

CITY OF LINWOOD

ATLANTIC COUNTY

NEW JERSEY

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2015**

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CITY OF LINWOOD

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2015

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

The Honorable Mayor and
Members of City Council
City of Linwood, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Linwood, as of December 31, 2015 and 2014, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Note 20 of the financial statements, the City participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$147,828.02 and \$138,228.00 for 2015 and 2014 respectively were not audited and, therefore, we express no opinion on the LOSAP program.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2015 and 2014, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2015 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Linwood’s basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the

basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016 on our consideration of the City of Linwood'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 City of Linwood's internal control over financial reporting and compliance.

Very truly yours,

Ford, Scott & Associates, L.L.C.

**FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS**

Leon P. Costello, CPA, RMA

**Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393**

June 30, 2016

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EXHIBIT A - CURRENT FUND

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**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

	2015	2014
<u>ASSETS</u>		
Regular Fund:		
Cash:		
Treasurer	\$ 1,308,270.96	1,560,828.12
Clerk	1,660.37	1,154.00
Traffic Control	631.11	-
Change Fund	200.00	200.00
Petty Cash	100.00	100.00
Total Cash	1,310,862.44	1,562,282.12
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	524,903.69	380,923.00
Tax Title and Other Liens	62,578.00	22,027.00
Demolition Liens Receivable	18,592.00	64,315.00
Property Acquired for Taxes - at Assessed Valuation	28,147.00	28,147.00
Sewer Rents Receivable	29,109.00	32,422.00
Revenue Accounts Receivable	4,183.00	2,855.00
Interfund Receivable:		
Animal Control	8,205.00	7,820.00
Other Trust Funds	1,959.00	1,959.00
Grant Fund	162,918.42	162,918.00
Total Receivables and Other Assets	840,595.11	703,386.00
Deferred Charges:		
Special Emergency Appropriation	80,360.00	120,540.00
Cash Deficit in Operations	45,201.00	-
Total Deferred Charges	125,561.00	120,540.00
Total Regular Fund	2,277,018.55	2,386,208.12
Federal and State Grant Fund:		
Cash	372,668.00	414,099.12
Federal and State Grants Receivable	1,602,370.00	675,331.00
Total Federal and State Grant Fund	1,975,038.00	1,089,430.12
Total Current Fund	\$ 4,252,056.55	3,475,638.24

**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

	2015	2014
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 200,349.33	268,816.00
Reserve for Encumbrances/Accounts Payable	111,989.99	68,467.00
Special Emergency Note Payable	80,360.00	120,540.00
Prepaid Taxes	343,769.34	269,682.00
Prepaid Sewer Rents	312,754.12	338,925.00
Overpaid Taxes	75,925.00	2,728.00
Overpaid Sewer Rents	-	490.00
Prepaid Police Detail	631.11	-
Local School Tax Payable	-	111,052.00
County Added Tax Payable	11,599.43	1,235.00
Due to State:		
Marriage Licenses	175.00	175.00
Construction Training Fees	1,937.00	3,279.00
Veterans and Senior Citizens	9,449.00	9,949.00
Interfund Payable:		
Public Defender Trust	989.00	989.00
	1,149,928.32	1,196,327.00
Reserve for Receivables and Other Assets	840,595.11	703,386.00
Fund Balance	286,495.12	486,495.12
Total Regular Fund	2,277,018.55	2,386,208.12
Federal and State Grant Fund:		
Unappropriated Reserves	23,434.00	16,356.00
Appropriated Reserves	1,466,433.16	857,807.00
Due to Current Fund	162,918.42	162,918.00
Reserve for Encumbrances	322,252.42	52,349.12
Total Federal and State Grant Fund	1,975,038.00	1,089,430.12
Total Current Fund	\$ 4,252,056.55	3,475,638.24

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2015</u>	<u>2014</u>
Revenue and Other Income Realized		
Fund Balance	\$ 200,000.00	330,000.00
Miscellaneous Revenue Anticipated	3,754,089.69	2,495,187.00
Receipts from Delinquent Taxes	374,844.00	416,905.00
Receipts from Current Taxes	31,036,195.00	30,613,776.00
Non Budget Revenue	58,739.00	33,482.00
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	272,612.47	145,995.00
Interfund Returned	1.13	-
	<u>35,696,481.29</u>	<u>34,035,345.00</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	3,287,316.00	3,504,086.00
Other Expenses	3,727,643.00	3,588,250.00
Deferred Charges & Statutory Expenditures	878,886.00	913,855.00
Appropriations Excluded from "CAPS"		
Operations:		
Other Expenses	1,512,734.00	1,469,037.00
Capital Improvements	1,395,500.00	299,500.00
Municipal Debt Service	1,619,390.54	1,605,289.00
Local District School Debt Service	452,524.32	433,080.00
Deferred Charges	40,180.00	40,180.00
Local District School Tax	11,446,971.00	11,265,025.00
Regional District High School Tax	6,395,889.00	6,342,382.00
County Tax	4,631,816.00	4,422,443.00
County Share of Added Tax	11,599.43	1,235.00
Interfund Created	-	-
Refund of Prior Year's Revenue	341,233.00	-
	<u>35,741,682.29</u>	<u>33,884,362.00</u>
Excess in Revenue	<u>(45,201.00)</u>	<u>150,983.00</u>

**CURRENT FUND
 COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
 IN FUND BALANCE - REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31,**

	2015	2014
Adjustments to Income before Fund Balance:		
Expenditures included above which are by		
Statute Deferred Charges to Budgets of		
Succeeding Year	-	-
Cash Deficit in Operations	45,201.00	-
Total Adjustments	45,201.00	-
Statutory Excess to Fund Balance	-	150,983.00
Fund Balance January 1	486,495.12	665,512.12
	486,495.12	816,495.12
Decreased by:		
Utilization as Anticipated Revenue	200,000.00	330,000.00
Fund Balance December 31	\$ 286,495.12	486,495.12

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	
Fund Balance Anticipated	\$ 200,000.00		200,000.00
Total Fund Balance Anticipated	<u>200,000.00</u>	<u>-</u>	<u>200,000.00</u>
Miscellaneous Revenues:			
Section A: Local Revenues			
Licenses:			
Other	47,500.00		(1,978.00)
Fines and Costs:			
Municipal Court	59,500.00		5,964.09
Interest and Costs on Taxes	101,000.00		12,970.11
Interest Earned on Investments and Deposits	9,500.00		(953.30)
Sewer Use Charges	1,090,000.00		(16,702.00)
Parking Permits	8,500.00		(615.00)
Planning and Zoning Fees and Permits	3,000.00		5,040.72
Total Section A: Local Revenues	<u>1,319,000.00</u>	<u>-</u>	<u>1,322,726.62</u>
Section B: State Aid Without Offsetting Appropriations			
Consolidated Municipal Property Tax Relief			-
Energy Receipts Tax	571,608.00		571,608.00
Building Aid Allowance for Schools- State Aid	30,000.00		28,649.00
Total Section B: State Aid Without Offsetting Appropriations	<u>601,608.00</u>	<u>-</u>	<u>(1,351.00)</u>
			<u>3,726.62</u>

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

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	230,000.00		293,503.48	63,503.48
Total Section C: Uniform Construction Code Fees	230,000.00	-	293,503.48	63,503.48
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
NJ Transportation Trust Fund Authority Act	190,000.00	190,000.00	380,000.00	
NJ Department of Environmental Protection Coastal Blue Acres	953,000.00		953,000.00	
Drunk Driving Enforcement Fund				
Municipal Drug Alliance	9,007.00		9,007.00	
Recycling Tonnage	12,920.00		12,920.00	
Body Armor	1,765.00		1,765.00	
Hazard Mitigation Grant Program	45,000.00		45,000.00	
Community Development Block Grant	45,000.00		45,000.00	
Clean Communities		18,084.00	18,084.00	
Total Section F: Special Items - Public and Private Programs Off-Set with Appropriations	1,256,692.00	208,084.00	1,464,776.00	-
Section G: Other Special Items				
Uniform Fire Safety Act	17,319.00		14,674.10	(2,644.90)
Bell NYNEX Tower	63,000.00		58,152.49	(4,847.51)
Total Section G: Other Special Items	80,319.00	-	72,826.59	(7,492.41)

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN
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**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Anticipated			Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	Realized	
Total Miscellaneous Revenues:	3,487,619.00	208,084.00	3,754,089.69	58,386.69
Receipts from Delinquent Taxes	385,000.00		374,844.00	(10,156.00)
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	8,557,408.00		8,308,846.57	(248,561.43)
Amount for Local District Tax	422,528.00		422,528.00	
Library Tax	340,075.00		340,075.00	
Total Amount to be Raised by Taxes for Support of Municipal Budget	9,320,011.00	-	9,071,449.57	(248,561.43)
Budget Totals	13,392,630.00	208,084.00	13,400,383.26	(200,330.74)
Non- Budget Revenues:				
Other Non- Budget Revenues:			58,739.00	58,739.00
	\$ 13,392,630.00	208,084.00	13,459,122.26	(141,591.74)

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

**CURRENT FUND
 STATEMENT OF REVENUES - REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2015**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	31,036,195.00
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Allocated to:

School, County and Other Taxes	22,486,275.43
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Balance for Support of Municipal Budget Appropriations	8,549,919.57
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Increased by:

Appropriation "Reserved for Uncollected Taxes"	521,530.00
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Amount for Support of Municipal Budget Appropriations	<u>9,071,449.57</u>
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	370,752.00
Tax Title Lien Collections	<u>4,092.00</u>

Total Receipts from Delinquent Taxes	<u>374,844.00</u>
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Analysis of Non-Budget Revenue:

Clerk:

Miscellaneous

Other Miscellaneous:

Demolition Lien Payments	44,021.00
Insurance Reimbursements	3,976.00
Administration Fees - Senior Citizens & Veterans	1,560.00
Election Fees	1,100.00
Accident Reports and Gun Permits	1,177.00
Other Refunds	5,186.00
Vehicle Sales through Auction	
Miscellaneous	<u>1,719.00</u>

58,739.00

Total Miscellaneous Revenue Not Anticipated:	\$	<u>58,739.00</u>
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**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Appropriations			Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Expended		
				Encumbered	Reserved	
\$						
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
General Administration						
Other Expenses	3,600.00	3,600.00	1,909.00	800.00	891.00	
Mayor and Council						
Salaries and Wages	65,935.00	65,935.00	65,935.00	-	-	
City Clerk						
Salaries and Wages	131,402.00	131,402.00	131,086.61	315.39	315.39	
Other Expenses	46,400.00	46,400.00	31,613.28	1,348.10	3,438.62	10,000.00
Elections						
Other Expenses	6,500.00	6,500.00	4,167.80		2,332.20	
Financial Administration						
Salaries and Wages	73,922.00	74,274.00	74,273.77		0.23	
Other Expenses	13,000.00	13,000.00	11,724.30	1,088.00	187.70	
Audit Services						
Other Expenses	28,500.00	28,500.00	28,500.00			
Assessment of Taxes						
Salaries and Wages	31,522.00	31,522.00	31,303.90		218.10	
Other Expenses	3,853.00	3,853.00	1,868.30		1,984.70	
Collection of Taxes						
Salaries and Wages	98,493.00	98,141.00	95,130.23		3,010.77	
Other Expenses	14,157.00	14,157.00	12,122.88	692.00	1,342.12	
Paying Agent Fees	2,000.00	2,000.00			2,000.00	
Legal Services						
Other Expenses	160,000.00	149,000.00	138,688.06	308.00	3.94	10,000.00
Engineering & Planning Services						
Other Expenses						
Professional Services	30,000.00	30,000.00	15,337.50		4,662.50	10,000.00
Public Buildings and Grounds						
Other Expenses	55,100.00	55,100.00	39,447.19	5,824.18	9,828.63	
Shade Tree						
Other Expenses	400.00	400.00	95.00		305.00	
INSURANCE						
Other Insurance	147,353.00	147,353.00	141,122.00		6,231.00	
Workers Compensation	312,074.00	312,074.00	312,074.00		-	
Employee Group Health	1,228,064.00	1,228,064.00	1,228,063.90		0.10	
Employee Group Health Waiver	2,500.00	2,500.00	2,500.00		-	

