

**BOROUGH OF AUDUBON PARK  
REPORT OF AUDIT  
YEAR ENDED DECEMBER 31, 2015**

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## PART I

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the Borough Council  
Borough of Audubon Park  
20 Road C  
Audubon Park, New Jersey 08106

### ***Report on the Financial Statements***

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Audubon Park, 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 Borough of Audubon Park'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 Borough of Audubon Park 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 Borough of Audubon Park as of December 31, 2015 and 2014, or changes in financial position for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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 years 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 Borough of Audubon Park’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 is 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 17, 2016 on our consideration of the Borough of Audubon Park's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Audubon Park's internal control over financial reporting and compliance.

PETRONI & ASSOCIATES LLC



Nick L. Petroni  
Certified Public Accountant  
Registered Municipal Accountant #252

June 17, 2016

## **CURRENT FUND**

## COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

	Ref.	Balance Dec. 31, 2015	Balance Dec. 31, 2014
<b>ASSETS</b>			
Regular Fund			
Cash - Treasurer	A-4	\$ 274,960.31	\$ 319,724.35
Cash - Security Deposits	A-4	2,123.35	481.85
Cash - Payroll	A-4	2,909.69	2,002.85
Due State of New Jersey - Senior & Veterans Deductions	A-11	3,200.00	2,700.00
		283,193.35	324,909.05
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-7	5,146.65	5,151.98
Due from State		1,066.98	
Due from Animal Control Trust Fund	B	4.13	0.29
Due from Federal and State Grant Fund	A	54,118.78	10,882.08
		60,336.54	16,034.35
Deferred Charges:			
Special Emergency Authorization			
Emergency Authorization	A-5	12,312.00	14,675.00
Deficit in Operations	A-5	5,272.51	
Overexpenditure of Appropriation	A-3	123.37	139.66
Overexpenditure of Appropriation Reserves			267.52
		17,707.88	15,082.18
Total Deferred Charges			
Total Regular Fund		361,237.77	356,025.58
Federal and State Grant Fund			
Grants Receivable	A-6	203,739.66	71,639.66
Overexpenditure of a Grant	A-5	5,376.44	5,376.44
		209,116.10	77,016.10
		\$ 570,353.87	\$ 433,041.68

The accompanying notes to the financial statements are an integral part of this statement.

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

<b>LIABILITIES, RESERVES, AND FUND BALANCE</b>	Ref.	Balance <u>Dec. 31, 2015</u>	Balance <u>Dec. 31, 2014</u>
Regular Fund			
Liabilities:			
Appropriation Reserves	A-3:A-9	\$ 23,884.83	\$ 26,276.43
Encumbrances Payable	A-10	32,512.87	4,513.38
Reserve for the Expense of Participation in Free County Library with State Aid		261.00	261.00
Due State of New Jersey:			
Marriage and Burial Permits		200.00	75.00
Payroll Taxes Payable		1,781.85	3,882.31
Due General Capital Fund	C	101,785.72	141,139.15
Consolidated School District Tax Payable	A-12	111,663.59	111,662.59
Reserve for Security Deposits		2,043.78	413.78
		<u>274,133.64</u>	<u>288,223.64</u>
Reserve for Receivables		60,336.54	16,034.35
Fund Balance	A-1	26,767.59	51,767.59
		<u>361,237.77</u>	<u>356,025.58</u>
 Federal and State Grant Fund			
Reserve for Grants - Appropriated	A-13	154,522.67	64,669.48
Reserve for Grants - Unappropriated	A-14	474.65	1,464.54
Due Current Fund	A	54,118.78	10,882.08
		<u>209,116.10</u>	<u>77,016.10</u>
		<u>\$ 570,353.87</u>	<u>\$ 433,041.68</u>

The accompanying notes to the financial statements are an integral part of this statement.

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

	Ref.	Year 2015	Year 2014
<b>Revenue and Other Income Realized</b>			
Fund Balance Utilized	A-2	\$ 25,000.00	\$ 55,000.00
Miscellaneous Revenue Anticipated	A-2	350,898.57	318,802.47
Receipts from Delinquent Taxes	A-2	5,151.98	5,152.00
Receipts from Current Taxes	A-2	1,097,861.90	1,033,232.31
Non-Budget Revenue	A-2	20,600.39	20,070.97
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-9	20,702.33	8,615.21
Encumbrances Payable Canceled	A-10	170.48	220.00
Reserve for Grants Appropriated Canceled			5,376.44
Interfund Loan Returned		67.76	138.48
Total Income		<u>1,520,453.41</u>	<u>1,446,607.88</u>
<b>Expenditures</b>			
Budget Appropriations			
Operations Within "CAPS"			
Salaries and Wages	A-3	81,372.24	78,773.16
Other Expenses	A-3	290,319.13	314,739.00
Deferred Charges and Statutory			
Expenditures - Municipal	A-3	34,379.46	33,852.37
Operations Excluded from "CAPS"			
Salaries and Wages	A-3	34,000.00	51,500.00
Other Expenses	A-3	417,164.54	424,400.00
Deferred Charges and Statutory			
Expenditures - Municipal			
Capital Improvements	A-3	108,000.00	8,675.00
Debt Service	A-3	19,179.17	18,656.49
County Taxes	A-7	170,188.06	164,939.14
County Open Space Tax	A-7	4,211.47	4,207.35
County Library	A-7	10,447.02	10,383.47
Local District School Tax	A-12	325,658.50	305,386.38
Interfund Loan Advanced		43,241.70	11,871.66
Total Expenditures		<u>1,538,161.29</u>	<u>1,427,384.02</u>
Excess in Revenue			19,223.86
Deficit in Revenue		17,707.88	
Adjustments to Income Before Fund Balance			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-5	<u>12,435.37</u>	<u>14,675.00</u>

The accompanying notes to the financial statements are an integral part of this statement.

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

	Ref.	Year 2015	Year 2014
Deficit in Operations	A-5	<u>\$ 5,272.51</u>	
Statutory Excess to Fund Balance			33,898.86
<b>Fund Balance</b>			
Balance January 1	A	<u>\$ 51,767.59</u>	<u>72,868.73</u>
		51,767.59	106,767.59
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>25,000.00</u>	<u>55,000.00</u>
Balance December 31	A	<u>\$ 26,767.59</u>	<u>\$ 51,767.59</u>

The accompanying notes to the financial statements are an integral part of this statement.

## STATEMENT OF REVENUES - CURRENT FUND - REGULATORY BASIS

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	Special NJSA 40A:4-87		
Fund Balance Anticipated	A-1	\$ 25,000.00		\$ 25,000.00	
Miscellaneous Revenues:					
Rental of Municipal Facilities	A-8	8,512.46		5,000.00	\$ (3,512.46)
Consolidated Municipal					
Property Tax Relief	A-8	32,562.00		32,562.00	
Energy Receipts Tax	A-8	70,461.00		70,461.00	
Shared Service Agreements:					
Tax Collector	A-8	13,000.00		12,999.65	(0.35)
Borough Clerk/Registrar	A-8	41,000.00		21,000.00	(20,000.00)
Trash Disposal - Audubon Park					
Mutual Housing Authority	A-8	31,000.00		26,384.75	(4,615.25)
Trash Removal - Audubon Park					
Mutual Housing Authority	A-8	49,000.00		44,926.63	(4,073.37)
Community Development Block					
Grant	A-6	24,100.00		24,100.00	
NJ DOT	A-6		\$ 108,000.00	108,000.00	
Clean Communities Program	A-6		4,000.00	4,000.00	
Recycling Tonnage	A-6	1,464.54		1,464.54	
Total Miscellaneous Revenues		271,100.00	112,000.00	350,898.57	(32,201.43)
Receipts from Delinquent Taxes	A-2			5,151.98	5,151.98
Subtotal General Revenues		271,100.00	112,000.00	356,050.55	(27,049.45)
Amount to be Raised by Taxation	A-2	583,900.00		578,753.35	(5,146.65)
Budget Totals		880,000.00	112,000.00	959,803.90	(32,196.10)
Non-Budget Revenue	A-2			20,600.39	
		\$ 880,000.00	\$ 112,000.00	\$ 980,404.29	
	Ref.	A-3	A-3		
			Ref.		
Allocation of Current Tax Collections:					
Revenue from Collections			A-7		\$ 1,097,861.90
Allocated to:					
School Taxes					334,262.00
County Taxes					184,846.55
Balance for Support of Municipal Budget Appropriation			A-2		\$ 578,753.35
Receipts from Delinquent Taxes:					
Delinquent Tax Collection			A-7:A-2		\$ 5,151.98

