.55	1,173.55	\$ 0.19	\$ 1,299.16
EMS Freeholder Grant		5,055.00	5,055.00		
Drunk Driving Enforcement Fund		1,797.07	1,797.07		
Fire Department Donations Grant		11,110.80	11,110.80		
Recycling Tonnage Grant		7,481.00			7,481.00
	<u>\$ 124.35</u>	<u>\$ 34,425.52</u>	<u>\$ 25,769.52</u>	<u>\$ 0.19</u>	<u>\$ 8,780.16</u>

Ref. A

BOROUGH OF HAMBURG
FEDERAL AND STATE GRANT FUND
SCHEDULE OF UNAPPROPRIATED RESERVES
YEAR ENDED DECEMBER 31, 2015

<u>Grant</u>	<u>Balance Dec 31, 2014</u>	<u>Transferred to Grants Receivable</u>	<u>Cancelled</u>
Body Armor Replacement Fund	\$ 1,299.16	\$ 1,299.16	
Recycling Tonnage Grant	7,481.17	7,481.00	\$ 0.17
	<u>\$ 8,780.33</u>	<u>\$ 8,780.16</u>	<u>\$ 0.17</u>

Ref. A

BOROUGH OF HAMBURG
FEDERAL AND STATE GRANT FUND
SCHEDULE OF APPROPRIATED RESERVES

	Balance Dec 31, 2014	Transferred From 2015 Budget Appropriation	Paid or Charged	Balance Dec 31, 2015
Clean Communities Program	\$ 3,984.58	\$ 6,633.10	\$ 8,311.21	\$ 2,306.47
Body Armor Fund	1,372.57	2,348.55		3,721.12
Recycling Tonnage Grant	5,146.20	7,481.00	5,868.70	6,758.50
Drunk Driving Enforcement Fund	2,801.07	1,797.07	1,666.43	2,931.71
EMS Freeholder Grant	7,726.78	5,055.00	265.00	12,516.78
Fire Department Donations Grant	9,552.39	11,110.80	11,110.80	9,552.39
Municipal Stormwater Regulation Program	599.00			599.00
Over the Limit Under Arrest				
	<u>\$ 31,182.59</u>	<u>\$ 34,425.52</u>	<u>\$ 27,222.14</u>	<u>\$ 38,385.97</u>

Ref.

A

A

BOROUGH OF HAMBURG
COUNTY OF SUSSEX
2015
TRUST FUNDS

BOROUGH OF HAMBURG
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

		<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
<u>Ref.</u>			
Balance December 31, 2014	B	\$ 8,717.14	\$ 858,858.93
Increased by Receipts:			
Borough Dog License Fees		\$ 3,360.00	
State Dog License Fees		738.00	
Borough Cat License Fees		1,350.80	
Penalties on Dog License Fees		1,164.80	
Interest Due Current Fund			\$ 460.54
Unemployment Insurance Deposits			6,960.86
Developer's Escrow			11,174.29
Recreation Deposits			13,191.00
Open Space Trust:			
Due from Current Fund			7,355.84
Interest on Deposits			57.56
Tax Sale Premium			95,800.00
Public Defender			3,147.00
Parking Offense Adjudication Act Receipts			16.00
Small Cities Block Grant			7,100.00
Junior Police			1,800.00
		<u>6,613.60</u>	<u>147,063.09</u>
		15,330.74	1,005,922.02
Decreased by Disbursements:			
Due to State of New Jersey Board of Health		738.00	
Administrative Expenses (R.S. 4:19-15.11)		6,666.25	
Due Current Fund:			
Current Year Interest			460.54
Unemployment Insurance Expenditures			5,784.44
Developer's Escrow			14,878.74
Recreation Expenditures			12,810.12
Tax Sale Premiums			79,400.00
Public Defender			2,700.00
Open Space Trust			12,698.21
LEA Fire Safety			433.00
		<u>7,404.25</u>	<u>129,165.05</u>
Balance December 31, 2015	B	<u>\$ 7,926.49</u>	<u>\$ 876,756.97</u>