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

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
LAND USE ADMINISTRATION						
Planning Board						
Salaries and Wages	9,353.00	9,353.00	9,352.98		0.02	
Other Expenses	25,000.00	25,000.00	24,960.46		39.54	
Zoning Board of Adjustment						
Salaries and Wages	9,353.00	9,353.00	9,353.00		-	
Other Expenses	12,125.00	12,125.00	8,700.90	520.00	2,904.10	
PUBLIC SAFETY						
Uniform Fire Safety Act						
Salaries and Wages	9,720.00	9,720.00	9,720.00		-	
Other Expenses	7,599.00	7,599.00	7,201.41	397.59	0.00	
Fire						
Salaries and Wages	376,115.00	341,115.00	321,361.74		4,753.26	15,000.00
Other Expenses						
Lease of Fire House	20.00	20.00			20.00	
Misc. Other Expenses	50,220.00	75,220.00	24,228.76	50,990.33	0.91	
Aid to Volunteer Fire Company						
Operation and Maintenance	6,000.00	6,000.00	6,000.00		-	
Police						
Salaries and Wages	1,895,257.00	1,880,257.00	1,774,509.97		25,747.03	80,000.00
Other Expenses	125,850.00	140,850.00	103,869.25	35,492.54	1,488.21	
Communications						
Salaries and Wages	1,794.00	1,794.00	1,794.00		-	
Other Expenses	14,692.00	14,692.00	11,839.00	768.41	2,084.59	
Emergency Management Services						
Salaries and Wages	1,010.00	1,010.00	1,010.00		-	
Other Expenses	5,000.00	5,000.00	4,404.00		596.00	
SANITATION						
Road Repairs and Maintenance						
Salaries and Wages	544,843.00	564,843.00	559,898.62		4,944.38	
Other Expenses	150,800.00	150,800.00	138,933.29	7,666.93	4,199.78	
Sewer System						
Salaries and Wages						
Finance and Administration						

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

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Expended		
			Paid or Charged	Encumbered Reserved	
Other Expenses					
Finance and Administration	8,236.00	8,236.00	3,178.00	5,058.00	
Operations and Maintenance	195,000.00	195,000.00	185,820.66	9,164.06	
Miscellaneous Other Expenses	135,000.00	135,000.00	135,873.00	127.00	
Landfill-Tipping Fees	440,000.00	440,000.00	420,678.10	16,867.90	
Municipal Services Act	42,000.00	42,000.00	41,717.42	282.58	
HEALTH AND HUMAN SERVICES					
Dog Warden					
Contractual	9,600.00	9,600.00	8,800.00	800.00	
Senior Citizens Center					
Other Expenses	100.00	100.00		100.00	
PARKS AND RECREATION FUNCTIONS					
Parks and Play Grounds					
Salaries and Wages	7,000.00	7,000.00	5,916.00	1,084.00	
Other Expenses	27,000.00	27,000.00	22,006.50	1,906.87	
Historian					
Other Expenses	500.00	500.00	480.00	20.00	
UNIFORM CONSTRUCTION CODE					
State Uniform Construction Code					
Construction Official	166,592.00	166,592.00	153,152.88	3,439.12	10,000.00
Salaries and Wages	5,900.00	5,900.00	3,244.60	2,630.40	
Other Expenses					
UNCLASSIFIED					
Utilities					
Gasoline	60,000.00	50,000.00	42,008.66	2,991.34	5,000.00
Electric	96,000.00	103,000.00	102,265.49	734.51	
Telephone and Telegraph	35,000.00	35,000.00	33,434.97	1,565.03	
Natural Gas	35,000.00	38,000.00	36,860.57	1,139.43	
Street Lighting	115,000.00	115,000.00	111,824.01	3,175.99	
Fire Hydrant Services	68,000.00	68,000.00	67,934.22	65.78	
Water and Sewer	7,500.00	7,500.00	6,192.92	1,307.08	
Public Access Channel 2	1,500.00	1,500.00	1,000.00	500.00	
Accumulated Leave					
Salaries and Wages	5.00	5.00		5.00	
TOTAL OPERATIONS WITHIN "CAPS"	7,154,459.00	7,154,459.00	6,766,488.10	111,476.99	140,000.00

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

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Contingent	500.00	500.00	-		500.00	
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	7,154,959.00	7,154,959.00	6,766,488.10	111,476.99	136,993.91	140,000.00
Detail:						
Salaries and Wages	3,422,316.00	3,392,316.00	3,243,798.70	-	43,517.30	105,000.00
Other Expenses	3,732,643.00	3,762,643.00	3,522,689.40	111,476.99	93,476.61	35,000.00
DEFERRED CHARGES AND STATUTORY EXPENDITURES:						
Deferred Charges:						
Overexpenditure of Appropriations						
Statutory Expenditures:						
Contributions to:						
Public Employees' Retirement System	151,542.00	151,542.00	151,542.00		-	
Public Employees' Retirement System ERI	30,722.00	30,722.00	30,722.00		-	
Social Security System (O.A.S.I.)	275,000.00	275,000.00	233,730.85	50.00	16,219.15	25,000.00
Police and Firemen's Retirement System	379,476.00	379,476.00	379,476.00		-	
Police and Firemen's Retirement System ERI	48,146.00	48,146.00	48,146.00		-	
Unemployment Compensation Insurance	15,000.00	15,000.00	10,935.54		4,064.46	
Defined Contribution Retirement Program	4,000.00	4,000.00	1,315.65		2,684.35	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	903,886.00	903,886.00	855,868.04	50.00	22,967.96	25,000.00
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	8,058,845.00	8,058,845.00	7,622,356.14	111,526.99	159,961.87	165,000.00

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

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS - EXCLUDED FROM "CAPS"						
(A) Operations - Excluded from "CAPS"						
Maintenance of Free Public Library						
Other Expenses	340,075.00	340,075.00	340,075.00	-	-	
Atlantic County Sewerage Authority						
Share of Costs	511,084.00	511,084.00	511,083.00	1.00		
City of Northfield's Share of Sewer Rents	9,300.00	9,300.00	930.00	8,370.00		
Recycling Tax	9,000.00	9,000.00	8,184.54	815.46		
Employee Group Insurance	38,453.00	38,453.00	20,944.00	17,509.00		
Length of Service Award Program	17,000.00	17,000.00	12,650.00	4,350.00		
NJPDES Stormwater Permit NJSA 40A:4-45.3(cc)						
Streets & Roads O/E	6,000.00	6,000.00	4,049.00	1,951.00		
NJPDES Landfill Discharge NJSA 40A:4-45.3(cc)						
Landfill Tipping Fees	2,500.00	2,500.00	2,000.00	500.00		
NJPDES Stormwater Permit NJSA 40A:4-45.3(cc)						
Municipal Clerk O/E	500.00	500.00		463.00	37.00	
Interlocal Municipal Service Agreements						
Dispatch Shared Services	322,354.00	322,354.00	315,500.00	6,854.00		
Municipal Court Shared Services	121,689.00	121,689.00	121,689.00	-		
	<u>1,377,955.00</u>	<u>1,377,955.00</u>	<u>1,337,104.54</u>	<u>463.00</u>	<u>40,387.46</u>	
(A) Public and Private Programs Off-Set by Revenues						
Municipal Alliance-Alcoholism and Drug Abuse						
Grant Share	9,007.00	9,007.00	9,007.00	-		
Local Share	3,003.00	3,003.00	3,003.00	-		
Body Armor	1,765.00	1,765.00	1,765.00	-		
Drunk Driving Enforcement Fund						
Hazard Mitigation Grant Program	45,000.00	45,000.00	45,000.00	-		
Community Development Block Grant	45,000.00	45,000.00	45,000.00	-		
Clean Communities Program	18,084.00	18,084.00	18,084.00	-		
Recycling Tonnage	12,920.00	12,920.00	12,920.00	-		
Total Public and Private Programs Off-Set by Revenues	<u>116,695.00</u>	<u>134,779.00</u>	<u>134,779.00</u>	<u>-</u>	<u>-</u>	
Total Operations - Excluded from "CAPS"	1,494,650.00	1,512,734.00	1,471,883.54	463.00	40,387.46	
Detail:						
Salaries and Wages						
Other Expenses	1,494,650.00	1,512,734.00	1,471,883.54	463.00	40,387.46	

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

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
(C) Capital Improvements						
Capital Improvement Fund	50,000.00	50,000.00	50,000.00	-	-	
Improvements to Sewer System	12,500.00	12,500.00	12,500.00	-	-	
(C) Public and Private Programs Off-Set by Revenues						
New Jersey Transportation Trust Fund Authority Act	190,000.00	190,000.00	190,000.00	-	-	
School House Drive						
New Jersey Transportation Trust Fund Authority Act		190,000.00	190,000.00	-	-	
Woodlyne Boulevard						
New Jersey Department of Environmental Protection	953,000.00	953,000.00	953,000.00	-	-	
Coastal Blue Acres						
Total Public and Private Programs Off-Set by Revenues	<u>1,143,000.00</u>	<u>1,333,000.00</u>	<u>1,333,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Improvements	<u>1,205,500.00</u>	<u>1,395,500.00</u>	<u>1,395,500.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
(D) Debt Service						
Payment of Bond Principal	1,179,684.00	1,179,684.00	1,179,684.00	-	-	
Payment of Bond Anticipation Notes	20,000.00	20,000.00	20,000.00	-	-	
Interest on Bonds	289,889.00	289,889.00	289,889.00	-	-	
Interest on Notes	18,333.00	18,333.00	18,328.90	-	-	4.10
Green Trust Loan Program:						
Loan Repayments for Principal and Interest	18,787.00	18,787.00	18,785.73	-	-	1.27
NJEIT Loans & Bonds	92,704.00	92,704.00	92,702.91	-	-	1.09
Total Debt Service	<u>1,619,397.00</u>	<u>1,619,397.00</u>	<u>1,619,390.54</u>	<u>-</u>	<u>-</u>	<u>6.46</u>
(E) Deferred Charges						
Special Emergency Authorizations - 5 years	40,180.00	40,180.00	40,180.00	-	-	
Total Deferred Charges	<u>40,180.00</u>	<u>40,180.00</u>	<u>40,180.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
(N) Transferred to Board of Education for Use of Local Schools (NJSA 40:48-17.1 & 17.3)						

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

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	4,359,727.00	4,567,811.00	4,526,954.08	463.00	40,387.46
FOR LOCAL DISTRICT SCHOOL PURPOSES - EXCLUDED FROM "CAPS"					
Type 1 District School Debt Service	335,316.00	335,316.00	335,316.00		-
Payment of Bond Principal	82,289.00	82,289.00	82,285.60		3.40
Principal and Interest on Loans	34,923.00	34,923.00	34,922.72		0.28
TOTAL TYPE 1 DISTRICT SCHOOL DEBT SERVICE	<u>452,528.00</u>	<u>452,528.00</u>	<u>452,524.32</u>	-	<u>3.68</u>
SUBTOTAL GENERAL APPROPRIATIONS	12,871,100.00	13,079,184.00	12,601,834.54	111,989.99	200,349.33
(M) Reserve for Uncollected Taxes	<u>521,530.00</u>	<u>521,530.00</u>	<u>521,530.00</u>		
TOTAL GENERAL APPROPRIATIONS	<u>\$ 13,392,630.00</u>	<u>13,600,714.00</u>	<u>13,123,364.54</u>	<u>111,989.99</u>	<u>165,010.14</u>
Budget		13,392,630.00		Cancelled	165,010.14
Appropriations by 40A:4-87				Overexpended	-
Emergency Appropriations		<u>13,392,630.00</u>			<u>165,010.14</u>
Reserve for Uncollected Taxes			521,530.00		
Federal and State Grants			1,467,779.00		
Deferred Charges			40,180.00		
Disbursements			11,093,875.54		
			<u>13,123,364.54</u>		

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EXHIBIT B - TRUST FUNDS

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**TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	2015	2014
<u>ASSETS</u>		
Animal Control Fund:		
Cash - Treasurer	\$ 24,084.03	24,231.23
	24,084.03	24,231.23
LOSAP (unaudited)		
Investment	147,828.02	138,228.00
	147,828.02	138,228.00
Other Funds		
Cash - Treasurer	565,972.28	421,127.01
Due from Current Fund		
Public Defender Fees	989.00	989.00
	566,961.28	422,116.01
	738,873.33	584,575.24
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Animal Control Fund		
Reserve for:		
Dog Expenditures	4,507.80	4,950.00
Cat Expenditures	11,371.23	11,461.23
Due to Current Fund	8,205.00	7,820.00
	24,084.03	24,231.23
LOSAP (unaudited)		
Reserve for LOSAP	147,828.02	138,228.00
	\$ 147,828.02	138,228.00

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

**TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2015</u>	<u>2014</u>
Other Funds		
Due to Current Fund	\$ 1,959.00	1,959.00
Payroll Taxes Payable	31,957.46	31,011.56
Reserves for:		
Parking Offenses Adjudication Act	46.00	42.00
Surety	13,104.00	14,487.00
Planning and Zoning Escrows	9,313.00	9,307.00
Street Openings	24,369.18	17,895.89
Accumulated Absences	37,813.38	37,794.47
Bike Path Beautification	6,637.58	6,100.82
Law Enforcement	4,012.88	8,660.18
Recycling	4,022.35	7,842.42
Drug Alliance	10,218.60	11,467.29
Tax Title Lien Redemption	375,551.05	245,760.58
Public Defender	1,039.00	1,039.00
Development Fees	44,010.00	25,277.00
Green Trust	0.01	0.01
Uniform Fire Safety Fees	2,907.79	3,471.79
	<u>566,961.28</u>	<u>422,116.01</u>
	<u>\$ 738,873.33</u>	<u>584,575.24</u>

