

BOROUGH OF HOPATCONG
SUSSEX COUNTY, NEW JERSEY
REPORT OF AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2015

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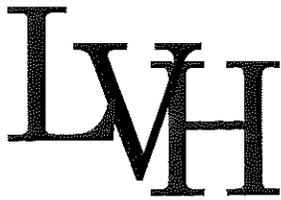
SUSSEX COUNTY

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

FOR THE YEAR ENDED DECEMBER 31, 2015



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of Hopatcong
Hopatcong, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Hopatcong, as of December 31, 2015 and 2014, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Hopatcong on the basis of the financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division 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 financial reporting requirements of the State of New Jersey for municipal government entities.

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 Hopatcong as of December 31, 2015 and 2014, or changes in financial position, or, where applicable, cash flows for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Hopatcong as of December 31, 2015 and 2014, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2015 in accordance with the financial accounting and reporting principles and practices 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 an opinion on the financial statements of the Borough of Hopatcong as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary data and letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Hopatcong.

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

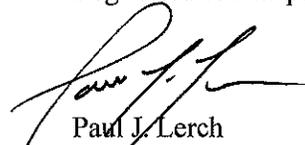
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 13, 2016 on our consideration of the Borough of Hopatcong'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 Hopatcong's internal control over financial reporting and compliance.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Paul J. Lerch
Registered Municipal Accountant
RMA Number CR00457

Fair Lawn, New Jersey
April 13, 2016

**BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2015 AND 2014**

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Cash - Treasurer	A-4	\$ 8,710,222	\$ 6,688,611
Cash - Change Fund	A-5	<u>300</u>	<u>300</u>
		<u>8,710,522</u>	<u>6,688,911</u>
Receivables and Other Assets With Full Reserves			
Taxes Receivable	A-7	921,321	1,014,982
Tax Title Liens Receivable	A-8	309,521	257,537
Property Acquired for Taxes - Assessed Valuation	A-9	5,132,600	4,974,400
Revenue Accounts Receivable	A-11	9,422	7,381
Due from Animal Control Trust Fund	B-12	5,126	
Due from Other Trust Fund	B-11	<u>2,720</u>	<u>815</u>
		<u>6,380,710</u>	<u>6,255,115</u>
Deferred Charges			
Special Emergency Appropriations	A-28	<u>120,000</u>	<u>180,000</u>
		<u>120,000</u>	<u>180,000</u>
Total Regular Fund		<u>15,211,232</u>	<u>13,124,026</u>
Federal and State Grant Fund			
Cash	A-4	4,022	15,964
Due from Current Fund	A	366,094	
Grants Receivable	A-10	<u>505,192</u>	<u>501,210</u>
Total Federal and State Grant Fund		<u>875,308</u>	<u>517,174</u>
Total Assets		<u>\$ 16,086,540</u>	<u>\$ 13,641,200</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2015 AND 2014**

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Appropriation Reserves	A-3,12	\$ 1,595,348	\$ 1,242,530
Encumbrances Payable	A-14	259,444	186,033
Prepaid Taxes	A-15	265,643	221,674
Tax Overpayments	A-16	670	24,336
Miscellaneous Reserves	A-17	1,566,561	1,093,542
Unappropriated Reserves	A-23	-	1,381
Appropriated Reserves	A-25	42,631	65,167
Due to General Capital Fund	A-29	48,464	-
Due to Federal and State Grants Fund	A	366,094	-
Due to Municipal Open Space Trust Fund	A-20	10	-
Accounts Payable	A-24	47,277	47,277
Due to State of New Jersey - Senior Citizens & Veterans	A-6	9,936	12,825
Due to State of New Jersey - Marriage License Fees	A-26	1,000	425
Due to State of New Jersey - State Training Fees	A-27	3,204	3,683
Local School Taxes Payable	A-19	1	
Due to County for Added Taxes	A-18	5,893	34,224
		<u>4,212,176</u>	<u>2,933,097</u>
Reserve for Receivables and Other Assets		6,380,710	6,255,115
Fund Balance	A-1	<u>4,618,346</u>	<u>3,935,814</u>
Total Regular Fund		<u>15,211,232</u>	<u>13,124,026</u>
Federal and State Grant Fund			
Due to Sewer Utility Operating Fund	E-8	300,000	
Reserve for Encumbrances	A-13	104,658	26,709
Reserve for Grants and Donations - Unappropriated	A-21	2,773	15,744
Reserve for Grants and Donations - Appropriated	A-22	467,877	474,721
Total Federal and State Grant Fund		<u>875,308</u>	<u>517,174</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 16,086,540</u>	<u>\$ 13,641,200</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HOPATCONG
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>Year 2015</u>	<u>Year 2014</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 1,425,000	\$ 1,425,000
Miscellaneous Revenue Anticipated	A-2	2,547,618	2,160,111
Receipts from Delinquent Taxes	A-2	974,700	979,757
Receipts from Current Taxes	A-2	44,445,823	44,214,161
Non-Budget Revenue	A-2	221,606	248,889
Other Credits to Income			
Prior Year Interfunds Returned	A	815	728
Reserve for Tax Premiums Cancelled	A-17	13,500	
Reserve for Tax Appeals Cancelled	A-17	10,000	
Unexpended Balance of Appropriation Reserves	A-12	<u>923,495</u>	<u>997,876</u>
Total Revenues		<u>50,562,557</u>	<u>50,026,522</u>
EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	6,617,316	6,296,069
Other Expenses	A-3	6,181,319	5,985,118
Capital Improvements	A-3	63,900	161,500
Municipal Debt Service	A-3	1,354,078	1,305,747
Deferred Charges and Statutory Expenditures	A-3	1,658,993	1,652,628
County Taxes	A-18	8,286,584	8,640,250
Municipal Open Space Taxes	A-20	10,097	10,112
Local School Taxes	A-19	24,270,550	23,835,544
Other Debits			
Interfund Advance	A	7,846	815
Prior Year Senior Citizens' Deductions Disallowed(Net)	A-6	3,342	5,000
Prior Year Veterans' Deductions Disallowed	A-6	<u>1,000</u>	<u>750</u>
Total Expenditures		<u>48,455,025</u>	<u>47,893,533</u>
Excess in Revenue		2,107,532	2,132,989
Fund Balance, January 1	A	<u>3,935,814</u>	<u>3,227,825</u>
		6,043,346	5,360,814
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	<u>1,425,000</u>	<u>1,425,000</u>
Fund Balance, December 31	A	<u>\$ 4,618,346</u>	<u>\$ 3,935,814</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	Reference	2015 Anticipated Budget	Added by N.J.S. 40A:4-87	2015 Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$ 1,425,000	-	\$ 1,425,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-11	17,400		30,876	\$ 13,476
Fees and Permits					
Construction Code Official	A-11	130,000		197,167	67,167
Other	A-2	50,000		59,854	9,854
Fines and Costs					
Municipal Court	A-11	120,000		117,225	(2,775)
Interest and Costs on Taxes	A-11	200,000		244,688	44,688
Energy Receipts Tax	A-11	813,830		813,830	-
Interest on Investments and Deposits	A-2	12,200		38,973	26,773
Consolidated Municipal Property Tax Relief Aid	A-11	139,440		139,440	-
Interlocal Agreement - Stanhope Court	A-11	99,284		99,285	1
Interlocal Agreement - Nutrition Site	A-11	22,700		15,133	(7,567)
State and Federal Grants Offset With Appro.					
Clean Communities Grant	A-10		\$ 36,189	36,189	-
Municipal Alliance on Alcoholism and Drug Abuse	A-10		13,134	13,134	-
Police Body Armor Fund	A-10		443	443	-
USDA Housing Program	A-10		45,948	45,948	-
Recycling Tonnage Grant	A-21	15,744		15,744	-
Highlands Council Grant	A-10		15,000	15,000	-
Click It or Ticket It	A-10		4,000	4,000	-
NJ Department of Transportation	A-10		370,000	370,000	-
Hudson Farm Donation	A-10		15,000	15,000	-
Safe and Secure Communities Program	A-10		60,000	60,000	-
Special Items					
Reserve for Repairs to Ballfield Netting	A-23	1,380		1,380	-
Cell Tower Rental	A-11	80,000		98,388	18,388
Cable TV Franchise Fee	A-11	60,000		68,872	8,872
Reserve for Sale of Assets	A-17	30,000		30,000	-
Fire Prevention Fees	A-11	11,000	-	17,049	6,049
Total Miscellaneous Revenues	A-1	1,802,978	559,714	2,547,618	184,926
Receipts from Delinquent Taxes	A-1,A-2	890,000	-	974,700	84,700
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax for Municipal Purposes	A-2,A-7	12,857,986	-	13,538,592	680,606
Total	A-3	\$ 16,975,964	\$ 559,714	18,485,910	\$ 950,232
Non-Budget Revenue	A-1,A-2			221,606	
				\$ 18,707,516	

BOROUGH OF HOPATCONG
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-1,A-7	\$ 44,445,823
Less: Allocated to School, County and Special Taxes	A-18,A-19,A-20	<u>32,567,231</u>
		11,878,592
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>1,660,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 13,538,592</u>
Fees and Permits - Other		
Township Clerk	A-11	\$ 17,005
Police Department	A-11	1,948
Zoning/Planning	A-11	8,490
Board of Health	A-11	15,661
DPW - Bulk Stickers	A-11	<u>16,750</u>
	A-2	<u>\$ 59,854</u>
Receipts from Delinquent Taxes		
Taxes	A-7	\$ 972,840
Tax Title Liens	A-8	<u>1,860</u>
	A-2	<u>\$ 974,700</u>
Interest on Investments		
Revenue Accounts Receivable	A-11	\$ 36,252
Due from Other Trust Fund	B-11	2,720
Due from General Capital Fund	C-8	<u>1</u>
	A-2	<u>\$ 38,973</u>

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

	<u>2015 Appropriated</u>		<u>2015 Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
Administrative and Executive					
Salaries and Wages	\$ 222,424	\$ 222,424	\$ 220,243	\$ 2,181	
Other Expenses	96,000	96,000	67,413	28,587	
Mayor and Council					
Salaries and Wages	15,250	15,250	14,374	876	
Other Expenses	4,400	4,400	1,455	2,945	
Borough Clerk					
Salaries and Wages	81,834	81,834	81,834	-	
Election					
Other Expenses	25,200	25,200	23,559	1,641	
Financial Administration					
Salaries and Wages	137,334	137,334	128,735	8,599	
Other Expenses	53,750	53,750	26,899	26,851	
Audit Services	24,800	24,800	24,800	-	
Computerized Data Processing					
Other Expenses	50,000	50,000	35,805	14,195	
Collection of Taxes					
Salaries and Wages	157,366	157,366	149,227	8,139	
Other Expenses	15,656	15,656	13,823	1,833	
Assessment of Taxes					
Salaries and Wages	146,935	146,935	138,523	8,412	
Other Expenses	40,750	40,750	39,862	888	
Legal Services					
Other Expenses	125,000	125,000	107,288	17,712	
Engineering Services and Costs					
Other Expenses	45,000	45,000	23,071	21,929	
Municipal Land Use Law (N.J.S.A. 40:55D-1)					
Salaries and Wages	106,945	106,945	98,110	8,835	
Other Expenses	23,750	23,750	10,541	13,209	
PUBLIC SAFETY					
Police					
Salaries and Wages	3,214,808	3,214,808	2,856,581	358,227	
Other Expenses	77,230	77,230	66,735	10,495	
Emergency Dispatch Services					
Salaries and Wages	524,707	524,707	402,342	122,365	
Other Expenses	49,900	49,900	40,101	9,799	
Emergency Management					
Salaries and Wages	2,000	2,000		2,000	
Other Expenses	20,150	20,150	14,965	5,185	
First Aid Organization Contribution					
	40,000	40,000	40,000	-	
Municipal Prosecutor					
Other Expenses	50,000	50,000	43,300	6,700	