BOROUGH OF HAMBURG
ANIMAL CONTROL FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>		
Balance December 31, 2014	B		\$ 8,717.14
Increased by:			
Dog License Fees Collected		\$ 3,360.00	
Cat License Fees Collected		1,350.80	
Penalties		<u>1,164.80</u>	
			<u>5,875.60</u>
			14,592.74
Decreased by:			
Expenditures Under R.S. 4:19-15.11			<u>6,666.25</u>
Balance December 31, 2015	B		<u><u>\$ 7,926.49</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2013	\$ 4,880.40
2014	<u>4,682.85</u>
Maximum Allowable Reserve	<u><u>\$ 9,563.25</u></u>

BOROUGH OF HAMBURG
COUNTY OF SUSSEX
2015
GENERAL CAPITAL FUND

BOROUGH OF HAMBURG
GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2014	C	\$ 327,236.19
Increased by:		
2015 Budget Appropriations:		
Capital Improvement Fund	\$ 70,000.00	
Deferred Charges to Future Taxation Unfunded	100,000.00	
Due to/from Current Fund:		
Interest Earned	897.32	
Bond Anticipation Notes Issued	277,100.00	
New Jersey Department of Transportation Grant Receivable	90,000.00	
		537,997.32
		865,233.51
Decreased by:		
Due to Current Fund:		
Interest Earned	897.32	
Bond Anticipation Notes Matured	377,100.00	
Improvement Authorization Expenditures	176,720.62	
		554,717.94
Balance December 31, 2015	C	\$ 310,515.57

BOROUGH OF HAMBURG
GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ord. No.	Improvement Description	Balance Dec 31, 2014	Funded by Budget Appropriation	Balance Dec 31, 2015	Analysis of Balance December 31, 2015	
					Bond Anticipation Notes	Unexpended Improvement Authorizations
12-2007	Improvements to Recreation Fields and the Purchase of Related Equipment	\$ 210,100.00	\$ 100,000.00	\$ 110,100.00	\$ 110,100.00	
01-2013	Purchase of an Ambulance	167,000.00		167,000.00	167,000.00	
		<u>\$ 377,100.00</u>	<u>\$ 100,000.00</u>	<u>\$ 277,100.00</u>	<u>\$ 277,100.00</u>	<u>\$ -0-</u>
		Ref.	C	C		
Improvement Authorizations - Unfunded						
Less: Unexpended Proceeds of Bond Anticipation Notes Issued:						
	Ordinance 12/03/07 (Improvements to Recreation Fields and the Purchase of Related Equipment)				\$ 10,481.51	
	Ordinance 03/14/13 (Purchase of Ambulance)				24,878.14	
					<u>35,359.65</u>	
					\$ -0-	

BOROUGH OF HAMBURG
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Improvement Description	Ordinance Date	Ordinance Amount	Balance December 31, 2014		2015 Authorizations		Balance December 31, 2015	
				Funded	Unfunded	Capital Improvement Fund	New Jersey Department of Transportation Grant	Paid or Charged	Funded
06-03; 11-07	Resurfacing of Various Roads and the Acquisition of Vehicles and Equipment for the Road and Fire Departments	10/06/03; 12/03/07	\$ 900,000.00	\$ 61,886.18				\$ 60,200.00	\$ 1,686.18
12-07	Improvements to Recreation Fields and the Purchase of Related Equipment	12/03/07	750,000.00		\$ 10,481.51				\$ 10,481.51
11-11	Various Road Improvements	07/16/11	225,000.00	1,047.55					1,047.55
01-13	Purchase of an Ambulance	03/04/13	176,000.00						24,878.14
05-15	Various Road Improvements	08/03/15	270,000.00			\$ 150,000.00	\$ 120,000.00	116,520.62	153,479.38
				\$ 62,933.73	\$ 35,359.65	\$ 150,000.00	\$ 120,000.00	\$ 176,720.62	\$ 156,213.11
			Ref.	C	C	C	C	C	C

BOROUGH OF HAMBURG
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2014	C	\$ 224,653.20
Increased by:		
Current Fund Budget Appropriation		<u>70,000.00</u>
		294,653.20
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>150,000.00</u>
Balance December 31, 2015	C	<u><u>\$ 144,653.20</u></u>