EXHIBIT C - GENERAL CAPITAL FUND

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**GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Cash	\$ 2,553,738.15	2,971,058.37
Cash Held by New Jersey		
Environmental Infrastructure Trust	102,065.00	102,065.00
Deferred Charges to Future Taxation -		
Funded	12,066,462.09	13,672,149.00
Unfunded	7,965,061.00	7,035,061.00
	<u>22,687,326.24</u>	<u>23,780,333.37</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	488,270.14	508,239.00
Bond Anticipation Notes Payable	5,811,765.00	4,881,765.00
Serial Bonds Payable	7,989,309.00	9,168,993.00
Green Trust Loan Payable	81,043.24	97,954.00
Environmental Infrastructure Trust Loans Payable	1,255,418.85	1,329,195.00
School Serial Bonds	2,740,691.00	3,076,007.00
Reserve for Improvements to Sewer System	25,000.00	12,500.00
Improvement Authorizations:		
Funded	774,262.75	784,486.62
Unfunded	3,359,870.50	3,788,074.75
Capital Improvement Fund	110,405.00	110,405.00
Fund Balance	51,290.76	22,714.00
	<u>\$ 22,687,326.24</u>	<u>23,780,333.37</u>

There were bonds and notes authorized but not issued at December 31,

2014	2,153,296.00
2015	2,153,296.00

**GENERAL CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2015</u>	<u>2014</u>
Beginning Balance January 1	\$ 22,714.00	10,000.00
Increased by:		
Premiums on Sale of Notes	28,577.00	12,714.00
Decreased by:		
Miscellaneous	0.24	
Realized in Current Operating Budget	-	-
Ending Balance December 31	\$ <u>51,290.76</u>	<u>22,714.00</u>

EXHIBIT G - GENERAL FIXED ASSETS

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GENERAL FIXED ASSETS ACCOUNT GROUP
STATEMENT OF GENERAL FIXED ASSETS - REGULATORY BASIS
AS OF DECEMBER 31,

	<u>2015</u>	<u>2014</u>
General Fixed Assets:		
Land	\$ 1,565,318.67	1,565,318.67
Buildings	5,654,605.97	5,644,127.36
Vehicles	2,735,538.81	2,765,538.81
Machinery and Equipment	<u>2,281,246.36</u>	<u>2,293,225.00</u>
Total General Fixed Assets	<u>12,236,709.81</u>	<u>12,268,209.84</u>
Investment in General Fixed Assets	\$ <u>12,236,709.81</u>	<u>12,268,209.84</u>

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

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NOTES TO FINANCIAL STATEMENTS

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The Linwood Board of Education, Belhaven Avenue, Linwood, NJ 08221 and the Linwood Public Library, 301 Davis Avenue, Linwood, NJ 08221 are component units. However, under the regulatory basis of accounting in New Jersey, the component units are neither blended nor shown in a discrete presentation in the financial statements of the City. The Board of Education does have an independent audit performed and a copy is available at the Board's offices. The Linwood Public Library also has an independent audit performed and a copy is available at the Library.

B. Description of Funds

The accounting policies of the City of Linwood conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with the respect to public funds. Under this method of accounting, the City of Linwood 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 facilities, other than those acquired in the Current Fund.

General Fixed Assets Account Group -- All fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant policies in New Jersey follow.

A modified accrual basis of accounting is followed with minor exceptions.

Revenues -- are recorded as received in cash except for certain amounts which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the City budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

City's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the City which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Expenditures -- are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Appropriation reserves covering unencumbered appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the Governing Body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis. Compensated absences are treated on a pay as you go basis with no amount charged to operations in the year incurred.

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.

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

As required by New Jersey Statutes, foreclosed property is reported in the current operating fund of the municipality.

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. Expenditures for long lived assets with an original cost in excess of \$500 are capitalized.

No depreciation has been provided for in the financial statements.

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

The following schedule is a summarization of the changes in general fixed assets for the calendar year ended December 31, 2015 and 2014.

	Balance as of 12/31/2014	Adjustments/ Additions	Adjustments/ Deletions	Balance as of 12/31/2015
Land	\$ 1,565,319.00		0.33	1,565,318.67
Buildings and Improvements	5,644,127.00	10,478.97		5,654,605.97
Vehicles	2,765,539.00		30,000.19	2,735,538.81
Furniture, Fixtures & Equip.	2,293,225.00	43,819.68	55,798.32	2,281,246.36
Total	<u>12,268,210.00</u>	<u>54,298.65</u>	<u>85,798.84</u>	<u>12,236,709.81</u>

	Balance as of 12/31/2013	Adjustments/ Additions	Adjustments/ Deletions	Balance as of 12/31/2014
Land	1,220,177.00	345,142.00		1,565,319.00
Buildings and Improvements	5,887,539.00		243,412.00	5,644,127.00
Vehicles		2,765,539.00		2,765,539.00
Furniture, Fixtures & Equip.	5,082,089.00	106,818.00	2,895,682.00	2,293,225.00
Total	<u>\$ 12,189,805.00</u>	<u>3,217,499.00</u>	<u>3,139,094.00</u>	<u>12,268,210.00</u>

Levy of Taxes -- The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August, and November. Any taxes that have not been paid by the 11th day of the 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et. seq.

The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county.

Interest on Delinquent Taxes -- It is the policy of the City to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

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

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles or the statutory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences -- Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. New Jersey municipalities are permitted to accrue a compensated absences liability. The City has begun to accumulate funds for accrued absences. See Note 15 for additional information on the City's compensated absences policy.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

D. Required Financial Statements

The State of New Jersey requires the following financial statements to be presented for each fund on the regulatory basis of accounting: Balance Sheet, Statement of Operations and Changes in Fund Balance, Statement of Revenue and Statement of Expenditures. These statements differ from those presented under Generally Accepted Accounting Principles, which requires a Statement of Net Position and Statement of Activities in addition to the fund financial statements.

E. Comparative Data

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the City's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the Statement of Revenues-Regulatory Basis and Statement of Expenditures-Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

E. Recent Accounting Pronouncements Not Yet Effective

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, "Fair Value Measurement and Application". This statement is effective for fiscal periods beginning after June 15, 2015, and will not have any effect on the City's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68". This statement is effective for fiscal periods beginning after June 30, 2016, and will not have any effect on the City's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". This statement is effective for fiscal periods beginning after June 30, 2016, and establishes new accounting and financial reporting requirements for OPEB plans. It is anticipated that this statement will not have any effect on the City's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement is effective for fiscal periods beginning after June 30, 2017. Although not determinable, the impact of this statement on the net position of the entity is anticipated to be significant.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". This statement is effective for fiscal periods beginning after June 30, 2015, and will not have any effect on the City's financial reporting.

In August 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 77 "Tax Abatement Disclosures". This statement, which is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the City's financial reporting.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 78 "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans". This statement, which is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the City's financial reporting.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 79 "Certain External Investment Pools and Pool Participants". This statement, which is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the City's financial reporting.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80 "Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14". This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the City's financial reporting.

Note 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2015 and 2014 statutory budgets included a reserve for uncollected taxes in the amount of \$521,530 and \$430,809, respectively. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2015 and 2014 statutory budgets was \$200,000 and \$330,000 respectively.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by City Council. The following significant budget transfers were approved in the 2015 and 2014 calendar years:

	<u>2015</u>	<u>2014</u>
Legal Services		(20,000.00)
Public Buildings & Grounds - Other Expenses		20,000.00
Police - Salaries & Wages		(60,000.00)
Fire - Salaries & Wages	(35,000.00)	35,000.00
Public Works/Street & Roads - Salaries & Wages		25,000.00
Landfill Tipping Fees		(20,000.00)

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During the 2015 and 2014 calendar years, City Council approved a budget insertion for Clean Communities in the amount of \$18,083.58 and \$14,873.00 and NJDOT Woodlynne Boulevard Roadway Improvement \$190,000 and \$0, respectively.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budget of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. During the 2015 and 2014 calendar years, no emergency appropriations or special emergencies were approved by City Council.

The unfunded balance on the Property Revaluation as of December 31, 2015 and 2014 was \$80,360.00 and \$120,540.00, respectively.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

In addition, NJSA 40A:4-60 permits the Governing Body to cancel, by resolution, any unexpended balances of appropriations prior to year end. The following significant cancellations were approved in the 2015 and 2014 calendar years:

	2015	2014
Collection of Taxes		
Salaries and Wages	\$	5,000
Legal Services and Costs		
Other Expenses		10,000
Police		
Salaries and Wages	80,000	30,000
Construction Official		
Salaries and Wages		10,000
Gasoline		15,000
Telephone and Telegraph		5,000

Note 3: INVESTMENTS

As of December 31, 2015 and 2014, the municipality had no investments.

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

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

Concentration of Credit Risk. The municipality places no limit on the amount the City may invest in any one issuer.

Unaudited Investments

As more fully described in Note 19, the City has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the City. All investments are valued at contract value. In accordance with NJAC 5:30-14.37 the investments are maintained by Lincoln Benefit Life Company, which is an authorized provider approved by the Division of Local Government Services.

The balance in the account on December 31, 2015 and 2014 amounted to \$147,828.02 and \$138,228.00, respectively. The information on 5% or more invested with Lincoln Benefit Life Company is not yet available.

Note 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However GUDPA does not protect intermingled trust funds

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

such as salary withholdings, bail funds or funds that may pass to the municipality relative to the happening of a future condition. As of December 31, 2015 and 2014, \$0 of the municipality's bank balance of \$4,981,431.13 and \$5,406,933 was exposed to custodial credit risk.

Note 5: LONG TERM DEBT

Long-term debt as of December 31, 2015 and 2014 consisted of the following:

	Balance 12/31/2014	Additions	Payments	Ending 12/31/2015	Due in One Year
General	\$ 10,596,142.00		1,270,370.91	9,325,771.09	1,295,710.00
School	3,076,007.00		335,316.00	2,740,691.00	330,316.00
Comp. Absences	622,009.66	239,072.52	272,089.84	588,992.34	-
Total	14,294,158.66	239,072.52	1,877,776.75	12,655,454.43	1,626,026.00

	Balance 12/31/2013	Additions	Payments	Ending 12/31/2014	Due in One Year
General	11,851,180.00		1,255,038.00	10,596,142.00	1,270,371.00
School	3,316,323.00	1,615,000.00	1,855,316.00	3,076,007.00	335,316.00
Comp. Absences	672,861.00	239,158.32	290,009.66	622,009.66	39,153.00
Total	15,840,364.00	1,854,158.32	3,400,363.66	14,294,158.66	1,644,840.00

As of December 31, 2015, all outstanding bonds are included in the general capital fund and interest and principal reductions are included in the current operating budget of the City.

The regulatory basis of accounting in New Jersey does not recognize accumulated absences as long-term debt. Accumulated absence liabilities are more fully described in Note 15.

Summary of Municipal Debt

Long-term debt as of December 31, 2015 consisted of the following:

\$2,020,000.00 General Obligations Bonds dated September 15, 2005 for various improvements in the City with a balance due on December 31, 2015 of \$220,000.00. The bonds are payable annually on August 1 with interest paid semi-annually on February 1 and August 1. Interest rates vary from 3.25% to 3.625%. The final payment is due August 1, 2016.

\$4,099,222.00 General Obligation Bonds dated September 1, 2010 for various improvements in the City with a balance due on December 31, 2015 of \$2,854,309.00. The bonds are payable annually on August 15 with interest paid semi-annually on February 15 and August 15. Interest rates vary from 2.00% to 2.50%. The final payment is due August 15, 2020.

\$5,960,000.00 General Obligation Refunding Bonds dated February 7, 2012 payable in annual installments through July 15, 2023. Interest is paid semiannually at varying rates ranging from 2.00% to 4.00% per annum. The total savings to the City was \$505,852.00, or 6.24% as a result of refunding the 2003 bond issue. The refunding bonds are not subject to optional redemption prior to their stated maturities. The balance remaining as of December 31, 2015 was \$4,915,000.00.

\$148,500.00 Green Trust Loan dated December 22, 1997 for Construction of a bike path in the City. This is a direct reduction loan payable semiannually with interest and principal with a balance due on December 31, 2015 of \$21,950.09. The bonds are payable semiannually on March 22 and September 22. Interest is

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

calculated at 2%. The final payment is due March 22, 2018.

\$150,000.00 Green Trust Loan dated July 9, 2002 for Lighting at All Wars Memorial Park in the City. This is a direct reduction loan payable semiannually with interest and principal with a balance due on December 31, 2015 of \$59,093.15. The bonds are payable semiannually on January 15 and July 15. Interest is calculated at 2%. The final payment is due January 15, 2022.

\$360,000.00 New Jersey Environmental Infrastructure Trust Loan dated May 3, 2012 for the Southwest Drainage Improvement Project. Principal payments on this loan are payable annually on August 1, with a balance due on December 31, 2015 of \$315,000.00, with interest paid semi-annually on February 1 and August 1. Interest rates vary from 2.00% to 5.00%. The final payment is due on August 1, 2031.