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

	<u>2015 Appropriated</u>		<u>2015 Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
PUBLIC SAFETY (Continued)					
Aid to Volunteer Fire Companies					
Other Expenses	\$ 142,450	\$ 142,450	\$ 141,818	\$ 632	
Fire Prevention Bureau					
Salaries and Wages	30,119	30,119	30,007	112	
Other Expenses	4,975	4,975	3,646	1,329	
STREETS AND ROADS					
Street and Road Maintenance					
Salaries and Wages	1,278,809	1,278,809	1,153,413	125,396	
Other Expenses	315,120	315,120	271,452	43,668	
Contractual - Garbage	1,219,000	1,219,000	1,215,054	3,946	
OTHER PUBLIC WORKS FUNCTIONS					
Recycling					
Other Expenses	27,500	27,500	15,829	11,671	
Buildings and Grounds					
Salaries and Wages	27,873	27,873	25,982	1,891	
Other Expenses	70,350	70,350	40,658	29,692	
Vehicle Maintenance					
Other Expenses	173,000	173,000	169,127	3,873	
MUNICIPAL COURT					
Salaries and Wages	161,247	161,247	110,644	50,603	
Other Expenses	7,500	7,500	4,487	3,013	
HEALTH AND HUMAN SERVICES FUNCTIONS					
Board of Health					
Salaries and Wages	11,458	11,458	7,087	4,371	
Other Expenses	6,500	6,500	5,225	1,275	
Environmental Commission					
Salaries and Wages	1,054	1,054	591	463	
Other Expenses	1,500	1,500	786	714	
Animal Control					
Salaries and Wages	48,728	48,728	15,261	33,467	
Other Expenses	40,000	40,000	40,000	-	
Senior Citizens and Handicapped Transportation					
Salaries and Wages	48,207	48,207	43,579	4,628	
Senior Citizens Programs					
Other Expenses	8,500	8,500	7,310	1,190	

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

	<u>2015 Appropriated</u>		<u>2015 Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
RECREATION AND EDUCATION:					
Board of Recreation Commissioners					
Salaries and Wages	\$ 67,388	\$ 67,388	\$ 67,388	-	
Other Expenses	9,980	9,980	6,538	\$ 3,442	
Park Maintenance					
Salaries and Wages	27,872	27,872	25,982	1,890	
Other Expenses	85,500	85,500	77,584	7,916	
OTHER COMMON OPERATING FUNCTIONS					
CDBG Office					
Salaries and Wages	1,000	1,000	1,000	-	
Open Space Committee					
Salaries and Wages	1,054	1,054	169	885	
Celebration of Public Events					
Other Expenses	20,000	20,000	11,761	8,239	
Insurance					
General Liability Insurance	260,000	260,000	253,129	6,871	
Workers Compensation	216,000	216,000	215,148	852	
Employee Group Health	1,510,000	1,510,000	1,361,847	148,153	
State Unemployment Insurance	30,000	30,000	28,053	1,947	
Health Benefit Waiver	50,000	50,000	36,108	13,892	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY DEDICATED					
REVENUES (N.J.A.C. 5:23-4-17)					
Uniform Construction Code Enforcement:					
Building Inspector					
Salaries and Wages	182,376	182,376	171,645	10,731	
Other Expenses	6,400	6,400	4,351	2,049	
UTILITY EXPENSES & BULK PURCHASES					
Electricity	110,000	110,000	79,678	30,322	
Street Lighting	50,000	50,000	38,160	11,840	
Telephone	80,000	80,000	79,965	35	
Fuel Oil	90,000	90,000	65,000	25,000	
Gasoline	165,000	165,000	115,165	49,835	
State Mandated Landfill - Monitoring					
Other Expenses	5,000	5,000	2,995	2,005	
Contingent	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
Total Operations Within "CAPS"	<u>11,952,649</u>	<u>11,952,649</u>	<u>10,613,208</u>	<u>1,339,441</u>	<u>-</u>
Detail					
Salaries and Wages	6,496,788	6,496,788	5,742,717	754,071	-
Other Expenses (Including Contingent)	<u>5,455,861</u>	<u>5,455,861</u>	<u>4,870,491</u>	<u>585,370</u>	<u>-</u>

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

	<u>2015 Appropriated</u>		<u>2015 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"					
Statutory Charges					
Social Security System (O.A.S.I.)	\$ 422,678	\$ 422,678	\$ 422,678	-	
Public Employee's Retirement System of NJ	550,000	550,000	479,505	\$ 70,495	
Police & Fireman's Retirement System of NJ	620,315	620,315	620,315	-	
Defined Contribution Retirement Program	6,000	6,000	3,495	2,505	-
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>1,598,993</u>	<u>1,598,993</u>	<u>1,525,993</u>	<u>73,000</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>13,551,642</u>	<u>13,551,642</u>	<u>12,139,201</u>	<u>1,412,441</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Solid Waste Disposal (flow control)					
Other Expenses	50,000	50,000	-	50,000	
Contribution to LOSAP	100,000	100,000	-	100,000	-
Total Other Operations Excluded from "CAPS"	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>	<u>-</u>
Interlocal Municipal Services Agreement					
Recreation					
Salaries and Wages	22,700	22,700	-	22,700	
Municipal Court					
Salaries and Wages	97,828	97,828	87,621	10,207	-
Total Interlocal Municipal Services Agreement	<u>120,528</u>	<u>120,528</u>	<u>87,621</u>	<u>32,907</u>	<u>-</u>
Public and Private Programs Offset by Revenues					
State and Federal Programs Offset by Revenues					
State of N.J. - Clean Communities Program		36,189	36,189		
Municipal Alliance on Alcoholism and Drug Abuse					
County Share		13,134	13,134		
Safe and Secure Grant		60,000	60,000		
Police Body Armor Fund		443	443		
Recycling Tonnage Grant	15,744	15,744	15,744		
Hudson Guild Farm Donation		15,000	15,000	-	
Highlands Grant		15,000	15,000	-	
USDA Housing Grant		45,948	45,948	-	
NJ DOT Grant -Resurfacing		200,000	200,000		
NJ DOT Grant -2015 Paving		170,000	170,000		
Click It or Ticket	-	4,000	4,000	-	-
Total Public and Private Programs Offset by Revenues	<u>15,744</u>	<u>575,458</u>	<u>575,458</u>	<u>-</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>286,272</u>	<u>845,986</u>	<u>663,079</u>	<u>182,907</u>	<u>-</u>
Detail					
Salaries and Wages	120,528	120,528	87,621	32,907	-
Other Expenses	165,744	725,458	575,458	150,000	-

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

	<u>2015 Appropriated</u>		<u>2015 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 63,900	\$ 63,900	\$ 63,900	-	-
Total Capital Improvements Excluded from "CAPS"	<u>63,900</u>	<u>63,900</u>	<u>63,900</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,025,000	1,025,000	1,025,000		
Payment of Notes	133,000	133,000	133,000		
Interest on Bonds	175,900	175,900	175,873		\$ 27
Interest on Notes	<u>20,250</u>	<u>20,250</u>	<u>20,205</u>	<u>-</u>	<u>45</u>
Total Municipal Debt Service Excluded from "CAPS"	<u>1,354,150</u>	<u>1,354,150</u>	<u>1,354,078</u>	<u>-</u>	<u>72</u>
DEFERRED CHARGES					
Emergency Authorization	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>-</u>
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>1,764,322</u>	<u>2,324,036</u>	<u>2,141,057</u>	<u>\$ 182,907</u>	<u>72</u>
Subtotal General Appropriations	15,315,964	15,875,678	14,280,258	1,595,348	72
Reserve for Uncollected Taxes	<u>1,660,000</u>	<u>1,660,000</u>	<u>1,660,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 16,975,964</u>	<u>\$ 17,535,678</u>	<u>\$ 15,940,258</u>	<u>\$ 1,595,348</u>	<u>\$ 72</u>
Reference	A-2			A	

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

	<u>Reference</u>	Budget After <u>Modification</u>	Expended Paid or <u>Charged</u>
Adopted Budget	A-2	\$ 16,975,964	
Added by N.J.S.A. 40A:4-87	A-2	<u>559,714</u>	
		<u>\$ 17,535,678</u>	
Cash Disbursed	A-4		\$ 13,385,356
Encumbrances Payable	A-14		259,444
Appropriated Reserves - Federal and State Grants Fund	A-22		575,458
Special Emergency Authorization	A-28		60,000
Reserve for Uncollected Taxes	A-2		<u>1,660,000</u>
			<u>\$ 15,940,258</u>

BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-3	\$ 36,164	\$ 18,179
		<u>36,164</u>	<u>18,179</u>
OTHER TRUST FUND			
Cash	B-3	1,213,170	1,315,619
Investments	B-3	233,798	251,538
HUD Grant Receivable	B-6	45,948	-
		<u>1,492,916</u>	<u>1,567,157</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-3	152,200	148,515
OPEN SPACE PRESERVATION TRUST FUND			
Cash	B-3	39,196	29,109
Due from Current Fund	A-20	10	-
		<u>39,206</u>	<u>29,109</u>
LENGTH OF SERVICE AWARD PROGRAM FUND (UNAUDITED)			
Investments	B	1,011,068	1,037,983
Contribution Receivable	B	58,823	68,310
		<u>1,069,891</u>	<u>1,106,293</u>
Total Assets		<u>\$ 2,790,377</u>	<u>\$ 2,869,253</u>

**BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2015 AND 2014**

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Due to State of New Jersey	B-5	\$ 21	\$ 65
Due to Current Fund	B-12	5,126	
Reserve for Animal Control Expenditures	B-4	<u>31,017</u>	<u>18,114</u>
		<u>36,164</u>	<u>18,179</u>
OTHER TRUST FUND			
Due to Current Fund	B-11	2,720	815
Reserve for HUD Grant Receivable	B-6	45,948	
Miscellaneous Reserves	B-7	1,248,457	1,273,346
Payroll Deductions Payable	B-9	<u>195,791</u>	<u>292,996</u>
		<u>1,492,916</u>	<u>1,567,157</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Reserve for Unemployment Insurance Claims	B-8	<u>152,200</u>	<u>148,515</u>
		<u>152,200</u>	<u>148,515</u>
OPEN SPACE PRESERVATION TRUST FUND			
Reserve for Open Space Preservation	B-10	<u>39,206</u>	<u>29,109</u>
		<u>39,206</u>	<u>29,109</u>
LENGTH OF SERVICE AWARD PROGRAM FUND (UNAUDITED)			
Reserve for LOSAP	B	<u>1,069,891</u>	<u>1,106,293</u>
		<u>1,069,891</u>	<u>1,106,293</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 2,790,377</u>	<u>\$ 2,869,253</u>