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES - CURRENT FUND - REGULATORY BASIS

	Ref.	
<b>Analysis of Non-Budget Revenue</b>		
Miscellaneous Revenue Not Anticipated:		
Revenue Accounts Receivable:		
Cable Television Franchise Fee	A-8	\$ 17,042.37
Interest on Investments	A-8	940.70
Licenses	A-8	111.00
Court Restitution	A-8	462.00
Miscellaneous	A-8	1,464.32
Senior Citizen & Veterans Administration Fee	A-8	580.00
	A-2	<u>\$ 20,600.39</u>

The accompanying notes to the financial statements are an integral part of this statement.

## STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Overexpended	Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved		
<b>GENERAL GOVERNMENT</b>							
Administrative and Executive							
Salaries & Wages	\$ 35,600.00	\$ 32,276.00	\$ 31,927.14		\$ 348.86		
Other Expenses	16,300.00	13,700.00	11,537.29		2,162.71		
Mayor and Council							
Other Expenses	8,300.00	7,400.00	6,951.66		448.34		
Election							
Other Expenses	1,200.00	1,200.00	783.69		416.31		
Financial Administration							
Salaries & Wages	26,625.00	26,625.00	26,625.06			\$ 0.06	
Other Expenses	3,500.00	3,500.00	3,308.00		192.00		
Audit Services							
Other Expenses	8,500.00	8,500.00	8,500.00				
Revenue Administration (Tax Collection)							
Salaries & Wages	2,000.00	2,000.00	2,000.18			0.18	
Tax Assessment Administration							
Salaries & Wages	1,200.00	1,200.00	1,200.00				
Legal Services and Costs							
Other Expenses	14,500.00	18,500.00	15,607.52		2,892.48		
Public Employees Award Program							
Other Expenses	1.00	1.00			1.00		
Engineering Services and Costs							
Other Expenses	7,500.00	17,000.00	16,029.00		971.00		
<b>INSURANCE</b>							
Liability Insurance	18,300.00	16,800.00	16,566.58		233.42		
Workmen's Compensation	10,800.00	10,800.00	10,612.36		187.64		
Health Benefit Waiver	4,842.00	2,442.00	2,420.96		21.04		
Unemployment Insurance	1,000.00	1,000.00	976.81		23.19		
<b>PUBLIC SAFETY FUNCTIONS</b>							
First Aid Organization Contribution	5,000.00	5,000.00	5,000.00				

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Office of Emergency Management						
Salaries & Wages	1,550.00	1,550.00	1,518.00		32.00	
Other Expenses	1,917.00	1,917.00	1,204.65		712.35	
Fire						
Salaries & Wages	5,000.00	4,300.00	4,423.13			123.13
Aid to Volunteer Fire Company						
Other Expenses	12,000.00	12,000.00	12,000.00			
<b>PUBLIC WORKS FUNCTIONS</b>						
Public Buildings & Grounds						
Salaries & Wages	3,000.00	2,000.00	1,642.74		357.26	
Other Expenses	30,000.00	23,000.00	20,218.19		2,781.81	
Trash Removal						
Other Expenses	49,000.00	49,000.00	49,000.00			
Garbage and Trash Disposal						
Other Expenses	31,000.00	31,000.00	24,027.29		6,972.71	
<b>HEALTH &amp; HUMAN SERVICES</b>						
Public Health Services (Board of Health)						
Salaries & Wages	2,000.00	2,000.00	1,999.96		0.04	
Other Expenses	300.00	300.00			300.00	
Animal Control Regulation						
Other Expenses	8,000.00	4,500.00	3,737.50		762.50	
<b>PARK &amp; RECREATION FUNCTIONS</b>						
Courtesy Busing						
Other Expenses	11,000.00	36,936.00	36,936.00			
Celebration of Public Events, Anniversary or Holiday						
Other Expenses	3,500.00	1,500.00	1,341.40		158.60	
Expenses for Participation in Free Public Library						
Salaries & Wages	5,720.00	5,720.00	5,000.00		720.00	
Other Expenses	2,000.00	2,000.00	1,782.00	\$ 212.87	5.13	
Senior Citizens						
Salaries & Wages	1.00	1.00			1.00	
Other Expenses	3,000.00	1,300.00	1,240.00		60.00	
Parks and Playgrounds						
Salaries & Wages	10,000.00	10,000.00	9,807.69		192.31	
Other Expenses	1,500.00	1,500.00	1,283.04		216.96	

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Unclassified						
Maintenance of Equipment	3,500.00	3,500.00	2,228.99		1,271.01	
<b>UTILITY EXPENSES AND BULK PURCHASES</b>						
Telephone	6,500.00	7,400.00	6,913.94		486.06	
Street Lighting	400.00	400.00			400.00	
Cable/Internet Access	1,800.00	1,800.00	1,536.85		263.15	
<b>Total Operations Within "CAPS"</b>	<b>357,856.00</b>	<b>371,568.00</b>	<b>347,887.62</b>	<b>212.87</b>	<b>23,590.88</b>	<b>123.37</b>
Detail:						
Salaries and Wages	84,696.00	81,372.00	80,078.03		1,459.16	0.24
Other Expenses	273,160.00	290,196.00	267,809.59	212.87	22,131.72	123.13
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES WITHIN "CAPS"</b>						
Deferred Charges:						
Overexpenditure of Appropriation	139.66	139.66	139.66			
Overexpenditure of Appropriation Reserve	267.52	267.52	267.52			
Emergency Authorization	14,675.00	14,675.00	14,675.00			
Statutory Expenditures:						
Contributions to:						
Public Employees' Retirement System	9,694.00	9,694.00	9,694.00			
Social Security System (OASI)	11,003.28	9,603.28	9,309.35		293.93	
<b>Total Deferred Charges &amp; Statutory Expenditures Within "CAPS"</b>	<b>35,779.46</b>	<b>34,379.46</b>	<b>34,085.53</b>		<b>293.93</b>	
<b>Total General Appropriations for Municipal Purposes Within "CAPS"</b>	<b>393,635.46</b>	<b>405,947.46</b>	<b>381,973.15</b>	<b>212.87</b>	<b>23,884.81</b>	<b>123.37</b>

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
<b>SHARED SERVICE AGREEMENT</b>						
Township of Haddon:						
Police and Court Services	387,600.00	387,600.00	355,300.00	32,300.00		
Tax Collector						
Salaries and Wages	13,000.00	13,000.00	13,000.00			
Borough Clerk/Registrar						
Salaries and Wages	41,000.00	41,000.00	20,999.98		0.02	\$20,000.00
Total Shared Service Agreements	441,600.00	441,600.00	389,299.98	32,300.00	0.02	20,000.00
<b>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</b>						
Community Development Block Grant	24,100.00	24,100.00	24,100.00			
Recycling Tonnage	1,464.54	1,464.54	1,464.54			
Clean Communities		4,000.00	4,000.00			
Total Public & Private Programs Offset by Revenues	25,564.54	29,564.54	29,564.54			
Total Operations Excluded from "CAPS"	467,164.54	471,164.54	418,864.52	32,300.00	0.02	20,000.00
Detail:						
Salaries and Wages	54,000.00	54,000.00	33,999.98		0.02	20,000.00
Other Expenses	413,164.54	417,164.54	384,864.54	32,300.00		
<b>CAPITAL IMPROVEMENTS</b>						
NJ Transportation Trust Fund		108,000.00	108,000.00			
Total Capital Improvements		108,000.00	108,000.00			
<b>DEBT SERVICE</b>						
Payment of Bond Anticipation & Capital Notes	16,500.00	16,500.00	16,500.00			
Interest on Notes	2,700.00	2,700.00	2,679.17			20.83
Total Debt Service	19,200.00	19,200.00	19,179.17			20.83