\$1,155,931.00 New Jersey Environmental Infrastructure Trust Loan dated May 3, 2012 for the Southwest Drainage Improvement Project. Semiannual principal payments were due on February 1 and August 1, with a balance due on December 31, 2015 of \$940,418.85. Based on the agreement with the State, this loan is interest free. The final payment is due August 1, 2031.

\$2,755,000.00 School Bonds dated September 15, 2005 for school renovations and upgrades with a balance due on December 31, 2015 of \$0. The bonds are payable annually on August 1 with interest paid semi-annually on February 1 and August 1. Interest is charged at a rate of 3.75% per annum. Bonds maturing on or after 8/1/16 are redeemable at the option of the City in whole or in part on any date on or after 8/1/15. On December 3, 2014, the City refunded the bonds maturing August 1, 2016 through, and including, August 1, 2024 for a total amount of \$1,555,000.00.

\$230,778.00 School Bonds dated September 1, 2010 for construction and various improvements to the two elementary schools located within the City with a balance due on December 31, 2015 of \$160,691.00. The bonds are payable annually on August 15 with interest paid semi-annually on February 15 and August 15. Interest rates vary from 2.00% to 2.50%. The final payment is due August 15, 2020.

\$1,280,000.00 School Refunding Bonds dated February 7, 2012 payable in annual installments through July 15, 2023. Interest is paid semiannually at varying rates ranging from 2.00% to 4.00% per annum. As indicated above, the total savings to the City was \$505,852.00, or 6.24% as a result of refunding the 2003 bond issue. The refunding bonds are not subject to optional redemption prior to their stated maturities. The balance remaining as of December 31, 2015 was \$990,000.00.

\$1,615,000.00 School Refunding Bonds dated December 3, 2014 payable in annual installments through August 1, 2024. Interest is paid semiannually at 3% per annum. The total savings to the City was 47,073.58, or 3.03% as a result of refunding the 2005 bond issue. The refunding bonds are not subject to optional redemption prior to their stated maturities. The balance remaining as of December 31, 2015 was \$1,590,000.00.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding

Year Ending December 31,	Principal	Interest	Total
2016	\$ 1,626,026.15	363,467.00	1,989,493.15
2017	1,571,374.15	317,768.00	1,889,142.15
2018	1,612,205.15	278,365.00	1,890,570.15
2019	1,677,907.15	229,066.00	1,906,973.15
2020	1,703,090.15	176,675.00	1,879,765.15
2021-2025	3,378,203.75	274,705.00	3,652,908.75
2026-2030	413,879.39	21,338.00	435,217.39
2031	83,776.20	1,892.00	85,668.20
Total	<u>\$ 12,066,462.09</u>	<u>1,663,276.00</u>	<u>13,729,738.09</u>

As of December 31, 2015, the carrying value of the above bonds approximates the fair value of the bonds. The debt service for the School Bonds is included in the municipal budget as a component of the Amount to be Raised by Taxation but is a component of the school tax levy. During the calendar years 2015 and 2014, the City's total amount to be raised by taxation included \$422,528.00 and \$404,972.00 respectively, for Local District School Tax.

<u>Summary of Municipal Debt</u>	Year 2015	Year 2014	Year 2013
Bonds & Notes Issued:			
General	\$ 11,635,536.09	11,975,907.00	12,328,290.00
School	6,242,691.00	6,578,007.00	5,541,323.00
Net Bonds & Notes Issued	<u>17,878,227.09</u>	<u>18,553,914.00</u>	<u>17,869,613.00</u>
Bonds & Notes Authorized But Not Issued:			
General	1,803,296.00	1,803,296.00	1,197,296.00
School	350,000.00	350,000.00	2,225,000.00
Net Bonds & Notes Authorized But Not Issued	<u>2,153,296.00</u>	<u>2,153,296.00</u>	<u>3,422,296.00</u>
Net Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 20,031,523.09</u>	<u>20,707,210.00</u>	<u>21,291,909.00</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.341%.

	Gross Debt	Deductions	Net Debt
Local School Debt	\$ 6,592,691.00	6,592,691.00	-
Regional School District Debt	12,636,578.73	12,636,578.73	-
General Debt	13,438,832.00	-	13,438,832.00
	<u>\$ 32,668,101.73</u>	<u>19,229,269.73</u>	<u>13,438,832.00</u>

Net Debt \$13,438,832.00 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$1,001,943,119.33 = 1.341%. The above information is in agreement with the Annual Debt Statement filed by the City.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$	35,068,009.18
Net Debt		<u>13,438,832.00</u>
Remaining Borrowing Power	\$	<u><u>21,629,177.18</u></u>

Note 6: SHORT TERM OBLIGATIONS

	Balance 12/31/2014	Issued	Paid	Balance 12/31/2015
General Capital Note	\$ 1,379,765.00	950,000.00	20,000.00	2,309,765.00
School Note	3,502,000.00			3,502,000.00
Special Emergency Note	120,540.00		40,180.00	80,360.00
	<u>5,002,305.00</u>	<u>950,000.00</u>	<u>60,180.00</u>	<u>5,892,125.00</u>

	Balance 12/31/2013	Issued	Paid	Balance 12/31/2014
General Capital Note	437,110.00	950,000.00	7,345.00	1,379,765.00
School Note	2,265,000.00	1,237,000.00		3,502,000.00
Special Emergency Note	160,720.00		40,180.00	120,540.00
	<u>\$ 2,862,830.00</u>	<u>2,187,000.00</u>	<u>47,525.00</u>	<u>5,002,305.00</u>

As of December 31, 2015 the City had the following bond anticipation notes outstanding:

Bank	2015 Amount	Interest Rate	Date of Maturity
Current Fund (Special Emergency)			
Cape Bank	\$ <u>80,360.00</u>	1.30%	7/29/2016
General Capital			
Cede & Co.	2,309,765.00	1.50%	7/29/2016
Cede & Co.	<u>3,502,000.00</u>	1.25%	4/6/2016
Total Special Emergency and Bond Anticipation Notes	<u>\$ 5,892,125.00</u>		

It is the intent of the City to renew the special emergency note, after a pay down of \$40,180, for an additional one year period upon maturity. It is also the intent of the City to renew the bond anticipation notes for an additional one year period upon maturity, with a pay down of \$75,000.

Note 7: LEASES OBLIGATIONS

In March 2012, the City entered into agreements to lease two (2) copy machines under operating leases. The total lease payments in 2015 and 2014 were \$9,792.00 and \$9,792.00 respectively. The term for both leases is 48 months and they will expire on February 20, 2016. The City has the option to purchase this equipment at the termination of the lease for the fair market value.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Future minimum payments under these leases:

<u>Year</u>	<u>Equipment</u>
2016	<u>2,448.00</u>
Total minimum lease payments	2,448.00
Less amount representing interest	0
Present value of minimum lease payments	\$ <u>2,448.00</u>

No additional capital leases entered into in 2015.

Note 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2015 and 2014 which were appropriated and included as anticipated revenue in the current operating budget for the year ending December 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Current Fund	\$ 165,000.00	200,000.00

As of the date of this audit report, the City has not adopted the 2016 Local Municipal Budget and the above amount is subject to change. Municipalities are permitted to appropriate the full amount of fund balance, net of any amounts due from the State of NJ for Senior Citizens and Veterans deductions, deferred charges, and cash deficit.

Note 9: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2015, the following deferred charges are shown on the balance sheets of the various funds.

	<u>Balance 12/31/2015</u>	<u>2016 Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
Current Fund:			
Special Emergency NJSA 40A:4-55	\$ <u>80,360.00</u>	<u>40,180.00</u>	<u>40,180.00</u>
	\$ <u>80,360.00</u>	<u>40,180.00</u>	<u>40,180.00</u>

The appropriations in the 2016 budget are not less than that required by statute.

Note 10: SCHOOL TAXES

Local District and Regional High School Taxes have been raised and remitted, or established as a payable, to the respective district in the following amounts:

	<u>2015</u>	<u>2014</u>
Local School District	\$ 11,446,971.00	11,265,025.00
Regional High School District	6,395,889.00	6,342,382.00

Since the school districts operate on a July 1 to June 30 fiscal year the school tax levy is determined by taking 50% of the prior year and 50% of the current year requirements, plus the actual amount needed for debt service.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 11: TAXES COLLECTED IN ADVANCE

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	Balance 12/31/2015	Balance 12/31/2014
Prepaid Taxes	\$ 343,769.34	269,682.00
Cash Liability for Taxes Collected in Advance	\$ 343,769.34	269,682.00

Note 12: PENSION FUNDS

Description of Plans

Substantially all of the City's employees are covered by the Public Employees' Retirement System cost sharing multiple-employer defined benefit pension plan which has been established by State Statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report may be obtained by writing to the division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the report can be accessed on the internet at – <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

Public Employees' Retirement System

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

Police and Fireman's Retirement System

The contribution policy for the Police and Fireman's Retirement System (PFRS) is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA 43:15:c-1 et seq). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43:15C-1 et seq.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of new Jersey legislation. PERS provided for employee

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2015 AND 2014

contributions of 6.92% through June 30, 2015 and 7.06% thereafter of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 12.50% of covered payroll. The City's contributions to PERS for the years ended December 31, 2015, 2014 and 2013 were \$168,586.00, \$171,685.00, and \$167,034.00.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The current PFRS rate is 26.9% of covered payroll. The City's contributions to PFRS for the years ended December 31, 2015, 2014, and 2013 were \$379,476.00, \$395,186.00, and \$457,884.00.

The total payroll for the years ended December 31, 2015, 2014, and 2013 was \$3,448,282.22, \$3,523,793.32, and \$3,389,079.00. Payroll covered by PERS was \$1,348,188.00, \$1,351,902.00, and \$1,431,515.00, respectively. Payroll covered by PFRS was \$1,411,556.00, \$1,575,159.00, and \$1,557,725.00, respectively.

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60th from 1/55th, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

NOTE 13: PENSION LIABILITIES

In 2012, the Governmental Accounting Standards Board issued GASB statement 68. This statement is effective for fiscal years beginning after June 15, 2014. This statement changes the method of reporting the City's pension liabilities. However, due to the fact that the City reports on the regulatory basis of accounting, no financial statement impact will be recognized.

The following represents the municipality's pension liabilities as June 30, 2015:

Public Employees' Retirement System

The City has a liability of \$4,303,657.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the City's proportion is 0.01917167650%, which was an decrease of 6.25% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2015, the City would have recognized pension expense of \$169,986.00. At December 31, 2015, the City would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 462,175.00	
Net difference between projected and actual earnings on pension plan investments	\$ 102,670.00	\$ (69,195.00)
Changes in proportion and differences between City. contributions and proportionate share of contributions	\$ -	\$ (510,805.00)
Total	\$ 564,845.00	\$ (580,000.00)

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

Year ended June 30,		
2016	\$	5,280.96
2017	\$	5,280.96
2018	\$	5,280.96
2019	\$	5,280.96
2020	\$	(4,145.04)
Thereafter	\$	(1,823.82)
Total	\$	15,155.00

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014. This actuarial valuation used the following assumptions, applied to all period in the measurement:

Inflation rate	3.04%
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%

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

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. 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 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 4.90%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.90%) or 1-percentage point higher (5.90%) than the current rate:

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
City's proportionate share of the net pension liability	\$ 5,348,919.32	\$ 4,303,657.00	\$ 3,427,316.99

Pension plan fiduciary net position.

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

Police and Firemen's Retirement System

The City has a liability of \$8,487,652.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the City's proportion is 0.05095695020%, which is a increase of 3.14% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City would have recognized pension expense of \$805,410.00. At December 31, 2015, the City would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 1,567,031.00	
Net difference between projected and actual earnings on pension plan investments		\$ (220,929.00)
Changes in proportion and differences between City contributions and proportionate share of contributions	\$ 318,047.00	\$ -
Total	\$ 1,885,078.00	\$ (220,929.00)

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

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

Year ended June 30,		
2016	\$	478,030.57
2017	\$	478,030.57
2018	\$	478,030.57
2019	\$	478,030.57
2020	\$	(211,943.00)
Thereafter	\$	(36,030.29)
Total	\$	<u>1,664,148.99</u>

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following assumptions, applied to all period in the measurement:

Inflation rate	3.04%
Salary increases:	
2012-2021	2.60% - 9.48% (based on age)
Thereafter	3.60% - 10.48% (based on age)
Investment rate of return:	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and one year using Projection Scale BB for male service retirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB for female service retirements and beneficiaries with adjustments for mortality improvements from the base year of 2014 based on Projection Scale BB.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of 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, 2015 are summarized in the following table:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 5.79% and 6.32% as of June 30, 2015 and 2014, respectively. 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 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the 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 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 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 Municipality's proportionate share of the net pension liability to changes in the discount rate.