BOROUGH OF HOPATCONG
STATEMENT OF REVENUES - REGULATORY BASIS - OPEN SPACE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Reference</u>	<u>2015 Anticipated</u>	<u>2015 Realized</u>	<u>Excess or (Deficit)</u>
Amount to be Raised by Taxation	B-10	\$ 10,087	\$ 10,097	\$ 10
		<u>\$ 10,087</u>	<u>\$ 10,097</u>	<u>\$ 10</u>

STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Reference</u>	<u>Budget (Memorandum)</u>	<u>Paid or Charged</u>	<u>Excess or (Deficit)</u>
Development of Lands for Recreation and Conservation				
Other Expenses	B-10	\$ 10,087	\$ -	\$ 10,087
		<u>\$ 10,087</u>	<u>\$ -</u>	<u>\$ 10,087</u>

BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Cash	C-2,C-3	\$ 2,063,653	\$ 1,447,777
Deferred Charges to Future Taxation			
Funded	C-4	5,480,000	6,505,000
Unfunded	C-5	3,064,430	2,163,830
Due from Current Fund	C-8	<u>48,464</u>	<u>-</u>
 Total Assets		 <u>\$ 10,656,547</u>	 <u>\$ 10,116,607</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Improvement Authorizations			
Funded	C-6	\$ 293,101	\$ 349,625
Unfunded	C-6	1,062,372	998,037
Contracts Payable	C-11	672,519	217,234
General Serial Bonds	C-7	5,480,000	6,505,000
Bond Anticipation Notes	C-10	3,064,430	2,020,550
Capital Improvement Fund	C-9	17,140	7,640
Reserve for Improvements - FEMA	C-12	48,464	-
Fund Balance	C-1	<u>18,521</u>	<u>18,521</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 10,656,547</u>	 <u>\$ 10,116,607</u>

There were bonds and notes authorized but not issued on December 31, 2015 and 2014 of \$0 and \$143,820, respectively, (Exhibit C-13).

BOROUGH OF HOPATCONG
COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
Balance, January 1	C	\$ 18,521	\$ 113,104
Increased by:			
Improvement Authorizations Canceled	C-1		26,399
Premium on Sale of Bonds and Notes	C-1	<u>-</u>	<u>11,518</u>
		18,521	151,021
Decreased by:			
Appropriated to 2015 Budget Revenue	C-1		62,500
Appropriated to Fund Improvement Authorizations	C-1	<u>-</u>	<u>70,000</u>
Balance, December 31	C	<u>\$ 18,521</u>	<u>\$ 18,521</u>

BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - WATER UTILITY FUND
AS OF DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
ASSETS			
OPERATING FUND			
Cash	D-5	\$ 635,005	\$ 617,404
Change Fund	D-6	50	50
Due from Water Utility Capital Fund	D-9	181	1,299
		<u>635,236</u>	<u>618,753</u>
Receivables with Full Reserves			
Consumer Accounts Receivable	D-8	75,971	79,526
		<u>75,971</u>	<u>79,526</u>
		<u>711,207</u>	<u>698,279</u>
CAPITAL FUND			
Cash	D-5,D-7	738,782	489,203
Grants Receivable	D-21	60,392	181,998
Fixed Capital	D-13	4,794,179	4,794,179
Fixed Capital Authorized and Uncompleted	D-16	3,521,425	3,226,425
		<u>9,114,778</u>	<u>8,691,805</u>
Total Assets		<u>\$ 9,825,985</u>	<u>\$ 9,390,084</u>

BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - WATER UTILITY FUND
AS OF DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
LIABILITIES, RESERVES AND FUND BALANCES			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-3,D-11	\$ 139,782	\$ 125,225
Encumbrances Payable	D-12	30,033	51,523
Accrued Interest on Bonds, Notes and Loans	D-10	<u>36,325</u>	<u>39,602</u>
		206,140	216,350
Reserve for Receivables	D	75,971	79,526
Fund Balance	D-1	<u>429,096</u>	<u>402,403</u>
		<u>711,207</u>	<u>698,279</u>
CAPITAL FUND			
FMHA Loans Payable	D-19	507,272	557,734
Water Supply Loans Payable	D-22		22,437
NJ Environmental Infrastructure Trust Loans Payable	D-23	203,934	240,372
Bond Anticipation Notes	D-25	1,233,750	1,037,400
Serial Bonds Payable	D-26	2,040,000	2,125,000
Accrued Interest Payable	D-24		181
Reserve for Deferred Amortization	D-17	1,090,055	1,075,305
Reserve for Amortization	D-14	3,240,594	2,962,357
Improvement Authorizations			
Funded	D-18	109,885	179,941
Unfunded	D-18	501,711	443,187
Due to Water Utility Operating Fund	D-9	181	1,299
Contracts Payable	D-15	170,635	29,831
Capital Improvement Fund	D-20	308	308
Fund Balance	D-4	<u>16,453</u>	<u>16,453</u>
		<u>9,114,778</u>	<u>8,691,805</u>
Total Liabilities, Reserves and Fund Balances		<u>\$ 9,825,985</u>	<u>\$ 9,390,084</u>

There were no bonds and notes authorized but not issued on December 31, 2015 and 2014.

BOROUGH OF HOPATCONG
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - WATER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	D-2	\$ 204,538	\$ 116,814
Rents	D-2	862,136	824,306
Connection Fees	D-1		38,857
Water Capital Fund Balance	D-1		25,000
Miscellaneous - Non Budget Revenue	D-2	33,279	11,862
Other Credits to Income:			
Unexpended - Balance of Appropriation Reserves	D-11	<u>121,079</u>	<u>112,919</u>
 Total Income		<u>1,221,032</u>	<u>1,129,758</u>
EXPENDITURES			
Budget and Emergency Appropriations			
Operating	D-3	545,588	542,474
Capital Improvements	D-3	14,750	2,500
Debt Service	D-3	384,763	338,863
Deferred Charges and Statutory Expenditures	D-3	<u>44,700</u>	<u>44,700</u>
 Total Expenditures		<u>989,801</u>	<u>928,537</u>
 Excess in Revenue		231,231	201,221
 Fund Balance, January 1	D	<u>402,403</u>	<u>317,996</u>
		633,634	519,217
Decreased by:			
Utilized as Anticipated Revenue	D-1	<u>204,538</u>	<u>116,814</u>
 Fund Balance, December 31	D	<u>\$ 429,096</u>	<u>\$ 402,403</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HOPATCONG
STATEMENT OF REVENUES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Reference	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	D-1	\$ 204,538	\$ 204,538	
Rents	D-1,D-8	810,000	862,136	\$ 52,136
Miscellaneous	D-1, D-5	<u>-</u>	<u>33,279</u>	<u>33,279</u>
		<u>\$ 1,014,538</u>	<u>\$ 1,099,953</u>	<u>\$ 85,415</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS - WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Appropriated Budget	Budget After Modification	Expended Paid or Charged	Reserved	Cancelled
OPERATING					
Salaries and Wages	\$ 248,588	\$ 248,588	\$ 223,954	\$ 24,634	
Other Expenses	297,000	297,000	205,552	91,448	
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	14,750	14,750	14,750		
DEBT SERVICE					
Payment on Loan Principal	109,340	109,340	109,156		\$ 184
Payment of Bond Anticipation Notes and Capital Notes	83,900	83,900	83,900		-
Interest on Loans	36,120	36,120	35,419		701
Interest on Notes	30,050	30,050	6,200		23,850
Payment of Bond Principal	85,000	85,000	85,000		-
Interest on Bonds	65,090	65,090	65,088		2
STATUTORY EXPENDITURES					
Contribution to Public Employees Retirement System	21,000	21,000	21,000	-	
Social Security System (O.A.S.I.)	18,700	18,700		18,700	
Unemployment Compensation Insurance	5,000	5,000	-	5,000	-
	<u>\$ 1,014,538</u>	<u>\$ 1,014,538</u>	<u>\$ 850,019</u>	<u>\$ 139,782</u>	<u>\$ 24,737</u>
	<u>Reference</u>	D-2	D-2	D	
Cash Disbursements	D-5		\$ 713,279		
Accrued Interest	D-10		106,707		
Encumbrances Payable	D-12		<u>30,033</u>		
			<u>\$ 850,019</u>		

BOROUGH OF HOPATCONG
COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS
WATER UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
Balance, January 1	D	\$ 16,453	\$ 35,540
Increased by:			
Premium on Sale of Bonds and Notes	D-1	<u> -</u>	<u> 5,913</u>
		16,453	41,453
Decreased by:			
Revenue Anticipated in Water Utility Operating Fund	D-1	<u> -</u>	<u> 25,000</u>
Balance, December 31	D	<u>\$ 16,453</u>	<u>\$ 16,453</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - SEWER UTILITY FUND
AS OF DECEMBER 31, 2015 AND 2014**

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
ASSETS			
OPERATING FUND			
Cash	E-5	\$ 4,131,981	\$ 3,860,483
Change Fund	E-22	50	50
Due from Federal and State Grants Fund	E-8	<u>300,000</u>	<u>-</u>
		<u>4,432,031</u>	<u>3,860,533</u>
Receivables with Full Reserves			
Consumer Accounts Receivable	E-7	486,017	488,183
Sewer Liens Receivable	E-23	<u>528</u>	<u>528</u>
		<u>486,545</u>	<u>488,711</u>
		<u>4,918,576</u>	<u>4,349,244</u>
CAPITAL FUND			
Cash	E-5,E-6	818,039	669,006
Fixed Capital	E-12	60,690,806	60,690,806
Fixed Capital Authorized and Uncompleted	E-13	<u>696,000</u>	<u>488,000</u>
		<u>62,204,845</u>	<u>61,847,812</u>
Total Assets		<u>\$ 67,123,421</u>	<u>\$ 66,197,056</u>

BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - SEWER UTILITY FUND
AS OF DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
LIABILITIES, RESERVES AND FUND BALANCES			
OPERATING FUND			
Liabilities			
Appropriation Reserves	E-3,E-9	\$ 485,382	\$ 412,706
Encumbrances Payable	E-11	50,674	19,767
Accrued Interest on Bonds, Notes and Loans	E-10	494,115	461,186
Prepaid Sewer Rents	E-17	<u>311,345</u>	<u>263,958</u>
		1,341,516	1,157,617
Reserve for Receivables	E	486,545	488,711
Fund Balance	E-1	<u>3,090,515</u>	<u>2,702,916</u>
		<u>4,918,576</u>	<u>4,349,244</u>
CAPITAL FUND			
Serial Bonds Payable	E-15	17,040,000	17,060,000
NJ Environmental Infrastructure Trust Loans Payable	E-16	18,231,661	8,371,468
Bond Anticipation Notes	E-21	197,600	11,758,455
Reserve for Amortization	E-14	25,648,231	23,729,919
Reserve for Deferred Amortization	E-18	19,300	8,900
Improvement Authorization			
Funded	E-20	43,316	4,650
Unfunded	E-20	415,486	365,754
Contracts Payable	E-19	77,723	17,138
Fund Balance	E-4	<u>531,528</u>	<u>531,528</u>
		<u>62,204,845</u>	<u>61,847,812</u>
Total Liabilities, Reserves and Fund Balances		<u>\$ 67,123,421</u>	<u>\$ 66,197,056</u>

There were bonds and notes authorized but not issued on December 31, 2015 and 2014 of \$250,000 and \$250,050 , respectively, (Exhibit E-25).