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled	
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved		Overexpended
Total General Appropriations Excluded from "CAPS"	486,364.54	598,364.54	546,043.69	32,300.00	0.02	20,020.83	
Subtotal General Appropriations	880,000.00	1,004,312.00	928,016.84	32,512.87	23,884.83	123.37	
Total General Appropriations	<u>\$ 880,000.00</u>	<u>\$ 1,004,312.00</u>	<u>\$ 928,016.84</u>	<u>\$ 32,512.87</u>	<u>\$ 23,884.83</u>	<u>\$ 123.37</u>	<u>\$ 20,020.83</u>
	Ref. A-2			A-10	A	A-5	
Budget	Ref. A-3	\$ 880,000.00					
Emergency Authorization	A	12,312.00					
Appropriated by NJSA 40A:4-87	A-2	112,000.00					
		<u>\$ 1,004,312.00</u>					
Deferred Charges			Ref.				
Overexpenditure of Appropriation			A-5	\$ 139.66			
Overexpenditure of Appropriation Reserve			A-5	267.52			
Emergency Authorization			A-5	14,675.00			
Reserve for Federal & State Grants - Appropriated			A-13	137,564.54			
Disbursed			A-4	775,370.12			
				<u>\$ 928,016.84</u>			

The accompanying notes to the financial statements are an integral part of this statement.

## TRUST FUND

## COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

	Ref.	Balance Dec. 31, 2015	Balance Dec. 31, 2014
<b>ASSETS</b>			
Animal Control Trust Fund			
Cash - Treasurer	B-1	\$ 1,033.73	\$ 673.29
<b>LIABILITIES, RESERVES, AND FUND BALANCE</b>			
Animal Control Trust Fund			
Due State of New Jersey		\$ 5.20	
Due Current Fund	A	4.13	\$ 0.29
Reserve for Dog Fund Expenditures	B-2	1,024.40	673.00
		<u>\$ 1,033.73</u>	<u>\$ 673.29</u>

The accompanying notes to the financial statements are an integral part of this statement.

## **GENERAL CAPITAL FUND**

## COMPARATIVE BALANCE SHEET - GENERAL CAPITAL FUND - REGULATORY BASIS

	Ref.	Balance Dec. 31, 2015	Balance Dec. 31, 2014
<b>ASSETS</b>			
Deferred Charges to Future Taxation:			
Unfunded	C-2	\$ 299,575.00	\$ 316,075.00
Due from Current Fund	A	101,785.72	141,139.15
		<u>\$ 401,360.72</u>	<u>\$ 457,214.15</u>
<b>LIABILITIES, RESERVES, AND FUND BALANCE</b>			
Bond Anticipation Notes Payable	C-4	\$ 299,575.00	\$ 316,075.00
Improvement Authorizations:			
Unfunded	C-3	101,785.72	141,139.15
		<u>\$ 401,360.72</u>	<u>\$ 457,214.15</u>

The accompanying notes to the financial statements are an integral part of this statement.

## **GENERAL FIXED ASSETS**

## EXHIBIT D

## COMPARATIVE BALANCE SHEET - GENERAL FIXED ASSETS - REGULATORY BASIS

	Balance Dec. 31, 2015	Balance Dec. 31, 2014
General Fixed Assets:		
Buildings		
John Kerfoot Building	\$ 180,487.40	\$ 180,487.40
Old School Building	195,110.97	195,110.97
Firehouse	225,087.99	225,087.99
Fire Truck	132,900.00	132,900.00
Hockey Rink	42,414.00	42,414.00
Computers	12,005.05	12,005.05
Playground Equipment & Basketball Court	84,241.49	84,241.49
Baseball Field Fencing	21,485.00	21,485.00
Bus	13,966.37	
Construction in Progress	80,330.33	44,652.68
	<u>\$ 988,028.60</u>	<u>\$ 938,384.58</u>
Investment in General Fixed Assets	<u>\$ 988,028.60</u>	<u>\$ 938,384.58</u>

The accompanying notes to the financial statements are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF AUDUBON PARK  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Borough of Audubon Park was incorporated in 1917 and is located in southwest New Jersey, Camden County, approximately two miles southeast of the City of Philadelphia. The 2010 federal census reported the population to be 1,023.

The Borough of Audubon Park operates under a Mayor-Council form of government. The Mayor is Chief Executive Officer of the Borough and is elected at the general election by the electorate for a four year term. The Council is the legislative body of the Borough and consists of six members elected by popular vote to three year terms. The day-to-day operations are conducted by the Borough Clerk.

Except as noted below, the financial statements of the Borough of Audubon Park included every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Audubon Park, as required by NJSA 40A:5-5.

Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the Borough is obligated for debt of the organization. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of the taxes. The Borough has no component units.

**B. Description of Funds**

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

**Current Fund** - Resources and expenditures for governmental operations of a general nature, including, Federal and State Grant Funds.

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

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

**BOROUGH OF AUDUBON PARK  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Description of Funds (Continued)**

**General Fixed Assets** - To account for fixed assets used in governmental 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 in the State of New Jersey differ in certain respects from accounting principles generally accepted in the United States of America applicable to local governmental units. The more significant policies in New Jersey follow.

A modified accrual basis of accounting is followed with minor exceptions. The more significant accounting principles are as follows:

**Revenues** - are recorded when received in cash except for certain amounts which are due from other governmental units. Receipts from federal and state grants are realized as revenue when anticipated in the Borough budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Borough which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received. This method of revenue recognition differs from accounting principles generally accepted in the United States of America which recognizes revenue in the accounting period in which it is earned net of allowances for doubtful accounts.

**Expenditures** - are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods and 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 and constitute part of the Borough's regulatory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be 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 and utility bonds and notes are provided on the cash basis; interest on general capital and utility capital indebtedness is on the cash basis.

This method differs from accounting principles generally accepted in the United States of America which requires that expenditures be recorded when services are rendered or goods are received. Under accounting principles generally accepted in the United States of America appropriation reserves do not exist and encumbrances do not constitute expenditures.

**Foreclosed Property** - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Under accounting principles generally accepted in the United States of America foreclosed property would be recorded at historical cost and no reserve would be provided.

**BOROUGH OF AUDUBON PARK  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting (Continued)**

**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. Under accounting principles generally accepted in the United States of America interfunds are not reserved.

**Inventories of Supplies** - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. Under accounting principles generally accepted in the United States of America, inventory would be recorded as an asset on the balance sheet.

**General Fixed Assets** - In accordance with NJAC 5:30-5.6 accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, the Borough has developed a fixed assets accounting and reporting system.

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 recorded 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. The Borough capitalizes fixed assets with an original cost in excess of \$5,000.00.

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

No depreciation has been provided for in the financial statements.

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

**General Long-Term Debt** - General Long-Term Debt is accounted for in the General Capital Fund. Accounting principles generally accepted in the United States of America require General Long-Term Debt to be accounted for in the General Long-Term Debt Account Group.

**Property 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 11<sup>th</sup> day of the 11<sup>th</sup> month in the 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.