The following presents the collective net pension liability of the participating employers as of June 30, 2015, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	1% Decrease (4.79%)	Current Discount Rate (5.79%)	1% Increase (6.79%)
City's proportionate share of the net pension liability	\$ 12,170,694.04	\$ 8,487,652.00	\$ 6,835,739.83

In addition to the PFRS liabilities listed above, a special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The June 30, 2015 and June 30, 2014 State special funding situation net pension liability amounts of \$1,460,720,421.00 and \$1,354,554,686.00, respectively, 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, 2015 State special funding situation pension expense of \$182,203,735.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2015. The pension expense is deemed to be a State administrative expense due to the special funding situation.

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the City of Linwood was 0.05095695020% and 0.04940649430% for 2015 and 2014 respectively. The net pension liability amounts allocated to the City were \$744,339.00 and \$669,238.00 respectively. For the fiscal year ending June 30, 2015 State special funding situation pension expense of \$92,845.00 is allocated to the City.

Pension plan fiduciary net position.

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

Note 13: POST-RETIREMENT BENEFITS

Plan Description – The City contributes to the State Health Benefits Program (SHBP) a cost-sharing, multi-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. The SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq to provide health benefits to State employees, retirees, and their dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operating and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at - <http://www.state.nj.us/treasury/pensions/shbp.htm>.

Plan Coverage – The City currently has 4 collective bargaining units as well as several non-union employees. The employee's post employment benefits are dependent upon the collective bargaining unit to which they are a member as well as the year of retirement. The benefits by collective bargaining unit are:

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2015 AND 2014

Fire Fighters Local #4370 – upon completion of 25 years of service the employee receives 100% coverage for themselves and 50% coverage for spouse. Fire Fighters hired after January 1, 2015 will not be entitled to primary health benefits or supplemental hospitalization benefits upon retirement.

Mainland Local #77 (Superior Officers) – upon completion of 25 years of service the employee receives 100% coverage from themselves and family.

Mainland Local #77 (Rank and File) – upon completion of 25 years of service a Patrol Officer receives 100% coverage for themselves. Upon completion of 25 years of service a Sergeant receives 100% coverage for themselves and family. If a Patrol Officer or Sergeant retires due to a work related medical disability, the employee receives 100% coverage for themselves and family after only 20 years of service.

Teamsters Local #331 – upon completion of 25 years of service the employee receives 100% coverage for themselves. Employees hired after January 1, 2014 will not be entitled to primary health benefits or supplemental hospitalization benefits upon retirement.

Funding Policy – Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the City on a monthly basis. The rates charged by the system for the year ended December 31, 2015 vary according to the type of coverage selected by the retiree and range from \$515.74 to \$3,020.97 per month.

The City's contributions to SHBP for post-retirement benefits for the year ended December 31, 2015 and 2014 were \$546,087.35 and \$441,672.00 respectively, which equaled the required contribution for the year.

Note 14: INTER-LOCAL AGREEMENT

Effective March 13, 2013, the City entered into a one year agreement with the Atlantic County Utilities Authority (ACUA) where the ACUA will provide solid waste and bulk waste collection services for the City. This contract automatically renewed for an additional one year period and will continue to renew automatically each year through March 17, 2018 unless terminated by either party. After the fifth year, the City has the option to extend the agreement for an additional five year term. The City was obligated to pay \$165,700.00 for these services during the initial term of the contract. Any increases in cost will not exceed the percentage increase in the CPI-U for the Philadelphia SMSA of August of the contract year over August of the preceding year. In addition, the ACUA will assume ownership of a 2012 CNG Freightliner trash truck at a value of \$171,500.00. The value of this truck will be recaptured over five years, or \$34,300.00 per year. This value will be deducted from the annual contract costs. Invoices will be provided to the City each month for collections made during the preceding month. The City paid \$244,364.00 and \$240,667.00 for these services during the 2015 and 2014 calendar years.

Note 15: ACCRUED SICK AND VACATION BENEFITS

The City has permitted employees to accrue 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 cost for the most current calendar year of such unpaid compensation would approximate \$588,992.34 in 2015 and \$622,009.66 in 2014. This amount is not reported either as an expenditure or liability due to the likelihood of all employees terminating in one fiscal year being improbable. It is the city's policy to negotiate the final amount of each payment of accrued sick and vacation pay on an individual basis. The policy of not reflecting the accrued benefit is not in agreement with GASB Statement No. 12 but is required by the State of New Jersey. Effective January 1, 2002 the State of New Jersey is allowing municipalities to accrue a compensated liability. The city does not accrue the liability.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 16: ECONOMIC DEPENDENCY

The City of Linwood is not economically dependent on any one business or industry as a major source of tax revenue for the City.

Note 17: LITIGATION

During the normal course of operations, lawsuits are occasionally brought against the governmental unit. There are presently no outstanding lawsuits that would result in a contingent liability to the City.

Note 18: RISK MANAGEMENT

The City 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.

Property and Liability Insurance – The City maintains commercial insurance coverage for property, liability and surety bonds. During the years ended December 31, 2015 and 2014 the City did not incur claims in excess of the coverage and the amount of coverage did not significantly decrease.

The City of Linwood is a member of the Atlantic County Municipal Joint Insurance Fund and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The City is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The City has a liability limit of \$10,000,000.00 under MEL. There has not been a reduction in coverage and there have not been any claims in excess of coverage.

New Jersey Unemployment Compensation Insurance – The City has elected to fund its New Jersey Unemployment Compensation Insurance under the “Contributory Method”. Under this plan, the City is required to annually appropriate funds to pay the projected costs of contributions at a rate determined by the Commissioner of Labor. The expense for the years ended December 31, 2015 and 2014 was \$10,936.00 and \$10,711.00 respectively.

Note 19: LENGTH OF SERVICE AWARDS PROGRAM (UNAUDITED)

During the year 2003 the voters of the City of Linwood approved the establishment of a Length of Service Awards Program (LOSAP) Deferred Compensation Plan. This plan was approved by the voters of the City of Linwood by referendum at the general election in November of 2003. This plan is made available to all bona fide eligible volunteers who are performing qualified services which are defined as fire fighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP also complies with New Jersey Public Law 1997, Chapter 388 and the LOSAP Document. The balance is subject to the general creditors of the City. Contributions by the City for qualified participants were \$12,650.00 and \$9,172.00 for 2015 and 2014 respectively.

Note 20: TAX ABATEMENT PROGRAM

The tax abatement program was established to encourage commercial and industrial development in the City. It is a five year program where real estate taxes on the approved buildings are abated and payments are made in lieu. Specific qualifications for properties are delineated in the Code Book of the City. Qualifying properties are tax exempt until the project is complete. Once completed, the taxpayer pays no tax in the first year after completion. Beginning in the second year, the taxpayer is assessed taxes on 20% of the assessed value, with annual increases of 20% until the end of five years. During the 2015 and 2014 calendar years, the tax abatement program generated \$0 in revenue for the City.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 21: UNION CONTRACTS

As of December 31, 2015, the City's employees are organized in five collective bargaining units.

<u>Bargaining Unit</u>	<u>Job Category</u>	<u>Members</u>	<u>Term</u>
PBA	Police	All uniformed police excluding Chief and Superior Officers	1/1/12-12/31/15 (effective May 2016 contract renewed for a 5 year term 1/1/16 to 12/31/21)
PBA	Police	Superior Officers	1/1/12-12/31/15 (effective May 2016 contract renewed for a 5 year term 1/1/16 to 12/31/21)
IAFF Teamsters	Firefighters Public Works	All uniformed firefighters All public works employees excluding Superintendent, and police secretary	1/1/15-12/31/19 1/1/14-12/31/16

Note 22: INTERFUND BALANCES

As of December 31, 2015, the following interfunds were included on the balance sheets of the various funds of the City of Linwood:

	<u>Due From</u>	<u>Due To</u>
Current Fund:		
Animal Control Fund	\$ 8,205.00	
Grant Fund	162,918.42	
Other Trust Funds	1,959.00	
Public Defender Trust		989.00
Grant Fund:		
Current Fund		162,918.42
Trust Fund:		
Current Fund -		
Public Defender Trust	989.00	
Animal Control Fund		8,205.00
Other Trust Funds		1,959.00
	<u>\$ 174,071.42</u>	<u>174,071.42</u>

The amounts due to the Current Fund from the Animal Control Fund is the result of excess funds in the reserve for dog expenditures. The amount due from Other Trust Funds to the Current Fund is due to interest earned on bank accounts that has not yet been transferred. The amount due to the Public Defender Trust represents fees collected through the municipal court. The amount due from the Grant Fund to the Current Fund is the result of grant expenditures that have not yet been reimbursed by the funding agencies.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 23: DEFERRED COMPENSATION

Employees of the City may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

An unrelated financial institution administers the deferred compensation plan. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the employees.

As part of its fiduciary role, the City has an obligation of due care in selecting the third party administrator. In the opinion of the City's legal counsel, the City has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

Note 24: SUBSEQUENT EVENTS

The City has evaluated subsequent events through June 30, 2016, the date which the financial statements were available to be issued and no additional items were noted for disclosure or adjustment.

SUPPLEMENTARY INFORMATION

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

The Honorable Mayor and
Members of City Council
City of Linwood, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated June 30, 2016, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Very truly yours,

Ford, Scott & Associates, L.L.C.

**FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS**

Leon P. Costello

**Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393**

June 30, 2016

FINDINGS AND RECOMMENDATIONS

NONE

STATUS OF PRIOR RECOMMENDATIONS

NONE

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**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

		Current Fund	Grant Fund
Balance December 31, 2014	\$	1,560,828.12	414,099.12
Increased by Receipts:			
Taxes Receivable		30,800,113.00	
Prepaid Taxes		343,768.21	
Sewer Rents Receivable		734,373.00	
Prepaid Sewer		312,264.00	
Revenue Accounts Receivable		1,216,015.69	
State of New Jersey -			
Senior Citizens and Veterans		78,000.00	
Marriage License Fees		625.00	
DCA Construction Fees		10,507.00	
Miscellaneous Revenue		58,739.00	
Due from Current Fund			3,003.00
Grant - Unappropriated Reserves			21,763.00
Grant Receivables			523,052.00
		33,554,404.90	547,818.00
		35,115,233.02	961,917.12
Decreased by Disbursements:			
Current Year Appropriation		11,093,875.54	
Prior Year Appropriations		64,668.10	
County Taxes		4,631,816.00	
County Added Taxes		1,235.00	
Local District School Taxes		11,558,023.00	
Regional School Taxes		6,395,889.00	
Special Emergency Note Payable		40,180.00	
State of New Jersey -			
Marriage License Fees		625.00	
DCA Construction Fees		11,849.00	
Refund of Prior Year Revenue		8,801.00	
Due from Grant Fund		0.42	
Due to Current Fund			
Federal and State Disbursements			589,249.12
		33,806,962.06	589,249.12
Balance December 31, 2015	\$	1,308,270.96	372,668.00

**CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance Dec. 31, 2014	Current Year Levy	Added Taxes	Collections by Cash		Adjustments	Transferred To Tax Title Lien	Arrears	Balance Dec. 31, 2015
				2014	2015				
2014	\$ 380,923.00		2,728.00	370,752.00			12,899.00	-	
	380,923.00	-	2,728.00	370,752.00			12,899.00	-	
2015		31,804,193.00	79,455.69	269,682.00	30,766,513.00	296,113.00	26,437.00	524,903.69	
	\$ 380,923.00	31,804,193.00	82,183.69	269,682.00	31,137,265.00	296,113.00	39,336.00	524,903.69	

Cash Receipts
 Overpayments Applied 30,800,113.00
 Overpayments Created (54,023.00)
 Senior Citizens and Veterans 78,500.00
31,137,265.00

Analysis of Current Year Tax Levy

Tax Yield:	
General Property Tax	31,804,193.00
Added Taxes (54:4-63.1 et. Seq.)	79,455.69
	<u>31,883,648.69</u>
Tax Levy:	
General County Taxes	4,508,550.00
County Open Space Taxes	13,805.00
County Health Taxes	109,461.00
County Added and Omitted Taxes	11,599.43
Total County Taxes	<u>4,643,415.43</u>
Local School District Tax	11,446,971.00
Regional School District Tax	6,395,889.00
Additional Local School District Tax	422,528.00
Minimum Library Tax	340,075.00
Local Tax for Municipal Purposes	8,557,408.00
Add: Additional Tax Levied	<u>77,362.26</u>
	<u>8,634,770.26</u>
	<u>31,883,648.69</u>

**CURRENT FUND
SCHEDULE OF RENTS**

Balance December 31, 2014		\$	32,422.00
Increased by:			
Sewer Charges Levied in 2015	1,062,860.00		
Penalty	<u>7,125.00</u>		
			<u>1,069,985.00</u>
			1,102,407.00
Decreased by:			
Prepaid in 2014	338,925.00		
Cash	<u>734,373.00</u>		
	<u>1,073,298.00</u>		
Transfer to Liens	<u>-</u>		<u>1,073,298.00</u>
Balance December 31, 2015		\$	<u><u>29,109.00</u></u>