BOROUGH OF HOPATCONG
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - SEWER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	E-2	\$ 584,788	\$ 439,404
Rents	E-2	4,214,324	4,169,059
Miscellaneous - Non Budget Revenue	E-2	5,601	4,484
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	E-9	<u>402,374</u>	<u>352,431</u>
 Total Income		 <u>5,207,087</u>	 <u>4,965,378</u>
EXPENDITURES			
Budget Appropriations			
Operating	E-3	1,704,288	1,683,674
Capital Improvements	E-3	10,400	4,650
Debt Service	E-3	2,475,812	2,364,945
Deferred Charges and Statutory Expenditures	E-3	<u>44,200</u>	<u>44,200</u>
 Total Expenditures		 <u>4,234,700</u>	 <u>4,097,469</u>
 Excess in Revenue		 972,387	 867,909
 Fund Balance, January 1	E	 <u>2,702,916</u>	 <u>2,274,411</u>
		3,675,303	3,142,320
Decreased by:			
Utilized as Anticipated Revenue	E-1	<u>584,788</u>	<u>439,404</u>
 Fund Balance, December 31	E	 <u>\$ 3,090,515</u>	 <u>\$ 2,702,916</u>

BOROUGH OF HOPATCONG
STATEMENT OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess</u>
Surplus Utilized	E-1	\$ 584,788	\$ 584,788	
Rents	E-1, E-7, E-23	3,870,000	4,214,324	\$ 344,324
Miscellaneous Revenue	E-1, E-5	-	5,601	5,601
		<u>\$ 4,454,788</u>	<u>\$ 4,804,713</u>	<u>\$ 349,925</u>

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS - SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Appropriated Budget	Budget After Modification	Expended		
			Paid or Charged	Reserved	Cancelled
OPERATING					
Salaries and Wages	\$ 242,588	\$ 242,588	\$ 218,425	\$ 24,163	
Other Expenses	1,461,700	1,461,700	1,023,681	438,019	
CAPITAL IMPROVEMENTS					
Capital Outlay	10,400	10,400	10,400		
DEBT SERVICE					
Payment of Loan Principal	1,218,080	1,218,080	1,214,510		\$ 3,570
Payment of Note Principal	169,100	169,100	169,100		
Interest on Bonds	749,830	749,830	749,823		7
Interest on Notes	117,590	117,590	34,619		82,971
Interest on Loans	441,300	441,300	307,760		133,540
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
Contribution to					
Public Employees Retirement System	21,000	21,000	21,000		
Social Security System (O.A.S.I.)	18,200	18,200		18,200	
Unemployment Compensation Insurance	5,000	5,000	-	5,000	-
	<u>\$ 4,454,788</u>	<u>\$ 4,454,788</u>	<u>\$ 3,749,318</u>	<u>\$ 485,382</u>	<u>\$ 220,088</u>
	<u>Reference</u>	<u>E-2</u>	<u>E-2</u>	<u>E</u>	
Cash Disbursements	E-5		\$ 2,608,042		
Accrued Interest	E-10		1,092,202		
Encumbrances Payable	E-11		49,074		
			<u>\$ 3,749,318</u>		

BOROUGH OF HOPATCONG
COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS
SEWER UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
Balance, January 1	E	\$ 531,528	\$ 521,842
Increased by:			
Premium on Sale of Bonds and Notes	E-1		9,308
Improvement Authority Cancelled	E-1	-	378
		<u> </u>	<u> </u>
Balance, December 31	E	<u>\$ 531,528</u>	<u>\$ 531,528</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
Land and Land Improvements	\$ 24,580,018	\$ 13,133,119
Buildings and Building Improvements	8,918,010	8,918,010
Machinery and Equipment	<u>9,252,906</u>	<u>9,234,129</u>
	<u>\$ 42,750,934</u>	<u>\$ 31,285,258</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 42,750,934</u>	<u>\$ 31,285,258</u>

NOTES TO FINANCIAL STATEMENTS

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Hopatcong (the "Borough") was incorporated in 1898 and operates under an elected Mayor and Council form of government. The Mayor is elected to a four-year term and the six council members are elected at-large, two each year for terms of three years. The Mayor is the Chief Executive Officer of the Borough and as such presides over all public meetings and makes appointments to various boards. The Borough Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. A Borough Administrator is appointed by the Borough Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all Borough affairs and for the day to day operations of the Borough. The Borough Administrator is the Chief Administrative Officer for the Borough. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB requires the financial reporting entity to include both the primary government and component units. 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 the 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 taxes. The Borough is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the volunteer fire department and volunteer ambulance squad, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

B. Description of Regulatory Basis of Accounting

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

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. The Borough also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

The Borough has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

Trust Funds - These funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individuals, private organizations, or other governments are recorded in the Trust Funds.

Other Trust Fund - This fund is established to account for the assets and resources, which are held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits, payroll related deposits and funds deposited with the Borough as collateral.

Animal Control Fund - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

Unemployment Insurance Fund - This fund is used to account for employee and employer contributions for the purpose of providing unemployment benefits to former eligible employees.

Length of Service Awards Program Fund (LOSAP) – This fund is established to account for the tax-deferred income benefits to active volunteer members of emergency service organizations of the Borough.

Open Space Preservation Fund - This fund is used to account for the receipts and disbursements relating to municipal open space.

General Capital Fund – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

Water Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the Borough's water utility and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities and other capital assets for the water utility is accounted for in the capital section of the fund.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

Sewer Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the Borough's sanitary sewerage system and the assets and liabilities relative to such activities. Special benefit assessments levied against properties for specific purposes are accounted for in the assessment trust section of the fund. Acquisition or improvement of capital facilities and other capital assets for the sewer utility is accounted for in the capital section of the fund.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Borough, other than those accounted for in the water and sewer utility funds. The Borough's infrastructure is not reported in the account group.

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

Reclassifications - Certain reclassifications may have been made to the December 31, 2014 balances to conform to the December 31, 2015 presentation.

Financial Statements – Regulatory Basis

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

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Borough of Hopatcong follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division ("regulatory basis of accounting") differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. with the exception of LOSAP Trust Fund investments which are reported at fair value and are limited by N.J.A.C. 5:30-14.19. GAAP requires that all investments be reported at fair value.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Inventories - 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. GAAP requires inventories to be recorded as assets in proprietary-type funds.

Property Tax Revenues/Receivables - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of December 31, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

Miscellaneous Revenues/Receivables - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

Utility Revenues/Receivables - Utility charges are levied quarterly based upon a flat service charge and if applicable, an excess consumption or usage charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's water and sewer utility operating funds. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant and Similar Award Revenues/Receivables - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property Acquired for Taxes – Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired, and is fully reserved. GAAP requires such property to be recorded as a capital asset in the government-wide financial statements at fair value on the date of acquisition.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve for interfunds and, therefore, does not recognize income in the year liquidated.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items in the current fund, except for prepaid debt service, are offset by a reserve, created by a charge to operations. GAAP does not require the establishment of a reserve for prepaid items.

Deferred Charges – Certain expenditures, operating deficits and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures, operating deficits and certain other items generally to be recognized when incurred, if measurable.

Appropriation Reserves – Appropriation reserves are recorded as liabilities and are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Expenditures – Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgements, which are recognized when due.

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

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Hopatcong has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$2,500 and an estimated useful life in excess of two years.

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 sewerage and drainage systems are not capitalized.

Fixed Assets are stated as cost. Land values are stated at the 2015 assessed valuation amount. Donated fixed assets are recorded at estimated fair market value at the date of donation.

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

Accounting for utility fund "fixed capital" remains unchanged under NJAC 5:30-5.6.

Property and equipment purchased by the water and sewer utility funds are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Funds represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utilities do not record depreciation on fixed assets.

GAAP requires that capital assets be recorded in proprietary-type funds as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. **Budgets and Budgetary Accounting** - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services as per N.J.S.A. 40A:4 et seq.

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

Other Trust Fund (Except Open Space Preservation Trust Fund)
General Capital Fund
Water Utility Capital Fund
Sewer Utility Capital Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2015 and 2014 the Borough Council increased the original budget by \$559,714 and \$135,595. The increases were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2015 and 2014.

NOTE 3 CASH DEPOSITS AND INVESTMENTS

The Borough considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

A. **Cash Deposits**

The Borough's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Borough is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

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

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

A. Cash Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2015 and 2014, the book value of the Borough's deposits were \$18,542,834 and \$15,300,270 and bank and brokerage firm balances of the Borough's deposits amounted to \$18,345,544 and \$15,278,819, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2015</u>	<u>2014</u>
Insured	\$ 18,342,084	\$ 15,275,334
Uninsured and uncollateralized	<u>3,460</u>	<u>3,485</u>
	<u>\$ 18,345,544</u>	<u>\$ 15,278,819</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2015 and 2014, the Borough's bank balances of \$3,460 and \$3,485 were exposed to custodial credit risk as follows:

	<u>2015</u>	<u>2014</u>
Uninsured and uncollateralized	<u>\$ 3,460</u>	<u>\$ 3,485</u>
	<u>\$ 3,460</u>	<u>\$ 3,485</u>

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

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

As of December 31, 2015 and 2014, the Borough had the following investments:

	<u>Fair Value</u>	<u>Book Value</u>
<u>2015</u>		
Investment:		
U.S. Government Securities		
Blackrock Liquidity Funds - Money Market		\$ 158,798
Blackrock Funds - Fixed Income		75,000
Length of Service Award Program (Unaudited)	\$ 1,011,068	-
	<u>\$ 1,011,068</u>	<u>\$ 233,798</u>
	<u>Fair Value</u>	<u>Book Value</u>
<u>2014</u>		
Investment:		
U.S. Government Securities		
Blackrock Liquidity Funds - Money Market		\$ 176,538
Blackrock Funds - Fixed Income		75,000
Length of Service Award Program (Unaudited)	\$ 1,037,983	-
	<u>\$ 1,037,983</u>	<u>\$ 251,538</u>

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

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2015 and 2014, \$1,244,866 and \$1,289,521 of the Borough’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>	<u>Book Value</u>
<u>2015</u>		
Uninsured and Uncollateralized	\$ 1,011,068	\$ 233,798
	<u>Fair Value</u>	<u>Book Value</u>
<u>2014</u>		
Uninsured and Uncollateralized	\$ 1,037,983	\$ 251,538

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.

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2015 and 2014, the Borough’s investment in Lincoln Financial a subsidiary of Lincoln National Corporation was rated Baa1 and Baa2, respectively, by Moody’s Investors Service.

Concentration of Credit Risk – The Borough places no limit in the amount the Borough may invest in any one issuer. More than five (5) percent of the Borough’s investments are in Lincoln Financial. These investments are 100% of the Borough’s total investments.

The fair value of the above-listed investments was based on quoted market prices.