BOROUGH OF HAMBURG
GENERAL CAPITAL
SCHEDULE OF SERIAL BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2015

NOT APPLICABLE

BOROUGH OF HAMBURG
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2015

NOT APPLICABLE

BOROUGH OF HAMBURG
COUNTY OF SUSSEX
2015
WATER/SEWER UTILITY FUND

BOROUGH OF HAMBURG
WATER/SEWER UTILITY FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2014	D	\$ 1,947,177.26	\$ 866,385.35
Increased by Receipts:			
Consumer Accounts Receivable		\$ 1,548,800.48	
Miscellaneous Revenue Not Anticipated		38,187.85	
Interest on Investments		6,394.50	
Due from Water/Sewer Utility Capital Fund:			
Interest on Investments		2,168.57	
Due to Water/Sewer Utility Operating Fund:			
Interest on Investments		1,595,551.40	2,168.57
		<u>3,542,728.66</u>	<u>868,553.92</u>
Decreased by Disbursements:			
2015 Budget Appropriations		1,270,660.59	
2014 Appropriation Reserves		128,272.06	
Due to Water/Sewer Utility Operating Fund:			
Interest on Investments			2,168.57
		<u>1,398,932.65</u>	<u>2,168.57</u>
Balance December 31, 2015	D	<u>\$ 2,143,796.01</u>	<u>\$ 866,385.35</u>

BOROUGH OF HAMBURG
WATER/SEWER UTILITY OPERATING FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2015

NOT APPLICABLE

BOROUGH OF HAMBURG
WATER/SEWER UTILITY CAPITAL FUND
ANALYSIS OF CAPITAL CASH

	Balance/ (Deficit) Dec 31, 2014	Receipts Miscellaneous	Disbursements Miscellaneous	Balance/ (Deficit) Dec 31, 2015
Fund Balance	\$ 6,278.42			\$ 6,278.42
Capital Improvement Fund	700,999.42			700,999.42
Wastewater Treatment Loan Receivable	(150,821.00)			(150,821.00)
Due to Water/Sewer Utility Operating Fund		\$ 2,168.57	\$ 2,168.57	
Reserve for Purchase of Equipment	45,000.00			45,000.00
<u>Ord</u>				
<u>Number</u>	<u>Improvement Description</u>			
11-09	229,048.96			229,048.96
12-11	35,879.55			35,879.55
	\$ 866,385.35	\$ 2,168.57	\$ 2,168.57	\$ 866,385.35

BOROUGH OF HAMBURG
WATER/SEWER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2014	D	\$ 299,656.55
Increased by:		
Water Rents Levied		<u>1,560,205.12</u>
		1,859,861.67
Decreased by:		
Collections		<u>1,548,800.48</u>
Balance December 31, 2015	D	<u><u>\$ 311,061.19</u></u>

BOROUGH OF HAMBURG
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL

	Balance Dec 31, 2014	Additions By Budget <u>Capital Outlay</u>	Balance Dec 31, 2015
Wells	\$ 313,831.00		\$ 313,831.00
Engineering	2,700.00		2,700.00
Legal	1,018.00		1,018.00
Pump House and Pumps	291,663.00		291,663.00
Sewer System and Extensions	4,504,491.00		4,504,491.00
Water Tank and Foundation	34,373.00		34,373.00
Purification	402.00		402.00
Tank Renovation	54,276.00		54,276.00
Land	20,000.00		20,000.00
Construction of First Aid Squad Building	150,000.00		150,000.00
Hydrants and Extensions	2,658.00		2,658.00
Distribution Mains and Accessories	202,071.08		202,071.08
General Equipment and Other Costs	1,466,012.00	\$ 119,116.48	1,585,128.48
Meters	23,327.00		23,327.00
Purchase of Truck	44,800.00		44,800.00
Water System Improvements	1,249,796.02		1,249,796.02
	<u>\$ 8,361,418.10</u>	<u>\$ 119,116.48</u>	<u>\$ 8,480,534.58</u>
<u>Ref.</u>	D		D
Budget Appropriations		\$ 25,568.55	
Appropriation Reserves		<u>93,547.93</u>	
		<u>\$ 119,116.48</u>	