**CURRENT FUND
SCHEDULE OF TAX TITLE AND OTHER LIENS**

Balance December 31, 2014		\$	22,027.00
Increased by:			
Transfers from:			
Taxes Receivable	39,336.00		
Sewer Rents Receivable	-		
Interest and Costs Accrued by Sale of December 1, 2015	5,307.00		
	<hr/>		<hr/>
			44,643.00
Decreased by:			
Collection	4,092.00		
	<hr/>		<hr/>
			4,092.00
Balance December 31, 2015		\$	<u><u>62,578.00</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2014	Accrued in 2015	Collected by		Balance Dec. 31, 2015
			Collector	Treasurer	
Licenses:					
Other	\$ -	45,522.00		45,522.00	-
Fines and Costs:					
Municipal Court	2,855.00	66,792.09		65,464.09	4,183.00
Interest Earned on Investments		113,970.11	113,970.11		-
Parking Permits		8,546.70		8,546.70	-
Planning and Zoning Permits		7,885.00		7,885.00	-
Energy Receipts Tax		8,040.72		8,040.72	-
Consolidated Municipal Property Tax Relief Act		571,608.00		571,608.00	-
Building Aid Allowance for Schools-State		-			-
Uniform Construction Code Fees		28,649.00		28,649.00	-
Uniform Fire Safety Fees		293,503.48		293,503.48	-
Bell Atlantic Nynex Tower		14,674.10		14,674.10	-
		58,152.49		58,152.49	-
	<u>\$ 2,855.00</u>	<u>1,217,343.69</u>	<u>113,970.11</u>	<u>1,102,045.58</u>	<u>4,183.00</u>

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2014	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT:					
Municipal Clerk					
Other Expenses	\$ 8,574.74	8,574.74	2,066.46	6,508.28	
Financial Administration					
Other Expenses	2,046.08	2,046.08	424.36	1,621.72	
Collection of Taxes					
Other Expenses	2,237.00	2,237.00	50.00	2,187.00	
Assessment of Taxes					
Other Expenses	895.38	895.38	10.71	884.67	
Public Buildings and Grounds					
Other Expenses	10,129.32	10,129.32	4,665.96	5,463.36	
Legal Services					
Other Expenses	16,436.95	16,436.95	5,584.00	10,852.95	
INSURANCE					
Employee Group Health	33,001.29	33,001.29	396.95	32,604.34	
LAND USE ADMINISTRATION:					
Zoning Board of Adjustment					
Other Expenses	2,378.10	2,378.10	1,120.92	1,257.18	
PUBLIC SAFETY:					
Fire					
Other Expenses	25,503.57	25,503.57	17,930.63	7,572.94	
Police					
Other Expenses	6,050.67	6,050.67	5,033.97	1,016.70	
Communication					
Other Expenses	9,888.66	9,888.66	2,465.56	7,423.10	
Emergency Management Services					
Other Expenses	3,143.23	3,143.23	824.99	2,318.24	
STREETS AND ROADS:					
Road Repair and Maintenance					
Other Expenses	11,070.70	11,070.70	7,028.97	4,041.73	
SANITATION:					
Sewer System					
Other Expenses	12,632.04	12,632.04	4,083.03	8,549.01	
HEALTH AND WELFARE:					
Animal Control Service (Dog Regulation)					
Contractual	800.00	800.00	800.00	-	

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2014	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
RECREATION AND EDUCATION:					
Parks and Playgrounds	6,111.50	6,111.50	6,054.56	56.94	
Other Expenses					
STATE UNIFORM CONSTRUCTION CODE					
Construction Official	10,950.50	10,950.50	2,108.21	8,842.29	
Other Expenses					
UNCLASSIFIED:					
Utilities					
Electricity	1,297.18	1,297.18	609.78	687.40	
Telephone and Telegraph	4,273.61	4,273.61	2,014.35	2,259.26	
Street Lighting	1,776.78	1,776.78	881.69	895.09	
Statutory Expenditures:					
Contributions to:					
Social Security System (O.A.S.I)	8,979.86	8,979.86	50.00	8,929.86	
OPERATIONS EXCLUDED FROM "CAPS"					
GENERAL GOVERNMENT:					
NJPDES Storm Water Permit NJSA 40A:4-45.3(cc)	5,620.13	5,620.13	463.00	5,157.13	
Streets & Roads O/E					
All Other Accounts - No Change	153,483.28	153,483.28		153,483.28	
	<u>\$ 337,280.57</u>	<u>337,280.57</u>	<u>64,668.10</u>	<u>272,612.47</u>	<u>-</u>

**CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX**

Balance December 31, 2014	\$	111,052.00
Increased by:		
Levy - Calendar Year 2015		<u>11,446,971.00</u>
		11,558,023.00
Decreased by:		
Payments		<u>11,558,023.00</u>
Balance December 31, 2015	\$	<u><u>-</u></u>

**CURRENT FUND
SCHEDULE OF REGIONAL SCHOOL TAX**

Balance December 31, 2014	\$	-
Increased by:		
Levy - Calendar Year 2015		6,395,889.00
		6,395,889.00
Decreased by:		
Payments		6,395,889.00
Balance December 31, 2015	\$	-

**CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

<u>Purpose</u>	Balance Dec. 31, 2014	Transferred From 2015 Revenues	Received	Adjustments	Balance Dec. 31, 2015
FEDERAL GRANTS:					
Federal Emergency Management Assistance Grant #1889	\$ 358.00				358.00
Grant #1954	15,381.00				15,381.00
Hazard Mitigation Grant Program - Lifeline/ Life Safety Energy Resilience Program	30,000.00	45,000.00			75,000.00
Safe Routes to Schools	35,043.00				35,043.00
Safe Routes to Transit - Poplar Avenue	24,120.00				24,120.00
Community Development Block Grant	45,000.00				45,000.00
Total Federal	104,902.00	90,000.00	-	-	194,902.00
STATE GRANTS:					
New Jersey Transportation Trust Fund					1,528.00
Reconstruction of Poplar Avenue	1,528.00				-
Reconstruction of Woodlynnne Blvd.	187,000.00		187,000.00		-
Country Club Drive & Delmar Avenue	86,750.00		76,297.00		10,453.00
Linwood Bike Path Extension	270,000.00				270,000.00
Reconstruction of Woodlynnne Blvd.		190,000.00	90,061.00		99,939.00
Reconstruction of School House Drive		190,000.00	142,500.00		47,500.00
Clean Communities Program	823.00		18,084.00		823.00
Recycling Tonnage Grant		12,920.00	12,920.00		-
Body Armor		1,765.00	1,765.00		-
Coastal Blue Acres	3,216.00				953,000.00
Drunk Driving Enforcement 2011					3,216.00
Drunk Driving Enforcement 2014					
Garden State Historic Preservation Trust					2,428.00
Leedsville School Project	2,428.00				-
Sustainable Land Use Planning Grant	4,000.00		4,000.00		-
Total State	555,745.00	1,365,769.00	532,627.00	-	1,388,887.00

**CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

<u>Purpose</u>	Balance Dec. 31, 2014	Transferred From 2015 Revenues	Received	Adjustments	Balance Dec. 31, 2015
LOCAL GRANTS:					
Atlantic County Drug Alliance	14,684.00	9,007.00	5,110.00		18,581.00
Total Local	<u>14,684.00</u>	<u>9,007.00</u>	<u>5,110.00</u>	-	<u>18,581.00</u>
	<u>\$ 675,331.00</u>	<u>1,464,776.00</u>	<u>537,737.00</u>	-	<u>1,602,370.00</u>
		Cash	523,052.00		
		Unappropriated Reserves	14,685.00		
			<u>537,737.00</u>		

**CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS**

	Balance December 31, 2014	2015	Disbursed	Encumbrances	Adjustment/ Canceled	Balance Dec. 31, 2015
	Appropriated	Reserve for Encumbrances	Appropriations	Disbursed	Encumbrances	Dec. 31, 2015
FEDERAL GRANTS:						
Federal Emergency Management Assistance Grant #1954	\$ 15,381.00					15,381.00
Hazard Mitigation Grant Program - Lifeline/ Life Safety Energy Resilience Program	30,000.00		45,000.00			75,000.00
Safe Routes to Schools	35,043.00					35,043.00
Safe Routes to Transit - Poplar Avenue	16,545.00					16,545.00
Community Development Block Grant			45,000.00	41,033.14	837.41	3,129.45
Total Federal	96,969.00	-	90,000.00	41,033.14	837.41	145,098.45
STATE GRANTS:						
New Jersey Transportation Trust Fund	16,445.00					16,445.00
Reconstruction of Poplar Avenue	15,347.00					15,347.00
Reconstruction of Maple Avenue	21,817.00					21,817.00
Country Club Drive & Delmar Avenue	240,500.00	29,500.00			259,874.75	10,125.25
Bike Path Extension	167,000.00	20,000.00	190,000.00	325,370.72	44,044.28	7,585.00
Reconstruction of Woodlynne Blvd.			190,000.00	175,142.02	14,857.98	0.00
Reconstruction of School House Drive	49.00		18,083.58	17,512.58	468.00	152.00
Clean Communities Program	13,443.00	2,000.00	12,920.00	18,630.75	1,320.00	8,412.25
Recycling Tonnage Grant	1,939.00	849.12	1,765.00	800.00	850.00	2,903.12
Body Armor						
Drunk Driving Enforcement 2010	2,744.00					2,744.00
Drunk Driving Enforcement 2011	2,415.00					2,415.00
Drunk Driving Enforcement 2012	3,789.00					3,789.00
Drunk Driving Enforcement 2013	8,020.00					8,020.00
Garden State Historic Preservation Trust			953,000.00			953,000.00
NJ Coastal Blue Acres						
Total State	493,508.00	52,349.12	1,365,768.58	537,456.07	321,415.01	1,052,754.62
LOCAL GRANTS:						
Atlantic County Drug Alliance-County	10,356.00		9,007.00	8,909.91		10,453.09
Atlantic County Drug Alliance-Local	6,974.00		3,003.00	1,850.00		8,127.00
Frank H. Stewart Trust Fund						
Acquisition of Land for City Purposes	250,000.00					250,000.00
Total State	267,330.00	-	12,010.00	10,759.91	-	268,580.09
\$	857,807.00	52,349.12	1,467,778.58	589,249.12	322,252.42	1,466,433.16
			Expended in Cash	589,249.12		
			Prior Year Encumbrances	-		
				589,249.12		

**CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES**

<u>Purpose</u>	Balance Dec. 31, 2014	Transferred To 2015 Appropriations	Received	Adjustments	Balance Dec. 31, 2015
FEDERAL GRANTS:					
None	\$ -				-
Total Federal	<u>-</u>				<u>-</u>
STATE GRANTS:					
Drunk Driving Enforcement	1,670.00				1,670.00
Body Armor Grant	1,765.00	1,765.00	1,763.00		1,763.00
Recycling Tonnage	12,921.00	12,920.00			1.00
Comcast Techonology Grant			20,000.00		20,000.00
Total State	<u>16,356.00</u>	<u>14,685.00</u>	<u>21,763.00</u>		<u>23,434.00</u>
\$	<u>16,356.00</u>	<u>14,685.00</u>	<u>21,763.00</u>	<u>-</u>	<u>23,434.00</u>

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

	Dog License	Other
Balance December 31, 2014	\$ 24,231.23	421,127.01
Increased By:		
Dog License Fees	1,740.80	
Cat License Fees	168.00	
Dog License Fees - State Share	334.20	
Interest		456.47
Bike Path Beautification		3,103.27
Bequest - Law Enforcement Trust		3.62
Public Defender Trust		5.00
Municipal Recycling Receipts		5,340.22
Tax Premiums and Redemptions		632,710.57
Surety		12,433.22
Municipal Drug Alliance		2,184.82
Planning & Zoning Escrow		213,090.00
Street Openings		18,203.29
Fire Safety Fees		136.00
Developer's Escrow		88,160.00
Parking Offenses Adjudication Act		4.00
Payroll Withholdings		4,971,743.96
Accumulated Absences		23.91
	2,243.00	5,947,598.35
	26,474.23	6,368,725.36
Decreased By:		
Due to State of New Jersey	334.20	
Animal Control Expenditures	1,798.00	
Cat License Expenditures	258.00	
Reserve for Bike Path Maintenance		2,566.51
Municipal Recycling Expenditures		9,160.29
Law Enforcement Trust Fund		4,650.92
Tax Premium and Redemption Refunds		503,376.57
Municipal Drug Alliance		3,433.51
Surety		13,816.22
Street Openings		11,730.00
Planning & Zoning Escrow		213,084.00
Payroll Withholdings		4,970,798.06
Fire Safety Fees		700.00
Accumulated Absences		5.00
Public Defender Trust		5.00
Developer's Escrow		69,427.00
	2,390.20	5,802,753.08
Balance December 31, 2015	\$ <u>24,084.03</u>	<u>565,972.28</u>
<u>Analysis of Balance @ Dec. 31, 2015</u>		
Payroll Agency		33,913.90
Accumulated Absences		37,813.38
Developer's Escrow		44,742.41
Bike Path Beautification		6,637.58
SPZ Trust Fund		21,573.66
Trust Other Disb Funds		112.82
Law Enforcement		4,012.88
Street Openings		24,369.18
Public Defender		50.00
Recycling		4,022.35
Municipal Alliance		10,218.60
Tax Title Lien Redemption		375,551.05
Parking Offenses Adjudication Act		46.00
Green Trust		0.01
Uniform Fire Safety		2,908.46
		<u>565,972.28</u>