Interest earned in the General Capital Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting. Interest earned in the Utility Capital Funds is assigned to the Utility Operating Funds in accordance with the regulatory basis of accounting.

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

NOTE 4 TAXES AND UTILITY CHARGES

Receivables at December 31, 2015 consisted of the following:

	<u>Current</u>	<u>Water</u>	<u>Utility</u> <u>Sewer</u>	<u>Total</u>
<u>2015</u>				
Property Taxes	\$ 921,321			\$ 921,321
Tax Title Liens	309,521			309,521
Utility Rents		\$ 75,971	\$ 486,017	561,988
Utility Liens	-	-	528	528
	<u>\$ 1,230,842</u>	<u>\$ 75,971</u>	<u>\$ 486,545</u>	<u>\$ 1,793,358</u>

In 2015, the Borough collected \$974,700 and \$567,709 from delinquent taxes and liens and utility charges and fees, which represented 77% and 99.9% of the delinquent tax, water and sewer charges receivable at December 31, 2014.

Receivables at December 31, 2014 consisted of the following:

	<u>Current</u>	<u>Water</u>	<u>Utility</u> <u>Sewer</u>	<u>Total</u>
<u>2014</u>				
Property Taxes	\$ 1,014,982			\$ 1,014,982
Tax Title Liens	257,537			257,537
Utility Rents		\$ 79,526	\$ 488,183	567,709
Utility Liens	-	-	528	528
	<u>\$ 1,272,519</u>	<u>\$ 79,526</u>	<u>\$ 488,711</u>	<u>\$ 1,840,756</u>

In 2014, the Borough collected \$979,757 and \$505,599 from delinquent taxes and utility charges and fees, which represented 82% and 99.9% of the delinquent tax, water and sewer charges receivable at December 31, 2013.

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

NOTE 5 DUE TO/FROM OTHER FUNDS

As of December 31, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2015</u>		<u>2014</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 7,846	\$ 414,568	\$ 815	
Grants Fund	366,094	300,000		
Animal Control Fund		5,126		
Other Trust Fund		2,720		\$ 815
Open Space Preservation Trust Fund	10			
General Capital Fund	48,464			
Water Utility Operating Fund	181		1,299	
Water Utility Capital Fund		181		1,299
Sewer Utility Operating Fund	300,000	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 722,595</u>	<u>\$ 722,595</u>	<u>\$ 2,114</u>	<u>\$ 2,114</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or to cover cash balances which were in an overdraft position.

The Borough expects all interfund balances to be liquidated within one year.

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charges are reported on the balance sheets of the following funds:

	<u>Balance December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2015</u>			
Current Fund			
Special Emergency Authorization	<u>\$ 120,000</u>	<u>\$ 60,000</u>	<u>\$ 60,000</u>
<u>2014</u>			
Current Fund			
Special Emergency Authorization	<u>\$ 180,000</u>	<u>\$ 60,000</u>	<u>\$ 120,000</u>

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

NOTE 7 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund and Utility Operating Fund(s) are comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	<u>2015</u>		<u>2014</u>	
	Fund Balance <u>December 31,</u>	Utilized in Subsequent Year's Budget	Fund Balance <u>December 31,</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 4,498,346	\$ 1,500,000	\$ 3,755,814	\$ 1,425,000
Non-Cash Surplus	<u>120,000</u>	<u>-</u>	<u>180,000</u>	<u>-</u>
	<u>\$ 4,618,346</u>	<u>\$ 1,500,000</u>	<u>\$ 3,935,814</u>	<u>\$ 1,425,000</u>
Water Utility Operating Fund				
Cash Surplus	\$ 428,915	\$ 214,890	\$ 401,104	\$ 204,538
Non-Cash Surplus	<u>181</u>	<u>-</u>	<u>1,299</u>	<u>-</u>
	<u>\$ 429,096</u>	<u>\$ 214,890</u>	<u>\$ 402,403</u>	<u>\$ 204,538</u>
Sewer Utility Operating Fund				
Cash Surplus	\$ 2,790,515	\$ 957,815	\$ 2,702,916	\$ 584,788
Non-Cash Surplus	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,090,515</u>	<u>\$ 957,815</u>	<u>\$ 2,702,916</u>	<u>\$ 584,788</u>

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

NOTE 8 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2015 and 2014.

	Balance December 31, <u>2014</u>	<u>Additions</u>	<u>Retirements</u>	(A) <u>Adjustments</u>	Balance, December 31, <u>2015</u>
<u>2015</u>					
Land and Land Improvements	\$ 13,133,119	\$ 200,700	\$ 80,100	\$ 11,326,299	\$ 24,580,018
Buildings and Building Improvements	8,918,010				8,918,010
Machinery and Equipment	<u>9,234,129</u>	<u>142,094</u>	<u>123,317</u>	<u>-</u>	<u>9,252,906</u>
	<u>\$ 31,285,258</u>	<u>\$ 342,794</u>	<u>\$ 203,417</u>	<u>\$ 11,326,299</u>	<u>\$ 42,750,934</u>
	Balance December 31, <u>2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	Balance, December 31, <u>2014</u>
<u>2014</u>					
Land and Land Improvements	\$ 13,063,319	\$ 92,800	\$ 23,000		\$ 13,133,119
Buildings and Building Improvements	8,880,599	37,411			8,918,010
Machinery and Equipment	<u>8,774,441</u>	<u>561,317</u>	<u>101,629</u>	<u>-</u>	<u>9,234,129</u>
	<u>\$ 30,718,359</u>	<u>\$ 691,528</u>	<u>\$ 124,629</u>	<u>\$ -</u>	<u>\$ 31,285,258</u>

(A) The land values have been adjusted to reflect the 2015 assessed value.

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

NOTE 8 FIXED ASSETS (Continued)

B. Utility Funds Fixed Assets

The following is a summary of changes in the utility fund(s) fixed assets for the years ended December 31, 2015 and 2014.

<u>Water Utility Fund</u>	Balance December 31, 2014	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, 2015
<u>2015</u>				
Fixed Capital				
System and System Improvements/ Buildings/Equipment	\$ 4,794,179	\$ -	\$ -	\$ 4,794,179
	Balance December 31, 2013	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, 2014
<u>2014</u>				
Fixed Capital				
System and System Improvements/ Buildings/Equipment	\$ 4,794,179	\$ -	\$ -	\$ 4,794,179
<u>Sewer Utility Fund</u>	Balance December 31, 2014	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, 2015
<u>2015</u>				
Fixed Capital				
System and System Improvements/ Buildings/Equipment	\$ 60,690,806	\$ -	\$ -	\$ 60,690,806
	Balance December 31, 2013	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, 2014
<u>2014</u>				
Fixed Capital				
System and System Improvements/ Buildings/Equipment	\$ 60,677,184	\$ 13,622	\$ -	\$ 60,690,806

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

NOTE 9 MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for both general capital and utility capital fund projects. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

	<u>2015</u>	<u>2014</u>
Issued		
General		
Bonds and Notes	\$ 8,544,430	\$ 8,525,550
Water Utility		
Bonds, Notes and Loans	3,984,956	3,982,943
Sewer Utility		
Bond, Notes and Loans	<u>35,469,261</u>	<u>37,189,923</u>
Net Debt Issued	47,998,647	49,698,416
Authorized But Not Issued		
General		
Bonds and Notes	-	143,280
Sewer Utility		
Bonds and Notes	<u>250,000</u>	<u>250,050</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 48,248,647</u>	<u>\$ 50,091,746</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .52% and .53% at December 31, 2015 and 2014, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2015</u>			
General Debt	\$ 8,544,430		\$ 8,544,430
School Debt			
Utility Debt	<u>39,704,217</u>	<u>\$ 39,704,217</u>	<u>-</u>
Total	<u>\$ 48,248,647</u>	<u>\$ 39,704,217</u>	<u>\$ 8,544,430</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2014</u>			
General Debt	\$ 8,668,830		\$ 8,668,830
School Debt			
Utility Debt	<u>41,422,913</u>	<u>\$ 41,422,916</u>	<u>-</u>
Total	<u>\$ 50,091,743</u>	<u>\$ 41,422,916</u>	<u>\$ 8,668,830</u>

Statutory Borrowing Power

The Borough's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

	<u>2015</u>	<u>2014</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 57,062,901	\$ 57,691,349
Less: Net Debt	<u>8,544,430</u>	<u>8,668,830</u>
Remaining Borrowing Power	<u>\$ 48,518,471</u>	<u>\$ 49,022,519</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt

The Borough's long-term debt consisted of the following at December 31:

General Obligation Bonds

The Borough levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31 are as follows:

	<u>2015</u>	<u>2014</u>
\$3,865,000, 2006 Refunding Bonds, due in annual installments of \$385,000 to \$400,000 through August 1, 2019, interest at 4.00% to 4.10%	\$ 1,580,000	\$ 1,985,000
\$5,760,000, 2011 General Bonds, due in annual installments of \$650,000 through September 1, 2021, interest at 2.00% to 2.50%	<u>3,900,000</u>	<u>4,520,000</u>
	<u>\$ 5,480,000</u>	<u>\$ 6,505,000</u>

Utility Bonds

The Borough pledges revenue from operations to pay debt service on utility bonds issued. The water and sewer utility bonds outstanding at December 31 are as follows:

	<u>2015</u>	<u>2014</u>
Water Utility		
\$2,335,000, 2011 Water Improvement Bonds, due in annual installments of \$115,000 to \$130,000 through September 1, 2031, interest at 2.00% to 4.00%	<u>\$ 2,040,000</u>	<u>\$ 2,125,000</u>
	<u>\$ 2,040,000</u>	<u>\$ 2,125,000</u>

	<u>2015</u>	<u>2014</u>
Sewer Utility		
\$17,060,000, 2006 Sewer Refunding Bonds, due in annual installments of \$70,000 to \$9,840,000 through August 1, 2033, interest at 4.00% to 4.35%	<u>\$ 17,040,000</u>	<u>\$ 17,060,000</u>
	<u>\$ 17,040,000</u>	<u>\$ 17,060,000</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Utility Intergovernmental Loans Payable

The Borough entered into an agreement with the Farmers Home Administration for the issuance of bonds for the acquisition and reconstruction of its water supply and distribution system.

The Borough has also entered into two loan agreements with the NJ Department of Environmental Protection to rehabilitate its water supply and distribution system.

The Borough has also entered into four loan agreements with the State of New Jersey, acting by and through the NJ Department of Environmental Protection Fund (the "Fund"), and the NJ Environmental Infrastructure Trust (the "Trust"), in the aggregate amount of \$28,179,248, which represents direct obligations of the Borough. The loan agreements were obtained to finance a portion of the cost of water supply and distribution system and wastewater treatment system projects.