**BOROUGH OF AUDUBON PARK  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting (Continued)**

**Property Taxes (Continued)** - 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. The inclusion of the "Reserve for Uncollected Taxes" appropriation in the Borough's annual budget protects the Borough from those taxes not paid. The minimum amount of the reserve is determined by the percentage of collections experienced in the preceding year, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations. Under accounting principles generally accepted in the United States of America, a "Reserve for Uncollected Taxes" would not be an appropriation.

**Interest on Delinquent Taxes** - It is the policy of the Borough 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 \$1,500.00 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31<sup>st</sup>, 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 of the Borough to capitalize interest in the General Capital Fund on projects during the construction phase.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America or the regulatory 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.

**Basic Financial Statements** - Governmental Accounting Standards Board (GASB) prescribes the financial statement presentation requirements for governmental units which are significantly different from the reporting requirements under the regulatory basis of accounting in the State of New Jersey. Generally Accepted Accounting Principles (GAAP) prescribes that the financial statements must be presented on an entity wide basis, including all funds exclusive of fiduciary funds, and segregating only government type and business type funds. The statements are presented on a full accrual basis and include all of the non-fiduciary assets and liabilities of the entity. In addition, GAAP requires separate fund basis financial statements for all governmental, proprietary and fiduciary funds. The New Jersey Regulatory basis requires reporting of the appropriate separate fund financial statements and the fixed asset account group.

**D. 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 Borough'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 the statement of expenditures – regulatory basis since their inclusion would make the statements unduly complex and difficult to read.

**BOROUGH OF AUDUBON PARK  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, which is effective for fiscal periods beginning after June 15, 2015, will not have any effect on the Borough'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, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the Borough'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, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the Borough'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, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the Borough's financial reporting.

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, which is effective for fiscal periods beginning after June 15, 2015, will not have any effect on the District'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 have an effect on the Borough's financial reporting. The impact of this statement on the Borough's financial reporting is not presently determinable.

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 Borough'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 Borough's financial reporting.

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 Borough's financial reporting.

**BOROUGH OF AUDUBON PARK  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Recent Accounting Pronouncements Not Yet Effective (Continued)** - In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 81, "Irrevocable Split-Interest Agreements." This statement, which is effective for fiscal periods beginning after December 15, 2016, will not have any effect on the Borough's financial reporting.

**NOTE 2: BUDGETARY INFORMATION**

The Borough must adopt an annual budget in accordance with NJSA 40A:4 et seq. This 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 \$0 and \$0, respectively. This protects the Borough from taxes not paid currently. Once approved, the Borough may make emergency appropriations for a purpose which is not foreseen at the time the budget is adopted per NJSA 40A:4-46 and 54. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety or welfare 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. Budget transfers between appropriation accounts are prohibited until the last two months of the year. Budget transfers during the year were not significant. After approval from the Director, the Borough can also make amendments for any special item of revenue made available by any public or private funding source as per NJSA 40A:4-87. The Borough amended the budget during the year by the insertion of Special Item of Revenue in the amount of \$112,000.00 for federal and state grants as detailed on Exhibit A-2 and an Emergency in the amount of \$12,312.00 for Courtesy Busing.

**NOTE 3: 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 able to recover the value of its deposits or investments. Deposits are considered to be exposed to custodial credit risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. The municipality's policy is based on New Jersey Statutes requiring cash to be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in NJSA 40A:5-15.1(a) that are treated as cash equivalents. At December 31, 2015 and 2014, the carrying amount of the Borough's deposits was \$281,027.08 and \$322,882.34, respectively. As of December 31, 2015 and 2014, \$0 of the municipality's bank balance of \$306,505.68 and \$331,062.28, respectively, was exposed to Custodial Credit Risk.

**NOTE 4: INVESTMENTS**

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

**BOROUGH OF AUDUBON PARK  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 4: INVESTMENTS (CONTINUED)**

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

**Credit Risk** - NJSA 40A:5-15.1(a) limits municipal investments to those specified in the statutes. The type of allowable investments are Bonds or other obligations of the United States or obligations guaranteed by the United States, Bonds or other obligations of the Borough or Bonds or other obligations of the Borough school district, Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of Treasury for investment by local units, government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk** - The Borough places no limit on the amount the Borough may invest in any one issuer.

**NOTE 5: FUND BALANCES APPROPRIATED**

	Year	Balance December 31	Utilized in Budget of Succeeding Year
	2015	\$ 26,767.59	\$ 5,000.00
	2014	51,767.59	25,000.00
Current Fund	2013	72,868.73	55,000.00
	2012	29,326.67	None
	2011	25,320.23	8,000.00

**NOTE 6: COMPENSATED ABSENCES**

The Borough employee's unused vacation and sick time is not accumulated and carried forward and at no time is compensation paid for time not utilized at year-end.

**NOTE 7: ECONOMIC DEPENDENCY**

The Borough of Audubon Park is not economically dependent on any one business or industry within the Borough.

**NOTE 8: INTERFUND RECEIVABLES AND PAYABLES**

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

**BOROUGH OF AUDUBON PARK  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 8: INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)**

	Due From	Due To
<b>Current Fund:</b>		
Animal Control Trust Fund	\$ 4.13	
Federal and State Grant Fund	54,118.78	
Due General Capital Fund		\$ 101,785.72
<b>Federal and State Grant Fund:</b>		
Current Fund		54,118.78
<b>Animal Control Trust Fund:</b>		
Current Fund		4.13
<b>General Capital Fund:</b>		
Current Fund	101,785.72	
	\$ 155,908.63	\$ 155,908.63

The interfunds listed above predominately resulted from payments made by certain funds on behalf of other funds. The amount due General Capital Fund and Federal and State Grant Fund to Current Fund is due to the fact that there is not a separate bank account.

**NOTE 9: FIXED ASSETS**

The following is a summary of changes in the General Fixed Assets Account Group for the year ending December 31, 2015:

	Balance Dec. 31, 2014	Additions	Deletions	Balance Dec. 31, 2015
<b>Building:</b>				
John Kerfoot Building	\$ 180,487.40			\$ 180,487.40
Old School Building	195,110.97			195,110.97
Firehouse	225,087.99			225,087.99
Fire Truck	132,900.00			132,900.00
Hockey Rink	42,414.00			42,414.00
Computers	12,005.05			12,005.05
<b>Playground Equipment &amp;</b>				
Basketball Courts	84,241.49			84,241.49
Baseball Field Fencing	21,485.00			21,485.00
Bus		\$ 13,966.37		13,966.37
Construction in Progress	44,652.68	39,177.65	\$ 3,500.00	80,330.33
	\$ 938,384.58	\$ 53,144.02	\$ 3,500.00	\$ 988,028.60

**BOROUGH OF AUDUBON PARK  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 10: SCHOOL TAXES**

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district. In Audubon Park's case, at December 31, 2015 and 2014, \$167,131.00 and \$158,527.50, respectively, would be the maximum amount permitted to be deferred under these regulations. The Borough, in prior years, elected to defer school taxes as follows:

Local School District Tax has been raised and liabilities deferred by statute, resulting in the school taxes payable set forth in the Current Fund liabilities as follows:

	<u>Consolidated District School Tax</u>	
	Balance	Balance
	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2014</u>
Balance of Tax	\$ 278,794.59	\$ 270,190.09
Deferred	167,131.00	158,527.50
Tax Payable	<u>\$ 111,663.59</u>	<u>\$ 111,662.59</u>

**NOTE 11: LONG-TERM DEBT**

**Summary of Municipal Debt Service**

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

	<u>Year 2015</u>	<u>Year 2014</u>	<u>Year 2013</u>
Bonds, Notes, and Loans Issued	\$ 299,575.00	\$ 316,075.00	\$ 166,250.00
Bonds and Notes Authorized but not Issued	None	None	None
Net Bonds, Notes, and Loans Issued and Authorized but not Issued	<u>\$ 299,575.00</u>	<u>\$ 316,075.00</u>	<u>\$ 166,250.00</u>