See Accompanying Auditor's Report

**TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES**

Balance December 31, 2014	\$	4,950.00
Increased by:		
Dog License Fees Collected		1,740.80
		6,690.80
Decreased by:		
Expenditures Under N.J.S.A. 4:19-15.11		1,798.00
Statutory Excess Due Current Fund		385.00
		2,183.00
Balance December 31, 2015	\$	4,507.80

License Fees Collected	<u>Year</u>	<u>Amount</u>
	2014	2,101.00
	2013	2,407.00
	\$	4,508.00

**TRUST FUND
SCHEDULE OF AMOUNT DUE TO CURRENT FUND -
ANIMAL CONTROL FUND**

Balance December 31, 2014	\$	7,820.00
Increased by:		
Statutory Excess in Reserve for Dog Fund Expenditures		<div style="border-top: 1px solid black; display: inline-block; width: 100px; margin-left: auto;">385.00</div>
		<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100px; margin-left: auto;">385.00</div>
Balance December 31, 2015	\$	<div style="border-bottom: 3px double black; display: inline-block; width: 100px; margin-left: auto;">8,205.00</div>

**TRUST FUND
SCHEDULE OF AMOUNT DUE TO/(FROM) STATE OF NEW JERSEY -
DEPARTMENT OF HEALTH**

Balance December 31, 2014	\$	-
Increased by:		
2015 State License Fee	256.00	
2015 Pilot Clinic Fee	51.20	
2015 Animal Population Control Fee	<u>27.00</u>	
		<u>334.20</u>
		334.20
Decreased By:		
Payments	<u>334.20</u>	
		<u>334.20</u>
Balance December 31, 2015	\$	<u><u>-</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR CAT REGISTRATIONS

Balance December 31, 2014	\$	11,461.23
Increased by:		
Cat License Fees Collected		<u>168.00</u>
Decreased by:		
Disbursements		<u>258.00</u>
Balance December 31, 2015	\$	<u><u>11,371.23</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR BIKE PATH BEAUTIFICATION
OTHER TRUST FUNDS

Balance December 31, 2014	\$	6,100.82
Increased by:		
Contributions for Tees and Benches		<u>3,103.27</u>
		9,204.09
Decreased by:		
Disbursements		<u>2,566.51</u>
Balance December 31, 2015	\$	<u><u>6,637.58</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR LAW ENFORCEMENT TRUST FUND
OTHER TRUST FUNDS

Balance December 31, 2014	\$	8,660.18
Increased By:		
Bequest received	<u>3.62</u>	<u>3.62</u>
		8,663.80
Decreased by:		
Law Enforcement Expenditures		<u>4,650.92</u>
Balance December 31, 2015	\$	<u><u>4,012.88</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR RECYCLING TRUST
OTHER TRUST FUNDS**

Balance December 31, 2014	\$	7,842.42
Increased By:		
Municipal Recycling Receipts	<u>5,340.22</u>	<u>5,340.22</u>
		13,182.64
Decreased by:		
Recycling Expenditures	<u>9,160.29</u>	<u>9,160.29</u>
Balance December 31, 2015	\$	<u><u>4,022.35</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR PUBLIC DEFENDER
OTHER TRUST FUNDS**

Balance December 31, 2014	\$	1,039.00
No Activity During 2015		
Balance December 31, 2015	\$	<u><u>1,039.00</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR TAX TITLE LIEN REDEMPTIONS

Balance December 31, 2014	\$	245,760.58
Increased by:		
Premium Received at Tax Sale	272,100.00	
Tax Title Lien Redemptions Deposited	360,610.57	
Interest Earned	<u>456.47</u>	
		<u>633,167.04</u>
		878,927.62
Decreased by Disbursements:		
Refund Upon Redemption	359,076.57	
Premiums Returned	<u>144,300.00</u>	
		<u>503,376.57</u>
Balance December 31, 2015	\$	<u><u>375,551.05</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR DRUG ALLIANCE

Balance December 31, 2014	\$	11,467.29
Increased by:		
Drug Alliance Receipts	<u>2,184.82</u>	
		<u>2,184.82</u>
		13,652.11
Decreased by:		
Expenditures for Drug Alliance Program	<u>3,433.51</u>	
		<u>3,433.51</u>
Balance December 31, 2015	\$	<u><u>10,218.60</u></u>

**GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER**

Balance December 31, 2014		\$ 2,971,058.37
Increased by:		
Capital Improvement Fund	50,000.00	
Premium on Sale of Bond Anticipation Notes	28,577.00	
Bond Anticipation Notes	950,000.00	
Reserve for Improvements to Sewer System	12,500.00	
Reimbursements	19,179.00	
		1,060,256.00
		4,031,314.37
Decreased by:		
Improvement Authorizations	1,477,575.83	
Miscellaneous	0.39	
		1,477,576.22
Balance December 31, 2015		\$ <u><u>2,553,738.15</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance		Receipts		Disbursements		Transfers		Balance	
	Dec. 31, 2014		Budget Appropriation	Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From		To
Fund Balance	\$ 22,714.00									
Capital Improvement Fund	110,405.00		50,000.00	28,577.00				50,000.00	0.15	51,290.76
Encumbrances Payable	508,239.00							508,239.00		110,405.00
Reserve for Improvements to Sewer System	12,500.00			12,500.00					488,270.14	488,270.14
						0.39				25,000.00
Improvement Authorizations:										
10-03 Various Improvements	4,524.00							4,524.00		-
1-04 Various Improvements	49,867.00							49,867.00		-
12-04 Various Improvements	(49,866.00)								49,866.00	-
9-05 Various Improvements	(4,525.00)								4,525.00	-
14-07 Various General Improvements	19,784.00									19,784.00
14-08 Various General Improvements	42,371.00									42,371.00
11-09 Various General Improvements	7,247.37					1,956.62		523.09	0.34	4,768.00
8-10 Clean Water Project - NJEF	79,709.00					16,751.25		50,555.00		62,958.75
9-10 Purchase of Police Vehicle	413.00									413.00
10-10 Various General Improvements	14,462.00					12,750.00		1.00	11,500.00	13,211.00
17-10 Purchase of Computer Server	-									-
10-11 Various General Improvements	22,352.00					10,622.50		815.50		10,914.00
13-12 Various General Improvements	29,423.00			12,995.00		25,804.00		13,995.00	25,804.00	28,423.00
10-13 Various Improvements to Schools	1,472,786.00					640,027.53			153,580.60	986,339.07
9-14 Purchase of Computer Software for Construction Department	-								10,900.00	10,900.00
12-14 Demolition of Poplar Avenue School	21,143.00					261,002.00		0.09		(239,859.09)
14-14 Various General Improvements	607,510.00			6,184.00	950,000.00	416,670.31		338,795.17	255,900.00	114,128.52
6-15 Various General Improvements	-					91,991.62		83,587.38	50,000.00	824,421.00
	\$ 2,971,058.37		50,000.00	60,256.00	950,000.00	1,477,575.83	0.39	1,100,902.23	1,100,902.23	2,553,738.15

**GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND**

Balance December 31, 2014	\$	110,405.00
Increased by:		
Budget Appropriation		<u>50,000.00</u>
		160,405.00
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>50,000.00</u>
Balance December 31, 2015	\$	<u><u>110,405.00</u></u>

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

Ord #	Improvement Description	Balance Dec. 31, 2014	2015 Authorizations	Raised in 2015 Budget	Cancelled	Balance Dec. 31, 2015	Analysis of Balance		
							Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
11-2009	Various Improvements (a) Improvements to Roads & Drainage \$	223.00				223.00		223.00	
8-2010	Property Acquisition	494,069.00				494,069.00		494,069.00	
10-2010	Various General Improvements (a) Improvements to Roads & Drainage	3,000.00				3,000.00		3,000.00	
10-2011	Various General Improvements	204,201.00		8,500.00		195,701.00	195,700.00	1.00	
15-2011	Refunding Bond Issue	940,000.00				940,000.00			940,000.00
13-2012	Various General Improvements	225,568.00		11,500.00		214,068.00	214,065.00	3.00	
10-2013	Various Improvements to Schools	3,612,000.00				3,612,000.00	3,502,000.00	109,999.53	
12-2014	Demolition of Poplar Avenue School and Related Improvements	606,000.00				606,000.00		239,859.09	366,140.91
14-2014	Various General Improvements	950,000.00				950,000.00	950,000.00		
6-2015	Various General Improvements	-	950,000.00			950,000.00	950,000.00		
		<u>\$ 7,035,061.00</u>	<u>950,000.00</u>	<u>20,000.00</u>	<u>-</u>	<u>7,965,061.00</u>	<u>5,811,765.00</u>	<u>847,154.62</u>	<u>1,306,140.91</u>

Improvement Authorizations Unfunded	3,359,870.50
Less:	
Unexpended Proceeds of Bond Anticipation Notes Issued:	
Ord. Number	
10-2011	10,915.00
13-2012	28,426.00
10-2013	1,096,339.07
14-2014	114,128.52
6-2015	803,921.00
	<u>2,053,729.59</u>
	<u>\$ 1,306,140.91</u>

**GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord #	Improvement Description	Ord. Date	Amount	Balance December 31, 2014		Authorizations		Paid or Charged	Current Year Encumbrances	Transfer	Canceled	Balance December 31, 2015		
				Funded	Unfunded	Other Funding	Deferred Charges to Future Taxation					Reverse Prior Year Encumbrances	Funded	Unfunded
14-07	Various Improvements c. Office Equipment and Computers h. Improvements to Bldg & Grounds g. Improvements to Roads	6/9/2007	1,478,028.00	\$ 1,163.00 5,519.00 13,102.00								1,163.00 5,519.00 13,102.00		
14-08	Improvements to Bldg and Grounds d Purchase of Various Vehicles e Improvements to Roadways	8/13/2008	910,634.00	3,971.00 1,179.00 37,221.00								3,971.00 1,179.00 37,221.00		
11-09	Various General Improvements (a) Improvements to Roads & Drainage (b) Purchase of Trash Truck (c) Purchase of Public Safety Equipment	3/24/2009	546,000.00 70,413.00 33,587.00	2,134.00 2,857.00 2,479.71				1,956.62	523.09			2,134.00 2,857.00 0.00		
8-10	Clean Water Project - NEIF	3/24/2010	2,010,000.00	675,844.00				16,751.25	50,554.94			659,092.75		
9-10	Purchase of Police Vehicle	7/14/2010	30,000.00	413.00								413.00		
10-10	Various General Improvements (a) Improvements to Roads & Drainage (b) Purchase of Public Safety Equipment (c) Sewer System Improvements (d) Purchase of Computer Equipment	6/9/2010	225,750.00 24,255.00 48,143.00 5,250.00	12,013.00 - 4,198.00 1,250.00				11,500.00				12,013.00 - 4,198.00		
17-10	Purchase of Computer Server	11/10/2010	5,000.00	-				1,250.00				-		
10-11	(a) Improvements to Roads (b) Purchase of public safety equipment (c) Improvements to sewer system (d) Purchase of computers	7/13/2011	68,567.00 39,586.00 14,427.00 5,000.00	10,245.00 1,485.00 10,622.50 -				10,622.50	815.00			10,245.00 670.00 -		
15-11	Refunding Bond Issue	10/12/2011	940,000.00	940,000.00								940,000.00		
13-12	Various General Improvements (a) Improvements to Roads (d) Improvements to recreation field	7/11/2012	77,500.00 47,500.00	16,400.00 13,026.00				25,804.00 (12,995.00)	13,995.00			16,400.00 12,026.00		
10-2013/ 15-2015	Various School Improvements (a) Behaven Roof Replacement (b) Behaven Property Acquisition (c) Seaview Roof Replacement (d) Seaview Bathroom Renovations (e) Behaven Fire Alarm Project	6/12/2013	1,955,000.00 310,000.00 1,237,000.00 110,000.00 400,000.00	786,680.29 74,513.31 709,593.00 -				136,641.15 238,894.78 227,706.00 33,785.60		(290,000.00) 250,000.00 (400,000.00) 400,000.00			373,306.14 88,066.53 228,747.00 6,214.40 400,000.00	
9-2014	Purchase of Computer Software for the Construction Department	6/11/14	10,900.00					10,900.00				10,900.00		
12-2014	Demolition of Poplar Avenue School and Related Improvements	6/25/2014	638,000.00	21,142.91	606,000.00			261,002.00				366,140.91		
14-2014	Various General Improvements (a) Improvements to Roads (b) Improvements to sanitary sewer system	7/9/2014	875,000.00 125,000.00	568,999.93 38,509.72				392,920.85 17,565.46	338,794.82			83,080.26 31,046.26		
6-2015	Various General Improvements (a) Various Roadway Improvements (b) Improvements to sanitary sewer system (c) Various Recreation Projects (d) Historical Roof Replacement (e) Purchase in-car video system for police	6/10/2015	760,000.00 169,000.00 21,000.00 29,000.00 21,000.00	38,000.00 8,450.00 1,050.00 1,450.00 1,050.00				91,991.62	20,000.00 46,366.38			18,000.00 - 1,050.00 1,450.00 -	722,000.00 30,640.00 19,950.00 27,550.00 3,781.00	
				\$ 784,466.62	\$ 3,788,074.75	\$ 50,000.00	\$ 950,000.00	\$ 1,458,396.83	\$ 488,270.23	\$ -	\$ -	\$ 774,267.75	\$ 3,359,670.50	
								Expended in Cash Refunds	1,477,575.83 (19,179.00)					
									1,458,396.83					