The Borough pledges revenue from operations to pay debt service on utility intergovernmental loans issued. Utility intergovernmental loans outstanding of the water utility and sewer utility at December 31 are as follows:

Water Utility

	<u>2015</u>	<u>2014</u>
\$1,316,000 FMHA Loans Payable due in semi-annual installments of \$26,181 to \$37,790 through August 16, 2023, interest at 5.00%	\$ 507,272	\$ 557,734
\$261,966 Water Supply Loans Payable due in semi-annual installments through July 30 2015	-	22,437
\$335,000, 2000 Trust Loan, due in annual installments of \$20,000 to \$25,000 through August 1, 2020, interest at 5.00% to 5.25%	120,000	140,000
\$329,545, 2000 Fund Loan, due in annual installments of \$395 to \$16,633 through August 1, 2020, interest at 0%	83,934	100,372
Total Water Utility Loans	<u>\$ 711,206</u>	<u>\$ 820,543</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Utility Intergovernmental Loans Payable (Continued)

Sewer Utility

	<u>2015</u>	<u>2014</u>
\$2,840,000, 2001 Trust Loan, due in annual installments of \$170,000 to \$240,000 through August 1, 2021, interest at 4.75% to 5.5%	\$ 1,290,000	\$ 1,470,000
\$2,650,000, 2001 Fund Loan, due in semi-annual installments of \$3,576 to \$154,126 through August 1, 2021	952,244	1,110,525
\$5,720,000, 2002 Trust Loan, due in annual installments of \$360,000 to \$485,000 through August 1, 2022, interest at 4.75% to 5.5%	2,935,000	3,280,000
\$5,250,000, 2002 Fund Loan, due in semi-annual installments of \$7,141 to \$307,812 through August 1, 2022	2,196,145	2,510,943
\$5,260,000, 2015 Trust Loan, due in annual installments of \$175,000 to \$395,000 through August 1, 2034, interest at 4.00% to 5.00%	5,260,000	
\$5,794,703, 2015 Fund Loan, due in semi-annual installments of \$98,215 to \$196,431 through August 1, 2034	<u>5,598,272</u>	<u>-</u>
Total Environmental Infrastructure Loans	<u>\$ 18,231,661</u>	<u>\$ 8,371,468</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2015 is as follows:

Calendar Year	General Serial Bonds		Water Utility Bonds and Loans		Sewer Utility Bonds and Loans		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2016	\$ 1,050,000	\$ 147,273	\$ 203,838	\$ 94,874	\$ 1,561,957	\$ 1,288,819	\$ 4,346,761
2017	1,050,000	118,273	213,915	88,865	1,603,511	1,259,582	4,334,146
2018	1,045,000	89,273	220,945	82,433	1,641,031	1,228,532	4,307,214
2019	1,035,000	60,473	233,117	75,758	1,680,872	1,195,718	4,280,938
2020	650,000	30,875	235,439	68,570	1,732,880	1,161,016	3,878,780
2021-2025	650,000	16,250	863,952	228,526	8,919,596	4,476,549	15,154,873
2026-2030			650,000	87,750	9,943,230	2,687,490	13,368,470
2031-20344	-	-	130,000	4,550	8,188,584	683,675	9,006,809
Total	<u>\$ 5,480,000</u>	<u>\$ 462,417</u>	<u>\$ 2,751,206</u>	<u>\$ 731,326</u>	<u>\$ 35,271,661</u>	<u>\$ 13,981,381</u>	<u>\$ 58,677,991</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2015 and 2014 were as follows:

	Balance, December 31, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>	Due Within <u>One Year</u>
<u>2015</u>					
General Capital Fund					
Bonds Payable	\$ 6,505,000	-	\$ 1,025,000	\$ 5,480,000	\$ 1,050,000
General Capital Fund Long-Term Liabilities	<u>\$ 6,505,000</u>	<u>\$ -</u>	<u>\$ 1,025,000</u>	<u>\$ 5,480,000</u>	<u>\$ 1,050,000</u>
Water Utility Capital Fund					
Bonds Payable	\$ 2,125,000		\$ 85,000	\$ 2,040,000	\$ 115,000
Loans Payable					
FMHA	557,734		50,462	507,272	53,017
Water Supply	22,437		22,437	-	-
Wastewater Loans	240,372	-	36,438	203,934	35,821
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 2,945,543</u>	<u>\$ -</u>	<u>\$ 194,337</u>	<u>\$ 2,751,206</u>	<u>\$ 203,838</u>
Sewer Utility Capital Fund					
Bonds Payable	\$ 17,060,000		\$ 20,000	\$ 17,040,000	\$ 70,000
Intergovernmental Loans					
Wastewater Loans	8,371,468	11,054,703	\$ 1,194,510	18,231,661	1,491,957
Sewer Utility Capital Fund Long-Term Liabilities	<u>\$ 25,431,468</u>	<u>\$ 11,054,703</u>	<u>\$ 1,214,510</u>	<u>\$ 35,271,661</u>	<u>\$ 1,561,957</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, December 31, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</u>
<u>2014</u>					
General Capital Fund					
Bonds Payable	\$ 7,500,000	-	\$ 995,000	\$ 6,505,000	\$ 1,025,000
General Capital Fund Long-Term Liabilities	<u>\$ 7,500,000</u>	<u>\$ -</u>	<u>\$ 995,000</u>	<u>\$ 6,505,000</u>	<u>\$ 1,025,000</u>
Water Utility Capital Fund					
Bonds Payable	\$ 2,200,000		\$ 75,000	\$ 2,125,000	\$ 85,000
Loans Payable					
FMHA	605,765		48,031	557,734	50,463
Water Supply	82,283		59,846	22,437	22,437
Wastewater Loans	<u>277,412</u>	<u>-</u>	<u>37,040</u>	<u>240,372</u>	<u>36,437</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 3,165,460</u>	<u>\$ -</u>	<u>\$ 219,917</u>	<u>\$ 2,945,543</u>	<u>\$ 194,337</u>
Sewer Utility Capital Fund					
Bonds Payable	\$ 17,060,000			\$ 17,060,000	\$ 20,000
Intergovernmental Loans					
Wastewater Loans	<u>9,336,785</u>	<u>-</u>	<u>\$ 965,317</u>	<u>8,371,468</u>	<u>998,079</u>
Sewer Utility Capital Fund Long-Term Liabilities	<u>\$ 26,396,785</u>	<u>\$ -</u>	<u>\$ 965,317</u>	<u>\$ 25,431,468</u>	<u>\$ 1,018,079</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2015 and 2014 was as follows:

Bond Anticipation Notes

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2014</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2015</u>
<u>2015</u>						
<u>General Capital Fund</u>						
Acquisitiob of Police SUV	0.58%	7/30/2016		\$ 42,750		\$ 42,750
Various Improvements	0.58%	7/30/2016	\$ 2,020,550	3,021,680	\$ 2,020,550	3,021,680
Total General Capital Fund			\$ 2,020,550	\$ 3,064,430	\$ 2,020,550	\$ 3,064,430
<u>Water Utility Capital Fund</u>						
Improvements to Water Supply and Distribution System	0.58%	7/30/2016	\$ 693,500	\$ 668,500	693500	\$ 668,500
Various Water Utility Improvements	0.58%	7/30/2016	343,900	565,250	343,900	565,250
Total Water Utility Capital Fund			\$ 1,037,400	\$ 1,233,750	\$ 1,037,400	\$ 1,233,750

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

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2014</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2015</u>
<u>2015</u>						
<u>Sewer Utility Capital Fund</u>						
Improvement of the Sanitary Sewerage System - Phase I & II			\$ 8,163,405		\$ 8,163,405	
Improvement of the Sanitary Sewerage System - Phase I & II			3,426,000		3,426,000	
Various Improvements			80,700		80,700	
Various Improvements			88,350		88,350	
Various Improvements	0.58%	7/30/2016	-	\$ 197,600	-	\$ 197,600
Total Sewer Utility Capital Fund			<u>\$ 11,758,455</u>	<u>\$ 197,600</u>	<u>\$ 11,758,455</u>	<u>\$ 197,600</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2013</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2014</u>
2014						
<u>General Capital Fund</u>						
Various Improvements	1.25%	8/1/2014	\$ 1,750,000		\$ 1,750,000	
Various Improvements	1.00%	7/31/2015	<u>-</u>	<u>\$ 2,020,550</u>	<u>-</u>	<u>\$ 2,020,550</u>
Total General Capital Fund			<u>\$ 1,750,000</u>	<u>\$ 2,020,550</u>	<u>\$ 1,750,000</u>	<u>\$ 2,020,550</u>
<u>Water Utility Capital Fund</u>						
Improvements to Water Supply and Distribution System	1.25%	8/1/2014	\$ 693,500		\$ 693,500	
Improvements to Water Supply and Distribution System	1.00%	7/31/2015		\$ 693,500		\$ 693,500
Various Water Utility Improvements	1.25%	8/1/2014	296,400		296,400	
Various Water Utility Improvements	1.00%	7/31/2015	<u>-</u>	<u>343,900</u>	<u>-</u>	<u>343,900</u>
Total Water Utility Capital Fund			<u>\$ 989,900</u>	<u>\$ 1,037,400</u>	<u>\$ 989,900</u>	<u>\$ 1,037,400</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2013</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2014</u>
<u>2014</u>						
<u>Sewer Utility Capital Fund</u>						
Improvement of the Sanitary Sewerage						
System - Phase I & II	1.25%	8/1/2014	\$ 8,302,405		\$ 8,302,405	
	1.00%	9/15/2014		\$ 8,163,405	8,163,405	
	(A)	9/11/2015		8,163,405		\$ 8,163,405
Improvement of the Sanitary Sewerage						
System - Phase I & II	1.25%	8/1/2014	3,474,000		3,474,000	
	1.00%	9/15/2014		8,163,405	8,163,405	
	(A)	9/11/2015		3,426,000		3,426,000
Sewer Utility Truck Body Replacement	1.25%	8/1/2014	14,000		14,000	
Various Improvements	1.25%	8/1/2014	60,000		60,000	
Various Improvements	1.25%	8/1/2014	80,695		80,695	
	1.00%	7/31/2015		80,700		80,700
Various Improvements	1.00%	7/31/2015	-	88,350	-	88,350
Total Sewer Utility Capital Fund			<u>\$ 11,931,100</u>	<u>\$ 28,085,265</u>	<u>\$ 28,257,910</u>	<u>\$ 11,758,455</u>

(A) Interest on the note will be charged at a rate of (a) with respect to the Trust portion of the principal, 0.13% and (b) with respect to the Fund portion of the principal, 0.00% at the time loans are closed with the New Jersey Environmental Infrastructure Trust.

The purpose of these short-term borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq. The amounts issued for governmental activities are accounted for in the General Capital Fund. The amounts issued for the water and sewer utility activities are accounted for in the Water and Sewer Utility Capital Funds.

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

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, the Borough had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2015</u>		
Elba Point Infrastructure Improvements	\$136,618	2016
2015 Road Improvements Project	116,625	2016
2015 Road Resurfacing Project	39,691	2016
4x4 Crew Cab Pickup Truck -- Fire Chief	44,468	2016
Vacuum Street Sweeper	254,350	2016
Dump Truck with Snow Plow and Spreader	149,485	2016
<u>2014</u>		
Elba Point Infrastructure Improvements -- Water Main Replacement	\$14,931	2015
Wildwood Shores Paving	125,000	2015
4X4 Crew Cab Pickup Truck	40,782	2015

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

NOTE 11 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Under the existing policies and labor agreements, the Borough permits employees to accrue an unlimited amount of unused sick time, which may be taken as time off for illness or paid upon retirement at a rate of 25% of average daily pay for the first 100 days, 30% for the next 100 days and 42% for all days accumulated over 200. The average daily pay is determined by multiplying the hourly rate times 8. However, such payment is limited to a maximum of \$15,000 for police and \$10,000 for all other employees and is restricted to employees with at least 25 years of continuous service to the Borough at the time of retirement. If time is taken upon illness, payout of such time is at 100% of the pay rate. However, an employee who has been absent on sick leave for three or more consecutive working days, or for periods totaling 10 days in one calendar year, must submit acceptable medical evidence substantiating the illness.