BOROUGH OF HAMBURG
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

Improvement Description	Ordinance		Balance	Balance
	Date	Amount	Dec 31, 2014	Dec 31, 2015
Pump Station - Heritage Lake	9/9/2009	\$ 1,500,000.00	\$ 1,500,000.00	\$ 1,500,000.00
Water Main Replacement	7/6/2011;	200,000.00		
	2/4/2013	134,000.00	334,000.00	334,000.00
			<u>\$ 1,834,000.00</u>	<u>\$ 1,834,000.00</u>
		<u>Ref.</u>	D	D

BOROUGH OF HAMBURG
WATER/SEWER UTILITY OPERATING FUND
SCHEDULE OF 2014 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2015

	<u>Balance</u> <u>Dec 31, 2014</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:				
Salaries and Wages	\$ 149,104.30	\$ 149,104.30		\$ 149,104.30
Other Expenses	559,190.94	559,190.94	\$ 34,724.13	524,466.81
Capital Improvements:				
Capital Outlay	241,140.70	241,140.70	93,547.93	147,592.77
Purchase of Equipment	25,000.00	25,000.00		25,000.00
Statutory Expenditures:				
Contribution to:				
P.E.R.S.	10,000.00	10,000.00		10,000.00
Social Security System (O.A.S.I.)	3,656.67	3,656.67		3,656.67
Unemployment Insurance	267.65	267.65		267.65
	<u>\$ 988,360.26</u>	<u>\$ 988,360.26</u>	<u>\$ 128,272.06</u>	<u>\$ 860,088.20</u>

Ref.

Balance December 31, 2014

Unencumbered	D	\$ 829,253.65
Encumbered	D	159,106.61
		<u>\$ 988,360.26</u>

BOROUGH OF HAMBURG
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Improvement Description	Ordinance Date	Ordinance Amount	Balance Dec. 31, 2014		Balance Dec. 31, 2015	
				Funded	Unfunded	Funded	Unfunded
11-09	Pump Station - Heritage Lake	9/9/2009	\$ 1,500,000.00	\$ 229,048.96	\$ 410,821.00	\$ 229,048.96	\$ 410,821.00
12-11;		7/6/2011;	200,000.00				
13-02	Water Main Replacement	2/4/2013	134,000.00	35,879.55		35,879.55	
				\$ 264,928.51	\$ 410,821.00	\$ 264,928.51	\$ 410,821.00

Ref.

D

D

D

D

D

D

D

D

D

BOROUGH OF HAMBURG
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2014	D	<u>\$ 700,999.42</u>
Balance December 31, 2015	D	<u>\$ 700,999.42</u>

BOROUGH OF HAMBURG
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF RESERVE FOR AMORTIZATION

	<u>Ref.</u>	
Balance December 31, 2014	D	\$ 8,361,418.10
Increased by:		
Additions by Budget - Capital Outlay		<u>119,116.48</u>
Balance December 31, 2015	D	<u>\$ 8,480,534.58</u>

BOROUGH OF HAMBURG
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

<u>Improvement Description</u>	<u>Ordinance Number</u>	<u>Balance Dec 31, 2014</u>	<u>Paid From Operating Budget- Loan Principal Payments</u>	<u>Balance Dec 31, 2015</u>
Pump Station - Heritage Lake	11-09	\$ 189,169.47	\$ 58,864.40	\$ 248,033.87
Water Main Replacement	12-11	334,000.00		334,000.00
		<u>\$ 523,169.47</u>	<u>\$ 58,864.40</u>	<u>\$ 582,033.87</u>
	<u>Ref.</u>	D		D

BOROUGH OF HAMBURG
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2015

NOT APPLICABLE

BOROUGH OF HAMBURG
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
LOANS PAYABLE

	<u>Ref.</u>	
Balance December 31, 2014	D	\$ 555,000.00
Decreased by:		
Principal Matured		25,000.00
Balance December 31, 2015	D	\$ 530,000.00