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds			Interest Rate	Balance Dec. 31, 2014	Increased	Decreased	Balance Dec. 31, 2015
			Date	Outstanding December 31, 2015	Amount					
General Improvement Bonds	9/15/2005	2,020,000.00	8/01/16	220,000.00		3.625% \$	430,000.00		210,000.00	220,000.00
General Improvement Bonds	9/1/2010	4,099,222.00	9/1/2016	449,684.00		2.000%	3,303,993.00		449,684.00	2,854,309.00
			9/1/2017	577,489.00		2.000%				
			9/1/2018	596,423.00		2.250%				
			9/1/2019	620,090.00		2.375%				
			9/1/2020	610,623.00		2.500%				
General Improvement Bonds (Refunding)	2/7/2012	5,960,000.00	7/15/2016	535,000.00		3.000%	5,435,000.00		520,000.00	4,915,000.00
			7/15/2017	550,000.00		3.000%				
			7/15/2018	570,000.00		4.000%				
			7/15/2019	600,000.00		4.000%				
			7/15/2020	625,000.00		4.000%				
			7/15/2021	650,000.00		4.000%				
			7/15/2022	680,000.00		4.000%				
			7/15/2023	705,000.00		4.000%				
							\$ 9,168,993.00		1,179,684.00	7,989,309.00

**GENERAL CAPITAL FUND
SCHEDULE OF GREEN TRUST LOAN PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2015		Interest Rate	Balance Dec. 31, 2014	Increased	Decreased	Balance Dec. 31, 2015
			Date	Amount					
Construction of Bike Path	12/22/1997	148,500.00	3/22/2016	4,303.00	2.000%	30,429.00		8,478.91	21,950.09
			9/22/2016	4,346.00	2.000%				
			3/22/2017	4,390.00	2.000%				
			9/22/2017	4,434.00	2.000%				
Lighting at All Wars Memorial Park	7/9/2003	150,000.00	3/22/2018	4,478.00	2.000%				
			01/15/16	4,279.00	2.000%	67,525.00		8,431.85	59,093.15
			07/15/16	4,322.00	2.000%				
			01/15/17	4,365.00	2.000%				
			07/15/17	4,409.00	2.000%				
			01/15/18	4,453.00	2.000%				
			07/15/18	4,498.00	2.000%				
			01/15/19	4,543.00	2.000%				
			07/15/19	4,588.00	2.000%				
			01/15/20	4,634.00	2.000%				
			07/15/20	4,680.00	2.000%				
			01/15/21	4,727.00	2.000%				
07/15/21	4,774.00	2.000%							
01/15/22	4,822.00	2.000%							
\$						97,954.00	-	16,910.76	81,043.24

**GENERAL CAPITAL FUND
SCHEDULE OF ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2014	Increased	Decreased	Balance Dec. 31, 2015
			December 31, 2015						
			Date	Amount					
Infrastructure	5/3/12	1,155,931.00	2/1/16	39,184.00	-	\$ 999,195.00		58,776.15	940,418.85
			8/1/16	19,592.00	-				
			2/1/17	39,184.00	-				
			8/1/17	19,592.00	-				
			2/1/18	39,184.00	-				
			8/1/18	19,592.00	-				
			2/1/19	39,184.00	-				
			8/1/19	19,592.00	-				
			2/1/20	39,184.00	-				
			8/1/20	19,592.00	-				
			2/1/21	39,184.00	-				
			8/1/21	19,592.00	-				
			2/1/22	39,184.00	-				
			8/1/22	19,592.00	-				
			2/1/23	39,184.00	-				
			8/1/23	19,592.00	-				
			2/1/24	39,184.00	-				
			8/1/24	19,592.00	-				
			2/1/25	39,184.00	-				
			8/1/25	19,592.00	-				
			2/1/26	39,184.00	-				
			8/1/26	19,592.00	-				
			2/1/27	39,184.00	-				
			8/1/27	19,592.00	-				
			2/1/28	39,184.00	-				
			8/1/28	19,592.00	-				
			2/1/29	39,184.00	-				
			8/1/29	19,592.00	-				
			2/1/30	39,184.00	-				
			8/1/30	19,592.00	-				
			2/1/31	39,184.00	-				
8/1/31	19,595.00	-							
Infrastructure	5/3/12	360,000.00	8/1/16	15,000.00	5.00%	330,000.00		15,000.00	315,000.00
			8/1/17-8/1/21	15,000.00	5.00%				
			8/1/22-26	20,000.00	5.00%				
			8/1/27-28	25,000.00	3.00%				
			8/1/29	25,000.00	3.13%				
			8/1/30	25,000.00	3.20%				
			8/1/31	25,000.00	3.25%				
						<u>\$ 1,329,195.00</u>	<u>-</u>	<u>73,776.15</u>	<u>1,255,418.85</u>

**GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES**

Improvement Description	Ordinance Number	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2014	Increased	Decreased	Balance Dec. 31, 2015
Various General Improvements	10-2011	9/8/2011	7/30/2015	7/29/2016	1.250% \$	204,200.00		8,500.00	195,700.00
Various General Improvements	13-2012	8/7/2012	7/30/2015	7/29/2016	1.250%	225,565.00		11,500.00	214,065.00
Various Improvements to Schools	10-2013	7/10/2013	4/7/2015	4/6/2016	1.250%	2,265,000.00			2,265,000.00
Various Improvements to Schools	10-2013	4/8/2014	4/7/2015	4/6/2016	1.250%	1,237,000.00			1,237,000.00
Various General Improvements	14-2014	8/1/2014	7/30/2015	7/29/2016	1.250%	950,000.00			950,000.00
Various General Improvements	6-2015	7/30/2015	7/30/2015	7/29/2016	1.500%	-	950,000.00		950,000.00
						\$ 4,881,765.00	950,000.00	20,000.00	5,811,765.00

**GENERAL CAPITAL FUND
SCHEDULE OF BOND AND NOTES AUTHORIZED BUT NOT ISSUED**

Ordinance Number	Improvement Description	Balance Dec. 31, 2014	2015 Authorizations	Debt Issued	Other	Balance Dec. 31, 2015
11-2009	Various General Improvements	\$ 223.00				223.00
8-2010	Stormwater Drain System Improvements (Construction of Clean Water Project)	494,069.00				494,069.00
10-2010	Various General Improvements	3,000.00				3,000.00
10-2011	Various General Improvements	1.00				1.00
15-2011	Refunding Bond Ordinance General Obligation Refunding Bonds School Refunding Bonds	700,000.00 240,000.00				700,000.00 240,000.00
13-2012	Various General Improvements	3.00				3.00
10-2013	Various Improvements to Schools	110,000.00				110,000.00
12-2014	Demolition of Poplar Avenue School and Related Improvements	606,000.00				606,000.00
6-2015	Various General Improvements	-	950,000.00	950,000.00		-
		<u>\$ 2,153,296.00</u>	<u>950,000.00</u>	<u>950,000.00</u>	<u>-</u>	<u>2,153,296.00</u>

CITY OF LINWOOD

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2015

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GENERAL COMMENTS

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

N.J.S. 40A:11-4 states, "Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding the aggregate of \$17,500 except by contract or agreement".

The governing body of the City of Linwood has the responsibility of determining whether the expenditures in any category will exceed \$17,500 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the district counsel's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising for the following items:

- Demolition, Removal, and Final Cleaning Up of Poplar Avenue School Property
- Various Roadway Improvements
- Concrete Curb & Sidewalk Replacement/Installation Project
- Miscellaneous Sanitary Sewer & Stormwater Repair and Rehab

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

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work 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.

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

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body, on January 5, 2015, adopted the following resolution authorizing interest to be charged on delinquent taxes:

"WHEREAS, R.S. 54:4-67 permits the governing body of each municipality to fix the rate of interest to be charged for nonpayment of taxes or assessments; and

WHEREAS, R.S. 54:4-67 has been amended to permit the fixing of said rate of 8% per annum on the first \$1,500 of delinquency and 18% per annum on any amount in excess of \$1,500;

NOW, THEREFORE, BE IT RESOLVED, by the Common Council of the City of Linwood, County of Atlantic, State of New Jersey as follows:

The Tax Collector is hereby authorized and directed to charge eight (8) percent per annum on the first \$1,500 of delinquency, and eighteen (18) percent per annum on any amount in excess of \$1,500, said amounts to be calculated from the date the tax is payable until the date of actual payment."

In addition, the governing body, on January 5, 2015, adopted the following resolution authorizing the allowance of a grace period before charging a penalty for late payment of taxes:

“WHEREAS, NJSA 54:4-67 allows the governing body to fix the rate of interest to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent, and may provide that no interest shall be charged if payment of any installment is made within the tenth calendar day following the date upon which the same became payable; and

WHEREAS, the Mayor and Common Council of the City of Linwood are desirous of so authorizing the Linwood Tax Collector to allow such a grace period of taxes, assessments and sewer charges;

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and Common Council of the City of Linwood, that the Linwood City Tax Collector is hereby duly authorized, empower and directed to charge a penalty starting on February 11, 2015 for the first quarter, May 11, 2015 for the second quarter, August 11, 2015 for the third quarter and November 11, 2015 for the fourth quarter.”

Further, the governing body on January 5, 2015, adopted the following resolution to impose a penalty on tax delinquencies in excess of \$10,000:

“WHEREAS, NJSA 54:4-67 allows the governing body to charge a taxpayer having a tax delinquency in excess of \$10,000 at the end of the calendar year, an amount not to exceed 6% of said delinquency; and

WHEREAS, the Mayor and Common Council of the City of Linwood are desirous of so authorizing the Linwood Tax Collector to assess such a penalty;

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and Common Council of the City of Linwood, that the Linwood Tax Collector be and is hereby duly authorized, empowered and directed to charge a penalty in the amount of 6% for all delinquent taxes, assessments, or other municipal liens or charges in excess of \$10,000 which have not been paid prior to the end of this calendar year.”

Our examination of interest collected on delinquent taxes did not reveal any charges that were not in agreement with the above resolution.

Delinquent Taxes and Tax Title Liens

Inspection of tax sale certificates on file revealed that all tax sale certificates were available for audit. The last tax sale was held on December 1, 2015 and was complete,

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

<u>Year</u>	<u>Tax</u>	<u>Sewer</u>
2015	6	1
2014	4	1
2013	3	1

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.

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, including the mailing of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payments of 2015 and 2016 Taxes	10
Delinquent Taxes	12
Payment of 2015 and 2016 Sewer Charges	10
Delinquent Sewer Charges	5

As of the date of this audit report, all verifications have not been returned. However, no problems were noted with those that have been returned.

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collections</u>
2015	\$ 31,883,649.00	31,036,195.00	97.34%
2014	31,300,665.00	30,613,776.00	97.80%
2013	31,080,217.00	30,452,480.00	97.98%
2012	29,853,838.00	29,062,734.00	97.35%
2011	30,076,358.00	29,526,625.00	98.17%

Comparative Schedule of Tax Rate Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Tax Rate	\$ 3.225	3.100	3.971	3.777	3.783
Apportionment of Tax Rate:					
Municipal	0.867	0.853	1.000	0.945	0.927
Municipal Library	0.035	0.034	0.045	0.048	0.050
County	0.472	0.438	0.579	0.490	0.504
Local School	1.203	1.156	1.547	1.510	1.526
Regional High School	0.648	0.629	0.800	0.784	0.776
Assessed Valuation	986,052,200	1,009,416,904	779,803,897	789,042,244	792,876,551

A revaluation of properties was performed in 2013 in order to bring the property values in line with their true value. The revaluation was effective for the 2014 tax year.

Delinquent Taxes and Tax Title Liens

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

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage Of Tax Levy</u>
2015	\$ 81,170.00	524,903.69	606,073.69	1.90%
2014	86,342.00	380,923.00	467,265.00	1.49%
2013	15,343.00	420,900.00	436,243.00	1.40%
2012	11,536.00	387,772.00	399,308.00	1.34%
2011	9,406.00	342,393.00	351,799.00	1.17%

RECOMMENDATIONS

NONE

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

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

Very truly yours,

Ford, Scott & Associates, L.L.C.

**FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS**

Leon P. Costello

**Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393**

June 30, 2016