The Borough also permits employees to accrue current year unused vacation time. However, such accrual must be formally approved by the Borough Administrator and must be utilized during the first quarter of the next succeeding calendar year. If these restrictions are met, payment of such time is at 100% of the pay rate. If not, unused accumulated time is forfeited.

In addition, employees are permitted to accrue an unlimited amount of unused compensatory time for overtime worked. This time, however, is forfeited upon termination of employment.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$139,945 and \$113,033 at December 31, 2015 and 2014, respectively. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2015 and 2014, the Borough has reserved in the Other Trust Fund \$193,399 and \$193,399, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

B. Deferred Pension Obligation

During the year ended December 31, 2009 the Borough elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$395,044 and will be paid back with interest over 15 years beginning in the 2012 year. The Borough is permitted to payoff the deferred PFRS and PERS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (at 7.90% effective July 1, 2012 and 8.25% prior to July 1, 2012) at December 31, 2015 and 2014 is \$402,320 and \$430,932, respectively.

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

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities

The Borough's changes in other long-term liabilities for the years ended December 31, 2015 and 2014 were as follows:

	Balance, December 31, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>	Due Within <u>One Year</u>
<u>2015</u>					
Deferred Pension Obligation	\$ 430,932	\$ 31,015	\$ 59,627	\$ 402,320	59,871
Compensated Absences	113,033	26,912		139,945	25,000
Net Pension Liability - PERS	8,790,205	586,434	479,505	8,897,134	459,522
Net Pension Liability - PFRS	<u>10,361,658</u>	<u>-</u>	<u>843,022</u>	<u>9,518,636</u>	<u>682,459</u>
Other Long-Term Liabilities	<u>\$19,695,828</u>	<u>\$ 644,361</u>	<u>\$ 1,382,154</u>	<u>\$ 18,958,035</u>	<u>\$1,226,852</u>

	Balance, December 31, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Adjustment <u>(A)</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</u>
<u>2014</u>						
Deferred Pension Obligation	\$ 454,844	\$ 34,491	\$ 58,403		\$ 430,932	\$ 59,627
Compensated Absences	123,798		10,765		113,033	25,000
Net Pension Liability - PERS	-	-	-	8,790,205	8,790,205	479,505
Net Pension Liability - PFRS	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,361,658</u>	<u>10,361,658</u>	<u>662,315</u>
Other Long-Term Liabilities	<u>\$ 578,642</u>	<u>\$ 34,491</u>	<u>\$ 69,168</u>	<u>\$19,151,863</u>	<u>\$ 19,695,828</u>	<u>\$1,226,447</u>

(A) Represents the proportionate share of the Borough's net pension liability of the state sponsored employer retirement systems resulting from the requirements of Governmental Accounting Standards Board's statement No. 68 "Accounting and Financial Reporting for Pensions".

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Borough employees who are eligible for pension coverage.

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after December 31, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership. PFRS is a cost-sharing multi-employer defined benefit pension plan.

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage. PERS is a cost-sharing multi-employer defined benefit pension plan.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Borough employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. DCRP is a defined contribution pension plan.

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The State also administers the Pensions Adjustment Fund (PAF). Prior to the adoption of pension reform legislation, P.L. 2011, C.78, it provided cost of living increases equal to 60 percent of the change in the average consumer price index, to eligible retirees in some State-sponsored pension systems which includes the CPFPPF. Cost-of-living increases provided under the State's pension adjustment program are currently suspended as a result of the reform legislation. This benefit is funded by the State as benefit allowances become payable.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits and refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at www.state.nj/treasury/doinvest.

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, which was rolled forward to June 30, 2014, the aggregate funded ratio for all the State administered retirement systems, including CPFPPF, PERS and PFRS is 62.8 percent with an unfunded actuarial accrued liability of \$51.0 billion. The CPFPPF system is 65.4 percent funded with an unfunded actuarial accrued liability of \$ 1.7 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 52.08 percent and \$18.7 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 62.4 percent and \$13.9 billion, respectively.

The funded status and funding progress of the retirement systems includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2013 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.90% for investment rate of return for all the retirement systems except CPFPPF (2.00%) and (b) changes to projected salary increases 2.15-5.40 percent based on age for PERS and 3.95-9.62 percent based on age for PFRS.

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 10.0% for PFRS, 5.50% for DCRP and 6.92 for fiscal year 2015 for PERS of employee's annual compensation.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the year ended December 31, 2015 for CPFPPF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2015, 2014 and 2013, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions, early retirement incentive program contributions, deferred pension obligation contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2015	\$ 662,315	\$ 479,505	\$ 3,495
2014	606,996	417,488	3,356
2013	620,438	390,353	1,481

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

Public Employees Retirement System (PERS)

At December 31, 2015 and 2014, the Borough had a liability of \$8,897,134 and \$8,790,205, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2014 and 2013, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013. The Borough's proportionate share 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 governmental entities, actuarially determined. At June 30, 2014, the Borough's proportionate share was .0476 percent, which was an increase of .0016 percent from its proportionate share measured as of June 30, 2013.

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2015, the pension system has determined the Borough's pension expense to be \$391,752 for PERS based on the actuarial valuation which is less than the actual contribution made by the Borough of \$479,505 for PERS. At December 31, 2015, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension are from the following sources:

	2015		2014	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 279,774			
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		\$ 530,221		
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>246,577</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 526,351</u>	<u>\$ 530,221</u>	<u>\$ -</u>	<u>\$ -</u>

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

<u>Year Ending December 31,</u>	<u>Total</u>
2016	\$ (35,800)
2017	(35,800)
2018	(35,800)
2019	(35,800)
2020	96,756
Thereafter	<u>42,574</u>
	<u>\$ (3,870)</u>

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The measurement date of June 30, 2014 is eighteen months prior to the Borough's balance sheet date of December 31, 2015. GAAP requires the measurement date of the total pension liability to be no earlier than the end of the employer's prior fiscal year. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>PERS</u>
Inflation Rate	3.01%
Salary Increases:	
2012-2021	2.15-4.40%
	Based on Age
Thereafter	3.15-5.40%
	Based on Age
Investment Rate of Return	7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	July 1, 2008 -
Study Upon Which Actuarial	June 30, 2011
Assumptions were Based	

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2014 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Plan</u>	<u>Discount Rate</u>
PERS	5.39%

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen's Retirement System (PFRS)

At December 31, 2015, the Borough had a liability of \$9,518,636 and \$10,361,658, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2014 and 2013, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013. The Borough's proportionate share 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 governmental entities, actuarially determined. At June 30, 2014, the Borough's proportionate share was .0756 percent, which was an increase of .0023 percent from its proportionate share measured as of June 30, 2013.

For the year ended December 31, 2015, the pension system has determined the Borough pension expense to be \$581,201 for PFRS based on the actuarial valuation which is less than the actual contribution made by the Borough of \$662,315 for PFRS. At December 31, 2015, the Borough's deferred outflows of resources and deferred inflows of resources related to PFRS pension are from the following sources:

	2015		2014	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 357,362			
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		\$ 971,345		
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>-</u>	<u>253,020</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 357,362</u>	<u>\$ 1,224,365</u>	<u>\$ -</u>	<u>\$ -</u>

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

<u>Year Ending December 31,</u>	<u>Total</u>
2016	\$ (222,654)
2017	(222,654)
2018	(222,654)
2019	(222,654)
2020	20,182
Thereafter	<u>3,431</u>
	<u>\$ (867,003)</u>

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen's Retirement System (PFRS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to December 31, 2015. The measurement date of June 30, 2014 is eighteen months prior to the Borough's balance sheet date of December 31, 2015. GAAP requires the measurement date of the total pension liability to be no earlier than the end of the employer's prior fiscal year. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>PFRS</u>
Inflation Rate	3.01%
Salary Increases:	
2012-2021	3.95-8.62%
Thereafter	Based on Age 4.95-9.62%
Investment Rate of Return	Based on Age 7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	July 1, 2007 -
Study Upon Which Actuarial	June 30, 2010
Assumptions were Based	

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen’s Retirement System (PFRS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans’ target asset allocation as of June 30, 2014 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liabilities of the PFRS plan was as follows:

<u>Plan</u>	<u>Discount Rate</u>
PFRS	6.32%

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS

Plan Description

The Borough provides a post employment healthcare plan for its eligible retirees. The plan is a single-employer defined benefit healthcare plan administered by the Borough. In accordance with Borough ordinances, contracts and/or policies, the Borough provides \$2,500 annually until the age of 65 and then \$1,000 annually after age of 65.

Funding Policy

The required contribution is funded on a pay-as-you-go basis. For the year 2015, the Borough contributed \$12,000 for current premiums. The Borough has not had an actuarial valuation to date.

NOTE 14 RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Borough has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Borough should they occur.

The Borough of Hopatcong is a member of the Morris County Municipal Joint Insurance Fund. The joint insurance fund is both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Fund is a risk-sharing public entity pool. The coverage amounts are on file with the Borough.

The Borough is also a member of the North Jersey Municipal Employee Benefits Fund. This fund is an insured and self-administered group established for the sole purpose of providing medical insurance coverage to the employees of member municipalities. The Fund is a risk-sharing public entity pool. The Fund coverage amounts are on file with the Borough.

The relationship between the Borough and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Borough is contractually obligated to make all annual and supplementary contributions to the insurance funds, to report claims on a timely basis, to cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which the municipality was a member.

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund's Treasurer.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

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

NOTE 14 RISK MANAGEMENT (Continued)

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

<u>Year Ended December 31</u>	<u>Borough/ Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015	\$ 8,685	\$ 5,000	\$ 152,200
2014	8,387		148,515
2013	8,501		140,128

NOTE 15 CONTINGENT LIABILITIES

The Borough is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the Borough’s Attorney, the potential claims against the Borough not covered by insurance policies would not materially affect the financial condition of the Borough.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2015 and 2014. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2015 and 2014, the Borough reserved \$190,000 and \$200,000 , respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years’ budget or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2015 and 2014, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

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

NOTE 16 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2015 and 2014, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 17 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED

The Borough of Hopatcong Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on August 1, 2001 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of Hopatcong approved the adoption of the Plan at the general election held on November 6, 2001.

The first year of eligibility for entrance into the Plan was calendar year 2002. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the Rescue Squad, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services issues the permitted maximum increase annually.

The Borough of Hopatcong has contributed \$1,150 and \$1,150 for 2015 and 2014, respectively, for each eligible volunteer fire department member into the Plan. The Borough also contributed \$1,150 and \$1,150 for 2015 and 2014, respectively for each eligible volunteer first aid squad members into the Plan. The total Borough contributions were \$58,823 and \$68,310 for 2015 and 2014, respectively.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Borough has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

Lincoln Financial Group is the administrator of the plan. The Borough's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

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

NOTE 17 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)

Vesting and Benefits

A volunteer is eligible to receive a distribution of funds upon completing 5 (five) cumulative years as an active member of the volunteer organization. Certain restrictions and tax implications may result in the event of a withdrawal of funds from the Plan.