	<u>Balance Dec. 31, 2014</u>	<u>Issued/ Authorized</u>	<u>Retired/ Reduction</u>	<u>Balance Dec. 31, 2015</u>	<u>Due in One Year</u>
<b>Issued:</b>					
<b>General:</b>					
Bond Anticipation Notes	\$ 316,075.00	None	\$ 16,500.00	\$ 299,575.00	\$ 16,500.00
Net Debt Issued	316,075.00	None	16,500.00	299,575.00	16,500.00
<b>Authorized but not Issued:</b>					
<b>General:</b>					
Bond Anticipation Notes	None	None	None	None	None
Authorized but not Issued	None	None	None	None	None
Net Bonds and Notes Issued and Authorized but not Issued	<u>\$ 316,075.00</u>	<u>None</u>	<u>\$ 16,500.00</u>	<u>\$ 299,575.00</u>	<u>\$ 16,500.00</u>

**BOROUGH OF AUDUBON PARK  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 11: LONG-TERM DEBT (CONTINUED)**

**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 1.414%.

	Gross Debt	Deductions	Net Debt
Consolidated School District Debt	None	None	None
General Debt	\$ 299,575.00		\$ 299,575.00
	<u>\$ 299,575.00</u>	<u>None</u>	<u>\$ 299,575.00</u>

Net Debt \$299,575.00/Equalized Valuation Basis per NJSA 40A:2-2, \$21,179,986.00 = 1.414%.

**BORROWING POWER UNDER NJSA 40:A2-6, AS AMENDED**

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 741,299.51
Net Debt	<u>299,575.00</u>
Remaining Borrowing Power	<u>\$ 441,724.51</u>

The foregoing information is in agreement with the Annual Debt Statement filed by the Borough.

**NOTE 12: NOTES PAYABLE**

The Borough has outstanding at December 31, 2015, a General Capital bond anticipation note in the amount of \$299,575.00, payable to First Colonial Community Bank. This note will mature on August 18, 2016, at an interest rate per annum of .92%.

**NOTE 13: PENSION FUNDS**

**Description of Plans** - Substantially all eligible employees of the Borough are covered by the Public Employees' Retirement System, (PERS), a 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 Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees' Retirement System. The reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295 or can be accessed on the internet at <http://www.state.nj.us/treasury/pensions/actuarial-rpts.shtml>.

**Public Employees' Retirement System (PERS)** - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of NJSA 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 generally required for substantially all full-time employees of the State or any county,

**BOROUGH OF AUDUBON PARK  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 13: PENSION FUNDS (CONTINUED)**

**Public Employees' Retirement System (PERS) (Continued)** - municipality, school district or public agency provided the employee is not a member of another state-administered retirement system or other state or local jurisdiction.

**Funding Policy** - The contribution policy is set by NJSA 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997, and NJSA 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 provide for employee contributions of 6.92% to 7.06% of employees' annual compensation, as defined. Subsequent increases will be phased in over 7 years (each July 1) to bring the total pension contribution rate to 7.5% as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in PERS. The PERS employer rates in effect for 2015 are 11.92% of covered payroll, as reported on June 30, 2013. The actuarially determined contribution includes funding for, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The Borough's contributions to PERS for the years ending December 31, 2015, 2014, and 2013, were \$9,694.00, \$10,091.00, and \$9,047.00, respectively, equal to the required contributions for each year.

**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) operate and to the benefit provisions of this system.

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 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, and employer contributions to the retirement systems.

**BOROUGH OF AUDUBON PARK  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 13: PENSION FUNDS (CONTINUED)**

**Significant Legislation (Continued)** - 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. 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 a 1/7<sup>th</sup> 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 (DCRP).

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 14: FINANCIAL INFORMATION RELATED TO GASB 68 & GASB 71 FOR PUBLIC RETIREMENT SYSTEMS**

New Jersey municipalities do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets. However, NJAC 5:30-6.1(c)(2) requires municipalities and counties to disclose GASB 68 & GASB 71 information in the Notes to the Financial Statements. The following disclosures meet the requirements of GASB 68 & GASB 71 for the PERS retirement system.

**Public Employee's Retirement System** - At December 31, 2015, the Borough's liability of \$217,970 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 Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015 and 2014, the Borough's proportion was 0.00097100005% and to .0011759061% respectively.

For the year ended December 31, 2015, the Borough's pension expense would be \$(4,297) if New Jersey municipalities followed GAAP accounting principles. The Borough's deferred outflows of resources and deferred inflows of resources (which are not recorded) related to PERS are from the following sources:

**BOROUGH OF AUDUBON PARK  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 14: FINANCIAL INFORMATION RELATED TO GASB 68 & GASB 71 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)**

**Public Employee's Retirement System (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 22,135	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		\$ 225
Changes in Proportion and Differences Between the Borough's Contributions and Proportionate Share of Contributions		49,225
Difference Between Expected and Actual Experience	5,200	
	\$ 27,335	\$ 49,450

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are not recognized in pension expense since New Jersey municipalities do not follow GAAP accounting principles.

If GAAP accounting principles were followed, the other amounts reported as deferred outflows of resources and deferred inflows of resources would have been recognized in pension expense as follows:

Year Ended December 31,	Amount
2016	\$ (5,726)
2017	(5,726)
2018	(5,726)
2019	(2,446)
2020	(2,491)
	\$ (22,115)

Additional information – Collective balances at June 30, 2014 and 2015, are as follows:

	June 30, 2014	June 30, 2015
Collective Deferred Outflows of Resources	\$ 588,743,291	\$ 2,946,265,815
Collective Deferred Inflows of Resources	1,115,773,278	360,920,604
Collective Net Pension Liability	18,722,735,003	22,447,996,119
Borough's Proportion	0.0011759061%	0.0009710005%

**Contributions** - The contribution policy for PERS is set by NJSA 15A and requires contributions by active members and contributing employers. The Borough's contribution amount was based on an actuarially determined rate which includes the normal cost and unfunded accrued liability.

**BOROUGH OF AUDUBON PARK  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 14: FINANCIAL INFORMATION RELATED TO GASB 68 & GASB 71 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)**

**Actuarial Assumptions**

The total pension liability for the June 30, 2015, measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods 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) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

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. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

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

**NOTE 15: POST RETIREMENT BENEFITS**

In July 2004, the Governmental Accounting Standards Board (GASB) adopted Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions." This statement is effective for entities on a phased in basis beginning with fiscal years beginning after December 15, 2006. The effective date for this entity is calendar year beginning January 1, 2009. This statement will require governmental entities to report the future cost of other post-employment benefits (OPEB) on a present value basis instead of the present "pay as you go" method. The Borough does not provide for any postretirement benefits to retirees.

**NOTE 16: RISK MANAGEMENT**

The Borough of Audubon Park is a member of the Camden Counties Municipal Joint Insurance Fund. The Fund provides its members with the following coverage:

- Worker's Compensation
- Property Damage other than Motor Vehicles
- General Liability/Auto Liability

**BOROUGH OF AUDUBON PARK  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 16: RISK MANAGEMENT (CONTINUED)**

- Environmental Liability
- Public Officials/Employment Practices Liability.

The Borough is exposed to various risks or loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Borough maintains commercial insurance coverage for property, liability and surety bonds, and the Municipal Excess Liability Fund, which includes other municipalities throughout the County. The Borough is obligated to remit insurance premiums in two installments and are based on actuarial assumptions determined by the Fund's actuary. There is an unknown contingent liability with the Camden County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. There have not been any claims in excess of coverage and no reduction in coverage during the year 2015. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Borough's agreement with the Municipal Excess Liability Joint Insurance Fund provides that the pool will be self-sustaining through member premiums and will reinsure for claims in excess of \$50,000.00 to \$200,000.00 based on the line of coverage for each insured event.

The Fund published its own financial report for the year ended December 31, 2015, which can be obtained at <http://www.camdenmunicipaljif.org/finance/independent-audits>.