Schedule of Principal and Interest Payments Outstanding December 31, 2015

<u>Payment Date</u>	<u>Other Fees</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance of Loan</u>
				\$ 530,000.00
2/1/2016	\$ 930.00	\$ 13,250.00		530,000.00
8/1/2016	930.00	13,250.00	\$ 25,000.00	505,000.00
2/1/2017	930.00	12,625.00		505,000.00
8/1/2017	930.00	12,625.00	25,000.00	480,000.00
2/1/2018	930.00	12,000.00		480,000.00
8/1/2018	930.00	12,000.00	25,000.00	455,000.00
2/1/2019	930.00	11,375.00		455,000.00
8/1/2019	930.00	11,375.00	30,000.00	425,000.00
2/1/2020	930.00	10,625.00		425,000.00
8/1/2020	930.00	10,625.00	30,000.00	395,000.00
2/1/2021	930.00	9,875.00		395,000.00
8/1/2021	930.00	9,875.00	30,000.00	365,000.00
2/1/2022	930.00	9,125.00		365,000.00
8/1/2022	930.00	9,125.00	35,000.00	330,000.00
2/1/2023	930.00	8,250.00		330,000.00
8/1/2023	930.00	8,250.00	35,000.00	295,000.00
2/1/2024	930.00	7,375.00		295,000.00
8/1/2024	930.00	7,375.00	35,000.00	260,000.00
2/1/2025	930.00	6,500.00		260,000.00
8/1/2025	930.00	6,500.00	40,000.00	220,000.00
2/1/2026	930.00	5,500.00		220,000.00
8/1/2026	930.00	5,500.00	40,000.00	180,000.00

BOROUGH OF HAMBURG
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
LOANS PAYABLE
(Continued)

Schedule of Principal and Interest Payments Outstanding December 31, 2015 (Cont'd)

<u>Payment Date</u>	<u>Other Fees</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance of Loan</u>
2/1/2027	\$ 930.00	\$ 4,500.00		\$ 180,000.00
8/1/2027	930.00	4,500.00	\$ 40,000.00	140,000.00
2/1/2028	930.00	3,500.00		140,000.00
8/1/2028	930.00	3,500.00	45,000.00	95,000.00
2/1/2029	930.00	2,375.00		95,000.00
8/1/2029	930.00	2,375.00	45,000.00	50,000.00
2/1/2030	930.00	1,250.00		50,000.00
8/1/2030	930.00	1,250.00	50,000.00	-0-
		<u>\$ 197,125.00</u>	<u>\$ 530,000.00</u>	

BOROUGH OF HAMBURG
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE FUND
LOANS PAYABLE

	<u>Ref.</u>	
Balance December 31, 2014	D	\$ 345,009.53
Decreased by:		
Principal Matured		<u>33,864.40</u>
Balance December 31, 2015	D	<u><u>\$ 311,145.13</u></u>

Schedule of Principal Payments Outstanding December 31, 2015

<u>Payment Date</u>	<u>Principal</u>	<u>Balance of Loan</u>
		\$ 311,145.13
2/1/2016	\$ 11,288.13	299,857.00
8/1/2016	22,576.27	277,280.73
2/1/2017	11,288.13	265,992.60
8/1/2017	22,576.27	243,416.33
2/1/2018	11,288.13	232,128.20
8/1/2018	22,576.27	209,551.93
2/1/2019	11,288.13	198,263.80
8/1/2019	22,576.27	175,687.53
2/1/2020	11,288.13	164,399.40
8/1/2020	22,576.27	141,823.13
2/1/2021	11,288.13	130,535.00
8/1/2021	22,576.27	107,958.73
2/1/2022	11,288.13	96,670.60
8/1/2022	22,576.27	74,094.33
2/1/2023	11,288.13	62,806.20
8/1/2023	22,576.27	40,229.93
2/1/2024	11,288.13	28,941.80
8/1/2024	22,576.27	6,365.53
2/1/2025	<u>6,365.53</u>	-0-
	<u><u>\$ 311,145.13</u></u>	

BOROUGH OF HAMBURG
WATER /SEWER UTILITY CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Improvement Description</u>	<u>Ordinance Number</u>	<u>Balance Dec 31, 2014</u>	<u>Balance Dec 31, 2015</u>
Pump Station - Heritage Lake	11-09	\$ 338,649.60	\$ 338,649.60
		<u>\$ 338,649.60</u>	<u>\$ 338,649.60</u>

BOROUGH OF HAMBURG
COUNTY OF SUSSEX
2015
PUBLIC ASSISTANCE FUND
(NOT APPLICABLE)

BOROUGH OF HAMBURG

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2015

BOROUGH OF HAMBURG
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2015

Name of Federal Agency or Department	Name of Program	C.F.D.A Account Number	Pass Through Entity ID	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Expenditures	Amounts Provided to Subrecipients
				From	To					
U.S. Department of Transportation (Passed through New Jersey Department of Transportation)	New Jersey Transportation Trust Fund Authority Act - Various Road Improvements	20.205	15-480-078-6520	01/01/15	12/31/16	\$ 120,000.00	\$ 90,000.00	\$ -0-	\$ -0-	\$ -0-
							90,000.00	\$ -0-	\$ -0-	\$ -0-
Total U.S. Department of Transportation							\$ 90,000.00	\$ -0-	\$ -0-	\$ -0-
Total Federal Awards							\$ 90,000.00	\$ -0-	\$ -0-	\$ -0-

BOROUGH OF HAMBURG
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2015

Name of State Agency or Department	Name of Program	State Grant Account Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Expenditures
			From	To				
Department of Environmental Protection	Clean Communities	765-042-4900-	01/01/14	12/31/15	\$ 5,456.42	\$ 6,633.10	\$ 3,984.58	\$ 5,456.42
		004-VCMC	01/01/15	12/31/16	6,633.10	4,326.63	4,326.63	
	Total Clean Communities				6,633.10	8,311.21	9,783.05	
	Recycling Tonnage Grant	752-042-4900-	01/01/13	12/31/15	4,362.54		4,362.54	
		001-V42Y	01/01/14	12/31/16	7,481.17		1,506.16	
	Total Recycling Tonnage Grant					5,868.70	5,868.70	
Total Department of Environmental Protection						6,633.10	14,179.91	15,651.75
Department of Law and Public Safety	Body Armor Grant	718-066-1020-	01/01/14	12/31/16	1,173.55	1,173.55		
		001-6120						
	Drunk Driving Enforcement Fund	100-078-6400-	01/01/13	12/31/15	4,190.82		1,000.34	4,190.82
		260-YYYY	01/01/14	12/31/16	1,800.73		666.09	666.09
			01/01/15	12/31/16	1,797.07	1,797.07		
	Total Drunk Driving Enforcement Fund				1,797.07	1,666.43	4,856.91	
Total Department of Law and Public Safety					2,970.62	1,666.43	4,856.91	
Total State Awards					\$ 9,603.72	\$ 15,846.34	\$ 20,508.66	

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF HAMBURG
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 YEAR ENDED DECEMBER 31, 2015

Name of State Agency or Department	Name of Program	State Grant Account Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Expenditures
			From	To				
Department of Environmental Protection	Clean Communities	765-042-4900-004-VCMC	01/01/14	12/31/15	\$ 5,456.42	\$ 6,633.10	\$ 3,984.58	\$ 5,456.42
			01/01/15	12/31/16	6,633.10		4,326.63	4,326.63
	Total Clean Communities					6,633.10	8,311.21	9,783.05
Department of Environmental Protection	Recycling Tonnage Grant	752-042-4900-001-V42Y	01/01/13	12/31/14	4,362.54		4,362.54	4,362.54
			01/01/14	12/31/16	7,481.17		1,506.16	1,506.16
	Total Recycling Tonnage Grant						5,868.70	5,868.70
Total Department of Environmental Protection					6,633.10	14,179.91	15,651.75	
Department of Law and Public Safety	Body Armor Grant	718-066-1020-001-6120	01/01/14	12/31/16	1,173.55	1,173.55		
	Drunk Driving Enforcement Fund	100-078-6400-260-YYYY	01/01/13	12/31/15	4,190.82		1,000.34	4,190.82
			01/01/14	12/31/16	1,800.73		666.09	666.09
			01/01/15	12/31/16	1,797.07	1,797.07		
Total Drunk Driving Enforcement Fund					1,797.07	1,666.43	4,856.91	
Total Department of Law and Public Safety					2,970.62	1,666.43	4,856.91	
Total State Awards					\$ 9,603.72	\$ 15,846.34	\$ 20,508.66	