**NOTE 17: LABOR CONTRACTS**

As of December 31, 2015, there are no collective bargaining units in the Borough of Audubon Park.

**NOTE 18: 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.

	Balance Dec. 31, 2015	2016 Budget Appropriation	Budgets of Succeeding Years
Current Fund:			
Overexpenditure of Appropriation	\$ 123.37		\$ 123.37
Deficit in Operations	5,272.51		5,272.51
Emergency Authorization	12,312.00	\$ 12,312.00	
Federal and State Grant Fund:			
Overexpenditure of a Grant	5,376.44	5,376.44	
	<u>\$ 23,084.32</u>	<u>\$ 17,688.44</u>	<u>\$ 5,395.88</u>

**BOROUGH OF AUDUBON PARK  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 18: OPERATING LEASES**

The Borough has operating leases in effect for a postage machine and two copiers. The monthly lease payments are \$28.00 and \$75.00 per month for sixty months. The annual lease payments for 2015 were \$1,236.00. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 1,236.00
2017	515.00
	<u>\$ 1,751.00</u>

**NOTE 19: SHARED SERVICE AGREEMENT**

The Borough entered into a shared agreement with the Township of Haddon on September 1, 2009, to provide police protection services. The annual cost for the year 2015 was \$387,600.00.

**NOTE 20: CONTINGENCIES**

It is the Borough of Audubon Park Counsel's opinion that there is not any pending litigation and/or contingent liability against the Borough of Audubon Park that could have an adverse effect on the financial position in the future.

**NOTE 21: SUBSEQUENT EVENTS**

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2015 and June 17, 2016, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the Borough that would require disclosure.

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSIONS  
(GASB 68 & GASB 71)**

SCHEDULE OF THE BOROUGH'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY - PERS  
Last Three Fiscal Years

	Year Ended		
	12/31/15	12/31/14	12/31/13
Borough's Proportion of the Net Pension Liability (Asset)	0.0009710005%	0.0011759061%	0.0013392533%
Borough's Proportionate Share of the Net Pension Liability (Asset)	\$ 217,970	\$ 220,162	\$ 255,958
Borough's Covered-Employee Payroll	66,984	74,150	n/a
Borough's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	325.41%	296.91%	n/a
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.92%	52.08%	48.72%
Measurement Date	6/30/2015	6/30/2014	6/30/2013

SCHEDULE OF BOROUGH CONTRIBUTIONS - PERS  
Last Three Fiscal Years

	<u>12/31/15</u>	<u>Year Ended 12/31/14</u>	<u>12/31/13</u>
Contractually Required Contribution	\$ 8,348	\$ 9,694	\$ 10,091
Contributions in Relation to the Contractually Required Contribution	<u>8,348</u>	<u>9,694</u>	<u>10,091</u>
Contribution Deficiency (Excess)	<u>None</u>	<u>None</u>	<u>None</u>
Borough's Covered-Employee Payroll	\$ 66,984	\$ 74,150	n/a
Contributions as a Percentage of Covered-Employee Payroll	12.46%	13.07%	n/a
Measurement Date	6/30/2015	6/30/2014	6/30/2013

## **SUPPLEMENTARY INFORMATION**

Nick L. Petroni, CPA, RMA

Mary A. Carey, RMA  
Wendy G. Fama, CPA  
Denise R. Nevico, CPA  
Jeffrey T. Ridgway, CPA  
Deanna L. Roller, CPA, RMA

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

**Independent Auditor's Report**

Honorable Mayor and Members  
of the Borough Council  
Borough of Audubon Park  
20 Road C  
Audubon Park, New Jersey 08106

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the accompanying balance sheets - regulatory basis of the various funds and account group, the related statement of operations and changes in fund balance - regulatory basis, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Borough of Audubon Park, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Borough of Audubon Park's basic financial statements, and have issued our report thereon dated June 17, 2016, which contained an adverse opinion on those financial statements 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 Borough of Audubon Park'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 Borough of Audubon Park's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify and 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 Borough'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the requirements of the Division of Local Government Services which are described in the accompanying schedule of findings and recommendations as item 2015-001.

***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.

PETRONI & ASSOCIATES LLC



Nick L. Petroni  
Certified Public Accountant  
Registered Municipal Accountant #252

June 17, 2016

## **CURRENT FUND**

## SCHEDULE OF CURRENT FUND CASH

	Ref.	Current Fund	Security Deposits	Payroll	Federal and State Grants
Balance December 31, 2014	A	\$ 319,724.35	\$ 481.85	\$ 2,002.85	
Increased by Receipts:					
Taxes Receivable	A-7	1,073,513.88			
Grants Receivable	A-6				\$ 4,000.00
Reserve for Grants - Unappropriated	A-14				474.65
Revenue Accounts Receivable	A-8	233,912.80	11.50	10.12	
Due Current Fund	A-4				43,236.70
Due State of New Jersey:					
Marriage Licenses		125.00			
Senior Citizen and Veterans Deductions	A-11	29,000.00			
Security Deposits			11,570.00		
Bond Anticipation Note		299,575.00			
Due Current Fund	A-4			3,037.72	
Due Payroll		108.30			
Refunds				1,026.44	
Employee Withholdings				27,270.77	
Employer Payroll Taxes				19,925.53	
Net Payroll				94,420.60	
Total Receipts		1,636,234.98	11,581.50	145,691.18	47,711.35
		1,955,959.33	12,063.35	147,694.03	47,711.35
Decreased by Disbursements:					
Current Year Budget Appropriations	A-3	775,370.12			
Appropriation Reserves	A-9	5,574.10			
Encumbrances Payable	A-10	4,342.90			
Reserve for Grants - Appropriated	A-13				47,711.35
Due Federal and State Grant Fund	A-4	43,236.70			
Bond Anticipation Note		299,575.00			
Due Animal Control Trust Fund		5.00			
Due Payroll Account	A-4	3,037.72			
Due General Capital Fund	C-3	39,353.43			
County Library Taxes	A-7	10,447.02			
County Taxes	A-7	170,188.06			
County Open Space Tax	A-7	4,211.47			
Local District School Tax	A-12	325,657.50			
Security Deposits			9,940.00		
Payroll Taxes				50,363.74	
Net Payroll				94,420.60	
		1,680,999.02	9,940.00	144,784.34	47,711.35
Balance December 31, 2015	A	\$ 274,960.31	\$ 2,123.35	\$ 2,909.69	

## SCHEDULE OF DEFERRED CHARGES

	Balance Dec. 31, 2014	Increased	Reduced	Balance Dec. 31, 2015
Current Fund:				
Emergency Appropriation	\$ 14,675.00	\$ 12,312.00	\$ 14,675.00	\$ 12,312.00
Deficit in Operations		5,272.51		5,272.51
Overexpenditure of Appropriation	139.66	123.37	139.66	123.37
Overexpenditure of Appropriation Reserves	267.52		267.52	
	<u>15,082.18</u>	<u>17,707.88</u>	<u>15,082.18</u>	<u>17,707.88</u>
Federal and State Grant Fund:				
Overexpenditure of Grant Appropriation	5,376.44			5,376.44
	<u>\$ 20,458.62</u>	<u>\$ 17,707.88</u>	<u>\$ 15,082.18</u>	<u>\$ 23,084.32</u>
Ref.	A	A-1:A-3	A-3	A

## SCHEDULE OF GRANTS RECEIVABLE

Grant	Balance Dec. 31, 2014	Budget Revenue Realized	Received	Transfer from Unappropriated	Balance Dec. 31, 2015
<b>Federal Grants:</b>					
Community Development Block Grant	\$ 40,320.91	\$ 24,100.00			\$ 64,420.91
<b>State Grants:</b>					
NJ DOT - Kennedy Drive	31,318.75				31,318.75
NJ DOT - Peter's Creek		108,000.00			108,000.00
Clean Communities Act		4,000.00	\$ 4,000.00		
Recycling Tonnage		1,464.54		\$ 1,464.54	
	<u>\$ 71,639.66</u>	<u>\$ 137,564.54</u>	<u>\$ 4,000.00</u>	<u>\$ 1,464.54</u>	<u>\$ 203,739.66</u>
Ref.	A	A-2	A-4	A-12	A