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF HAMBURG
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2015

Note 1. Basis of Presentation

The accompanying schedules of expenditures of federal and state awards (the "Schedules") includes the federal and state grant activity of the Borough of Hamburg under programs of the federal and state governments for the year ended December 31, 2015. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Borough, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Borough.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available. The Borough has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Relationship to Federal and State Financial Reports

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

Note 4: Loans Payable

At December 31, 2015, the Borough had \$841,145 of New Jersey Environmental Infrastructure Loans Payable outstanding which is recorded in the Water/Sewer Utility Capital Fund.

Currently, the Borough is in the process of repaying the New Jersey Environmental Infrastructure loan balances. The Borough had no loan receipts or expenditures related to the loan in the current year.

Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Honorable Mayor and Members
of the Borough Committee
Borough of Hamburg
Hamburg, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements - *regulatory basis* - of the various funds of the Borough of Hamburg, in the County of Sussex (the "Borough") as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated March 29, 2016. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. That qualified report also indicated that we did not audit the general fixed assets account group.

Internal Control Over Financial Reporting

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

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

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Findings 2015-01 and 2015-02, which we consider to be significant deficiencies.

Compliance and Other Matters

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

The Borough's Responses to the Findings

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

Purpose of this Report

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

Mount Arlington, New Jersey
March 29, 2016

NISIVOCCIA LLP

William F. Schroeder
Certified Public Accountant
Registered Municipal Accountant No. 452

BOROUGH OF HAMBURG
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2015

Summary of Auditors' Results:

- The Independent Auditors' Report expresses a qualified opinion on the Borough's financial statements, prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as the general fixed assets account group was not audited.
- Significant deficiencies disclosed during the audit of the financial statements are reported in the *Independent Auditors' 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*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Borough which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
- The Borough was not subject to the single audit provisions of Uniform Guidance and New Jersey's OMB Circular 15-08 for the year ended December 31, 2015 as both federal and state grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and NJOMB 15-08.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit disclosed the following significant deficiencies required to be reported under Generally Accepted Government Auditing Standards:

Finding 2015-01

The Borough does not maintain an adequate segregation of duties with respect to the recording and treasury functions. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time. The Chief Financial Officer/Treasurer disburses funds, prepares the general ledger and payroll, and reconciles the bank accounts for the respective funds or accounts. This is due, in part, to the limited number of personnel of the Borough and the decentralized nature of governmental collection procedures. Accordingly, management and the Borough Council should be aware of this situation and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Management's Response

The finding was evaluated, however, due to budgetary constraints no resolution can be made at this time.

BOROUGH OF HAMBURG
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2015

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards: (Cont'd)

Finding 2015-02

The Borough has a fixed asset accounting and reporting system in place. However, the fixed assets accounting records are not adequately maintained as the fixed asset accounting records have not been updated for additions or deletions. This is due, in part, to the limited number of personnel and size of the Borough. At the present time, fixed assets are not safeguarded against loss from unauthorized use or disposition. Improvement is necessary to be in complete compliance with the New Jersey Administrative Code Accounting Requirements.

Management's Response

The finding was evaluated, however, due to budgetary constraints no resolution can be made at this time.

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- Not applicable since state expenditures were below the single audit threshold.

BOROUGH OF HAMBURG
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015

The Borough's two findings noted during 2014 concerning fixed asset reporting and segregation of duties were not resolved and are included on the Schedule of Findings and Responses for the year ended December 31, 2015.

BOROUGH OF HAMBURG

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2015

BOROUGH OF HAMBURG
COMMENTS AND RECOMMENDATIONS

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

a. " When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to Subsection b. of Section 9 of P.L. 1971, C.198 (N.J.S.A. 40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, C.198 (N.J.S.A. 40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L.1999, C.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, C.198 (N.J.S.A. 40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

N.J.S.A. 40A: 11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

Effective January 1, 2011 the bid threshold in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500 and with a qualified purchasing agent the threshold may be up to \$36,000 through June 30, 2015 and \$40,000 thereafter.

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

The minutes indicated that bids were requested by public advertising per N.J.S.A. 40A:11-4. The minutes also indicated that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" and "Extraordinary Unspecifiable Services" per N.J.S.A. 40A:11-5.

BOROUGH OF HAMBURG
COMMENTS AND RECOMMENDATIONS
(Continued)

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4 (Cont'd)

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. None were noted.

Collection of Interest on Delinquent Taxes and Utility Charges

On January 1, 2015, the governing body adopted the following resolutions authorizing interest to be charged on delinquent taxes and utility charges:

BE IT RESOLVED by the Borough Council of the Borough of Hamburg, Sussex County, New Jersey, that, in accordance with R.S. 54:4-67 as amended, the rate of interest to be charged for the nonpayment of taxes, utilities or assessments on or before the date when they would become delinquent be and the same is hereby fixed as follows:

1. No interest shall be charged if payment of tax, utilities or assessment installment, as the case may be, is made within ten (10) days after the date upon which the same became payable.
2. The rate of interest to be charged for the nonpayment of taxes, utilities or assessment installments on or before the date when they become delinquent shall be eight percent (8%) per annum on the first \$1,500 of the delinquency and eighteen percent (18%) on any delinquency over \$1,500, to be calculated from the date the tax was payable until the date of actual payment. The interest to be charged a delinquent taxpayer for nonpayment of real property taxes shall be an additional penalty of 6% if the amount of delinquency is in excess of \$10,000 at the end of the calendar year.

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on July 18, 2015 and was complete.

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	16
2014	15
2013	14

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

BOROUGH OF HAMBURG
COMMENTS AND RECOMMENDATIONS
(Continued)

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services, consisting of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payments of 2015 and 2016 Taxes	20
Delinquent Taxes	15
Tax Title Liens	3

Verification notices were mailed to confirm balances and payments as of December 31, 2015. The items that were returned were checked and in agreement with the Township's records. For receivable items not returned, alternative procedures were performed.

New Jersey Administrative Code Accounting Requirements

The Division of Local Government Services has established three (3) accounting requirements which are prescribed in the New Jersey Administrative Code. They are as follows:

1. Maintenance of an encumbrance accounting system.
2. Fixed assets accounting and reporting system.
3. General ledger accounting system.

The Borough is currently not in compliance with requirement 2. A fixed assets accounting and reporting system has been implemented; however, it was not updated and adequately maintained during 2015.

It is recommended that the fixed assets accounting and reporting system be updated and properly maintained.

Management's Response

Every effort will be made to update and maintain the fixed assets accounting and reporting system.

BOROUGH OF HAMBURG
COMMENTS AND RECOMMENDATIONS
(Continued)

Municipal Court

The transactions for the year 2015 were as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Balance</u> <u>Dec 31, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>Dec 31, 2015</u>
Municipal Treasurer:				
Fines and Fees	\$ 6,841.51	\$ 44,795.31	\$ 49,076.20	\$ 2,560.62
Restitution	20.00	170.00	180.00	10.00
Public Defender	125.00	3,137.00	3,127.00	135.00
POAA FTA	2.00	18.00	16.00	4.00
County Treasurer	3,100.00	21,372.00	23,086.50	1,385.50
State of New Jersey	3,289.46	31,132.73	32,925.31	1,496.88
Cash Bail	800.00	12,267.00	11,967.00	1,100.00
	<u>\$ 14,177.97</u>	<u>\$ 112,892.04</u>	<u>\$ 120,378.01</u>	<u>\$ 6,692.00</u>

Corrective Action Plan

The Borough has initiated a corrective action plan to resolve the comments and recommendations from the 2014 Audit Report. Recommendations 1 and 2 from the 2014 report are included in the current year audit and are in the process of being implemented.

BOROUGH OF HAMBURG
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. The duties of personnel be reviewed to determine where a more adequate segregation of duties can be provided.
2. The fixed assets accounting and reporting system be updated and properly maintained.

* * * * *