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2014	Levy	Collected 2015	Balance Dec. 31, 2015
2014	\$ 5,151.98		\$ 5,151.98	
2015		\$ 1,103,008.55	1,097,861.90	\$ 5,146.65
	\$ 5,151.98	\$ 1,103,008.55	\$ 1,103,013.88	\$ 5,146.65
Ref.	A			A

Cash	Ref. A-4	\$ 1,073,513.88
Due State of New Jersey - Senior Citizen & Veterans Deductions	A-11	29,500.00
		<u>\$ 1,103,013.88</u>

**Analysis of Property Tax Levy**

**Tax Yield**

General Purpose Tax:		
Business Personalty Tax		\$ 9,432.88
General Property Tax		1,093,575.67
		<u>\$ 1,103,008.55</u>

**Tax Levied**

Local District School Tax (Abstract)	Ref. A-12	\$ 334,262.00
County Taxes:		
County Tax (Abstract)	A-1	\$ 170,188.06
County Open Space Tax (Abstract)	A-1	4,211.47
County Library Tax (Abstract)	A-1	10,447.02
Total County Taxes		184,846.55
Local Tax for Municipal Purposes	A-2	583,900.00
		<u>\$ 1,103,008.55</u>

## SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Accrued	Collected by Treasurer
	<u>                    </u>	<u>                    </u>
<b>Miscellaneous Revenue Anticipated</b>		
Rental of Municipal Facilities	\$ 5,000.00	\$ 5,000.00
Consolidated Municipal		
Property Tax Relief	32,562.00	32,562.00
Energy Receipts Tax	70,461.00	70,461.00
Shared Service Agreements:		
Tax Collector	12,999.65	12,999.65
Borough Clerk/Registrar	21,000.00	21,000.00
Trash Disposal - Audubon Park Mutual Housing	26,384.75	26,384.75
Trash Removal - Audubon Park Mutual Housing	44,926.63	44,926.63
<b>Miscellaneous Revenue Not Anticipated</b>		
Cable Television Franchise Fee	17,042.37	17,042.37
Interest on Investments	940.70	940.70
Licenses	111.00	111.00
Court Restitution	462.00	462.00
Miscellaneous	1,464.32	1,464.32
Senior Citizen & Veterans Administration Fee	580.00	580.00
	<u>\$ 233,934.42</u>	<u>\$ 233,934.42</u>
	<u><u>                    </u></u>	<u><u>                    </u></u>
Ref.		A-4

## SCHEDULE OF APPROPRIATION RESERVES

	Balance Dec. 31, 2014	Transfers	Balance After Transfers	Paid or Charged	Balance Lapsed
Salaries and Wages:					
Library	\$ 932.75	\$ (932.00)	\$ 0.75		\$ 0.75
Other Expenses:					
Administrative & Executive	559.86	(559.00)	0.86		0.86
Mayor & Council	705.60	(705.00)	0.60		0.60
Financial Administration	467.00	(467.00)			
Emergency Management	382.67	(382.00)	0.67		0.67
Workmen's Compensation	206.90	(206.00)	0.90		0.90
Legal Services	1,447.68	(1,400.00)	47.68		47.68
Engineering	711.25	(711.00)	0.25		0.25
Maintenance of Equipment	903.38	(903.00)	0.38		0.38
Board of Health	300.00	(300.00)			
Celebration of Public Events	875.67	(875.00)	0.67		0.67
Public Buildings & Grounds	432.57	7,440.00	7,872.57	\$ 5,243.71	2,628.86
Social Security	1,495.42		1,495.42	330.39	1,165.03
Other Accounts No Change	16,855.68		16,855.68		16,855.68
	<u>\$ 26,276.43</u>		<u>\$ 26,276.43</u>	<u>\$ 5,574.10</u>	<u>\$ 20,702.33</u>
Ref.	A			A-4	A-1

## SCHEDULE OF ENCUMBRANCES PAYABLE

	Ref.	Current Fund
Balance December 31, 2014	A	<u>\$ 4,513.38</u>
Increased by:		
Charges to Budget Appropriations	A-3	<u>32,512.87</u>
		37,026.25
Decreased by:		
Payments	A-4	4,342.90
Canceled	A-1	170.48
Balance December 31, 2015	A	<u><u>\$ 32,512.87</u></u>

SCHEDULE OF DUE STATE OF NEW JERSEY -  
SENIOR CITIZEN AND VETERANS DEDUCTIONS

Balance December 31, 2014	Ref. A	\$ 2,700.00
Increased by:		
Deductions Per Tax Duplicate	A-7	29,500.00
		<u>32,200.00</u>
Decreased by:		
Receipts	A-4	29,000.00
Balance December 31, 2015	A	<u>\$ 3,200.00</u>

SCHEDULE OF CONSOLIDATED DISTRICT SCHOOL TAX PAYABLE

Balance December 31, 2014	Ref.		
School Tax Payable	A	\$ 111,662.59	
School Tax Deferred		158,527.50	
		<u>270,190.09</u>	\$ 270,190.09
Increased by:			
Levy - School Year July 1, 2015 to June 30, 2016	A-7	334,262.00	
		<u>604,452.09</u>	
Decreased by:			
Payments	A-4	325,657.50	
Balance December 31, 2015			
School Tax Payable	A	111,663.59	
School Tax Deferred		167,131.00	
		<u>278,794.59</u>	<u>\$ 278,794.59</u>
Tax Liability for Local District School Tax:			
Tax Paid	A-12	\$ 325,657.50	
Tax Payable December 31, 2015	A-12	111,663.59	
		<u>437,321.09</u>	
Less: Tax Payable December 31, 2014	A-12	111,662.59	
Amount Charged to Current Year Operations	A-1	<u>\$ 325,658.50</u>	

## SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

<b>Grants</b>	Balance Dec. 31, 2014	Budget Appropriation	Paid	Balance Dec. 31, 2015
<b>Federal Grants:</b>				
Community Development Block Grant	\$ 29,923.56	\$ 24,100.00	\$ 42,706.47	\$ 11,317.09
<b>State Grants:</b>				
NJ DOT - Kennedy Drive	33,740.59			33,740.59
NJ DOT - Peter's Creek		108,000.00		108,000.00
Clean Communities Act	1,005.33	4,000.00	5,004.88	0.45
Recycling Tonnage		1,464.54		1,464.54
	<u>\$ 64,669.48</u>	<u>\$ 137,564.54</u>	<u>\$ 47,711.35</u>	<u>\$ 154,522.67</u>
Ref.	A	A-3	A-4	A

## SCHEDULE OF RESERVE FOR GRANTS - UNAPPROPRIATED

<b>Grants</b>	Balance Dec. 31, 2014	Receipts	Realized as Revenue	Balance Dec. 31, 2015
Recycling Tonnage	\$ 1,464.54	\$ 474.65	\$ 1,464.54	\$ 474.65
Ref.	A	A-4	A-6	A

## TRUST FUND

## SCHEDULE OF TRUST FUND CASH

	Ref.	Animal Control Trust Fund
Balance December 31, 2014	B	<u>\$ 673.29</u>
Increased by Receipts:		
Interest Earned		3.84
Dog License Fees:		
Municipal Share	B-2	906.40
State Share		336.60
Total Receipts		<u>1,246.84</u>
		<u>1,920.13</u>
Decreased by Disbursements:		
Expenditures Under RS 4:19-15.11	B-2	555.00
Due State of NJ Department of Health		331.40
		<u>886.40</u>
Balance December 31, 2015	B	<u><u>\$ 1,033.73</u></u>

SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

Balance December 31, 2014	Ref. B	\$ 673.00
Increased by:		
Municipal Share of Dog License Fees	B-1	<u>906.40</u>
Decreased by:		
Expenditures Under R.S.4:19-15.11: Cash	B-1	<u>555.00</u>
Balance December 31, 2015	B	<u><u>\$ 1,024.40</u></u>

**License Fees Collected**

	<u>Amount</u>
2013	\$ 754.60
2014	873.00
	<u>\$ 1,627.60</u>

## **GENERAL CAPITAL FUND**

## SCHEDULE OF GENERAL CAPITAL CASH

	Balance	Transfers		Balance
	Dec. 31, 2014	From	To	Dec. 31, 2015
Due Current Fund	<u>\$(141,139.15)</u>		\$ 39,353.43	<u>\$ (101,785.72)</u>
Down Payment on Improvements				
Improvement Authorizations:				
Ordinance				
<u>Number</u>				
2011-1a Acquisition of Upgrades to the Borough's Financial Information Technology Systems	175.78	\$ 175.78		
2011-1b Construction and Renovations to Borough Recreation Facilities	7,029.10			7,029.10
2011-6 Replacement of Existing Roof of the Firehouse and Portion of Municipal Building	86.95			86.95
2014-04 Preliminary Costs for Rehabilitation of Municipal Building	133,847.32	39,177.65		94,669.67
		<u>\$ 39,353.43</u>	<u>\$ 39,353.43</u>	

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION -  
UNFUNDED

Ordinance Number	Purpose	Balance Dec. 31, 2014	Notes Paid By Budget Appropriation	Balance Dec. 31, 2015	Analysis of Balance Dec. 31, 2015 Financed By Bond Anticipation Notes
2011-1a	Acquisition of Upgrades to the Borough's Financial Information Technology Systems	\$ 12,950.00	\$ 1,300.00	\$ 11,650.00	\$ 11,650.00
2011-1b	Construction and Renovations to Borough Recreation Facilities	17,100.00	1,900.00	15,200.00	15,200.00
2011-6	Replacement of Existing Roof of the Firehouse and Portion of Municipal Building	106,875.00	11,875.00	95,000.00	95,000.00
2011-1d	Engineering Costs for the Overlay of Existing Roads	12,825.00	1,425.00	11,400.00	11,400.00
2014-04	Preliminary Costs for Rehabilitation of Municipal Building	166,325.00		166,325.00	166,325.00
		<u>\$ 316,075.00</u>	<u>\$ 16,500.00</u>	<u>\$ 299,575.00</u>	<u>\$ 299,575.00</u>
	Ref.	C	C-4	C	C-4

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Purpose	Date	Amount	Balance Dec. 31, 2014 Unfunded	Paid or Charged	Balance Dec. 31, 2015 Unfunded
2011-1a	Acquisition of Upgrades to the Borough's Financial Information Technology Systems	02/22/11	\$ 15,000.00	\$ 175.78	\$ 175.78	
2011-1b	Construction and Renovations to Borough Recreation Facilities	02/22/11	65,000.00	7,029.10		\$ 7,029.10
2011-6	Replacement of Existing Roof of the Firehouse and Portion of Municipal Building	10/03/11	125,000.00	86.95		86.95
2014-04	Preliminary Costs for Rehabilitation of Municipal Building	06/16/14	175,000.00	133,847.32	39,177.65	94,669.67
				<u>\$ 141,139.15</u>	<u>\$ 39,353.43</u>	<u>\$ 101,785.72</u>
			Ref.	C	A-4	C

SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ordinance Number	Purpose	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2014	Decreased	Balance Dec. 31, 2015
2011-1a	Acquisition of Upgrades to the Borough's Financial Information Technology Systems	04/18/12	08/17/15	08/16/16	0.92%	\$ 12,950.00	\$ 1,300.00	\$ 11,650.00
2011-1b	Construction and Renovations to Borough Recreation Facilities	04/18/12	08/17/15	08/16/16	0.92%	17,100.00	1,900.00	15,200.00
2011-6	Replacement of Existing Roof of the Firehouse and Portion of Municipal Building	08/25/11	08/17/15	08/16/16	0.92%	106,875.00	11,875.00	95,000.00
2011-1d	Engineering Costs for the Overlay of Existing Roads	04/18/12	08/17/15	08/16/16	0.92%	12,825.00	1,425.00	11,400.00
2014-04	Preliminary Costs for Rehabilitation of Municipal Building	08/19/14	08/17/15	08/16/16	0.92%	166,325.00		166,325.00
						<u>\$ 316,075.00</u>	<u>\$ 16,500.00</u>	<u>\$ 299,575.00</u>
Ref.						C	C-2	C

**PART II**  
**LETTER OF COMMENTS AND RECOMMENDATIONS**  
**YEAR ENDED DECEMBER 31, 2015**

## GENERAL COMMENTS

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

NJSA 40A:11-4 states "Every contract or agreement awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law."

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

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the bid threshold "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 NJSA 40A:11-6.

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

Construction of Speed Humps  
Improvements to Peter's Creek Riparian Corridor  
Collection and Disposal of Trash and Recyclables

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per NJSA 40A:11.5.

NJSA 40A:11-6.1 requires that at least two competitive quotations be obtained for all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount. Competitive quotations were not obtained for pest control services.

## PROPERTY TAX INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Tax Rate:	5.283	4.975	5.404
Apportionment of Tax Rate:			
Municipal	2.796	2.595	2.594
County	0.816	0.791	0.773
County Open Space	0.020	0.020	0.020
County Library	0.051	0.050	0.049
Local School	1.600	1.519	1.968
Assessed Valuation	20,878,457	20,872,046	20,882,211

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

## COMPARISON OF TAX LEVIES AND COLLECTIONS CURRENTLY (CONTINUED)

	2015	2014	2013
Tax Levy	\$1,103,008.88	\$1,038,384.29	\$1,128,474.68
Cash Collections	1,097,861.90	1,033,232.31	1,123,322.68
Percentage of Collections	99.53%	99.50%	99.54%

## DELINQUENT TAXES AND TAX TITLE LIENS

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

	2015	2014	2013
Delinquent Taxes	\$ 5,146.65	\$ 5,151.98	\$ 5,152.00
Percentage of Tax Levy	0.47%	0.50%	0.46%

## OTHER COMMENTS

### Chief Financial Officer

The records maintained by the Chief Financial Officer were found to be in compliance with requirements prescribed by the Division of Local Government Services, state statutes, and administrative code requirements with the following exception: There were immaterial overexpenditures as a result of salary mispostings.

### Corrective Action Plan

A corrective action plan was filed as required for the year 2015.

## FINDINGS AND RECOMMENDATIONS

2015-001: Competitive quotations were not obtained for pest control services that in the aggregate was less than the bid threshold but 15 percent or more of that amount as required by NJSA 40A:11-6.1.

Recommendation: Competitive quotations be obtained when the aggregate contract is less than the bid threshold but 15 percent or more of that amount as required by NJSA 40A:11-6.1.

## STATUS OF PRIOR RECOMMENDATIONS

2014-001: Finding: Bids were not solicited for Courtesy School Busing.

Corrective action taken.

2014-002: Finding: Competitive quotations were not obtained for a contract that in the aggregate was less than the bid threshold but 15 percent or more of that amount as required by NJSA 40A:11-6.1.

Corrective action not taken. Recommendation repeated as item 2015-001.

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.

We received the complete cooperation of all the officials of the Borough and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

PETRONI & ASSOCIATES LLC

A handwritten signature in black ink, appearing to read "Nick L. Petroni", with a long horizontal flourish extending to the right.

Nick L. Petroni  
Certified Public Accountant  
Registered Municipal Accountant #252

June 17, 2016