If a volunteer member does not vest and terminates their association with the emergency service organization, the funds are returned to the sponsoring agency's surplus.

Reporting Requirements

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the Borough perform a separate review report of the plan in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Accounting and Auditing Review Services. Since a review does not constitute an audit, the financial statements pertaining to the Plan are presented as unaudited in this report as part of the Borough's Trust Fund.

NOTE 18 CLOSURE AND POST-CLOSURE CARE COSTS

The Borough of Hopatcong has closed its landfill in accordance with an order from the Department of Environmental Protection, State of New Jersey. As of December 31, 2015 and 2014, the Borough has set aside \$233,798 and \$251,538 in the Other Trust Funds to fund the landfill closure. Ultimate costs of the closure will likely exceed the funds set aside. The extent of the closure costs has not been determined at this time. However, the Borough will pursue grants and aid to offset the debt likely to be required to fund the landfill closure.

CURRENT FUND

**BOROUGH OF HOPATCONG
STATEMENT OF CURRENT CASH - TREASURER**

	Regular Fund		Federal and State Grants Fund
Balance, December 31, 2014	\$ 6,688,611		\$ 15,964
Increased by Receipts:			
Taxes Receivable	\$ 45,032,036		
Non-Budget Revenue	216,479		
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	157,722		
Tax Title Liens	1,860		
Prepaid Taxes	265,643		
Grants Receivable	-	\$ 142,380	
Revenue Accounts Receivable	1,938,059		
Tax Overpayments	670		
Unappropriated Grant Reserves		2,773	
Miscellaneous Reserves	1,671,394		
Due to State - Marriage License Fees	2,125		
Due to State - Training Fees	8,402		
Receipts Due to Grants Fund	366,094		
Receipts Due to General Capital Fund	48,464		
Receipts from General Capital Fund	1		
Receipts from Other Trust Fund	815		
Receipts from Sewer Operating	-	300,000	
	49,709,764		445,153
	56,398,375		461,117
Decreased by Disbursements:			
2015 Budget Appropriations	13,385,356		
2014 Appropriation Reserves	505,068		
County Taxes Payable	8,314,915		
Local School Taxes Payable	24,270,549		
Municipal Open Space Taxes Payable	10,087		
Appropriated Grant Reserves		457,095	
Miscellaneous Reserves	1,144,875		
Tax Overpayments Refunded	24,336		
Appropriated Reserves - Hudson Guild Farms	22,536		
Due to State - Marriage License Fees	1,550		
Due to State - Training Fees	8,881		
	47,688,153		457,095
Balance, December 31, 2015	\$ 8,710,222		\$ 4,022

**BOROUGH OF HOPATCONG
STATEMENT OF CHANGE FUND**

<u>Office</u>	Balance, December 31, <u>2014</u>	Balance, December 31, <u>2015</u>
Tax Collector	\$ <u>300</u>	\$ <u>300</u>

EXHIBIT A-6

**STATEMENT OF DUE TO STATE OF NEW JERSEY
FOR SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, December 31, 2014		\$ 12,825
Increased by:		
Received in Cash from State	\$ 157,722	
Senior Citizens' Deductions Disallowed by Tax Collector - Prior Year	3,342	
Veterans' Deductions Disallowed Per Tax Collector - Prior Year	1,000	
Veterans' Deductions Disallowed Per Tax Collector	250	
Senior Citizens' Deductions Disallowed by Tax Collector	<u>797</u>	
		<u>163,111</u>
		175,936
Decreased by:		
Senior Citizens' Deductions Per Tax Billings	27,250	
Senior Citizens' Deductions Allowed Per Tax Collector	1,750	
Veterans' Deductions Per Tax Billings	135,250	
Veterans' Deductions Allowed Per Tax Collector	<u>1,750</u>	
		<u>166,000</u>
Balance, December 31, 2015		\$ <u>9,936</u>

**BOROUGH OF HOPATCONG
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance, December 31, 2014	2015 Levy	Added Taxes	Senior Citizens' and Veterans' Deductions Disallowed	Collected In		Senior Citizens' and Veterans' Deductions Allowed	Transfer to Foreclosed Property	Cancelled	Transfer to Tax Title Liens	Balance, December 31, 2015
					2014	2015					
2013	\$ 5,508					\$ 1,694					\$ 3,814
2014	1,009,474	-	\$ 7,107	\$ 4,342	-	971,146	-	-	\$ 20,844	\$ 23,602	5,331
	1,014,982	-	7,107	4,342	-	972,840	-		20,844	23,602	9,145
2015	-	\$ 45,456,376	-	1,047	\$ 221,674	44,059,196	\$ 166,000	\$ 1,316	30,150	66,911	912,176
	<u>\$ 1,014,982</u>	<u>\$ 45,456,376</u>	<u>\$ 7,107</u>	<u>\$ 5,389</u>	<u>\$ 221,674</u>	<u>\$ 45,032,036</u>	<u>\$ 166,000</u>	<u>\$ 1,316</u>	<u>\$ 50,994</u>	<u>\$ 90,513</u>	<u>\$ 921,321</u>

Analysis of 2015 Property Tax Levy

TAX YIELD

General Purpose Tax	\$ 45,431,580
Added Taxes (54:4-63.1 et seq.)	24,796
	<u>\$ 45,456,376</u>

TAX LEVY

Local School Tax	\$ 24,270,550
County Taxes	
County Tax	\$ 7,672,408
County Library	410,821
County Health	160,378
County Open Space Preservation	37,084
Due County for Added and Omitted Taxes (54:4-63.1 et seq.)	<u>5,893</u>
	8,286,584
Local Tax for Municipal Purposes	12,857,986
Municipal Open Space Preservation	10,097
Add Additional Tax Levied	<u>31,159</u>
	<u>12,899,242</u>
	<u>\$ 45,456,376</u>

**BOROUGH OF HOPATCONG
STATEMENT OF TAX TITLE LIENS RECEIVABLE**

Balance, December 31, 2014		\$ 257,537
Increased by:		
Transferred from Taxes Receivable	\$ 90,513	
Interest and Costs at Tax Sale	<u>758</u>	
		<u>91,271</u>
		348,808
Decreased by:		
Cancelled	37,427	
Receipts	<u>1,860</u>	
		<u>39,287</u>
Balance, December 31, 2015		<u>\$ 309,521</u>

**STATEMENT OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)**

Balance, December 31, 2014		\$ 4,974,400
Decreased by:		
Transferred from Taxes Receivable	\$ 1,316	
Adjustment to Assessed Valuation	<u>156,884</u>	
		<u>158,200</u>
Balance, December 31, 2015		<u>\$ 5,132,600</u>

**BOROUGH OF HOPATCONG
FEDERAL AND STATE GRANTS FUND
STATEMENT OF GRANTS RECEIVABLE**

	Balance December 31, <u>2014</u>	Revenue <u>Realized</u>	<u>Decreased</u>	<u>Cancelled</u>	Balance December 31, <u>2015</u>
Municipal Alliance on Alcoholism & Drug Abuse - 2014	\$ 13,134		\$ 3,008	1,310	\$ 8,816
Municipal Alliance on Alcoholism & Drug Abuse - 2015		\$ 13,134			13,134
Clean Communities		36,189	36,189		-
Body Armor Fund		443	443		-
USDA Housing Grant		45,948	45,948		-
Click it or Ticket		4,000	3,800		200
Organized Crime Drug Enforcement	2,636				2,636
Safe and Secure Communities Program	15,000	60,000	45,000		30,000
Hudson Foundation		15,000	15,000		-
NJ Highlands Council:					
Plan Conformance	131,270	15,000	70,334		75,936
TDR Feasibility	12,500				12,500
NJ Department of Transportation Trust Fund Authority Act - Road Paving	50,000		50,000		-
NJ Department of Transportation Trust Fund Authority Act - Enhancement	268,870				268,870
NJ DOT Grant -Resurfacing		200,000	150,000		50,000
NJ DOT Grant -2015 Paving		170,000	127,500		42,500
Drive Sober or Get Pulled Over Grant	7,800	-	7,200	-	600
	<u>\$ 501,210</u>	<u>\$ 559,714</u>	<u>\$ 554,422</u>	<u>\$ 1,310</u>	<u>\$ 505,192</u>
			\$ 142,380		
			366,094		
			<u>45,948</u>		
			<u>\$ 554,422</u>		

BOROUGH OF HOPATCONG
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2014</u>	Accrued in <u>2015</u>	Collected by <u>Treasurer</u>	Balance, December 31, <u>2015</u>
Borough Clerk				
Licenses				
Alcoholic Beverages		\$ 30,876	\$ 30,876	
Fees and Permits		17,005	17,005	
Police Department				
Fees and Permits		1,948	1,948	
Planning/Zoning				
Fees and Permits		8,490	8,490	
DPW - Bulk Stickers				
Fees and Permits		16,750	16,750	
Construction Code Official				
Fees and Permits		197,167	197,167	
Board of Health				
Fees and Permits		15,661	15,661	
Municipal Court				
Fines and Costs	\$ 7,381	119,266	117,225	\$ 9,422
Interest and Cost on Taxes		244,688	244,688	-
Energy Receipts Tax		813,830	813,830	
Interest on Investments and Deposits		36,252	36,252	
Consolidated Municipal Property Tax Relief Act		139,440	139,440	
Interlocal Agreement - Municipal Court		99,285	99,285	
Interlocal Agreement - Nutrition Site		15,133	15,133	
Cell Tower Rental		98,388	98,388	
Cable TV Franchise Fees		68,872	68,872	
Fire Prevention Fees	-	17,049	17,049	-
	<u> -</u>	<u> 17,049</u>	<u> 17,049</u>	<u> -</u>
	<u>\$ 7,381</u>	<u>\$ 1,940,100</u>	<u>\$ 1,938,059</u>	<u>\$ 9,422</u>

BOROUGH OF HOPATCONG
STATEMENT OF 2014 APPROPRIATION RESERVES

	Balance December 31, 2014	Budget After Transfer or Modification	Paid or Charged	Balance Lapsed
Salaries and Wages				
Mayor and Council	\$ 9,041	\$ 9,041	\$ 7,037	\$ 2,004
Administrative and Executive	13,107	13,107	(4,447)	17,554
Borough Clerk	12,247	20,297	1,116	19,181
Financial Administration	2,185	2,185	1,647	538
Assessment of Taxes	1,076	1,076	-	1,076
Collection of Taxes	11,568	11,568	3,402	8,166
Land Use Board	5,229	5,229	1,165	4,064
Construction	2,971	2,971	2,035	936
Police	175,011	110,011	34,197	75,814
Emergency Dispatch	14,435	14,435	5,394	9,041
Emergency Management	2,000	2,000	-	2,000
Fire Prevention	2,428	2,428	231	2,197
Streets and Roads Maintenance	78,404	103,404	102,549	855
Municipal Court	25,934	25,934	2,552	23,382
Animal Control	19,102	19,102	200	18,902
Board of Health	611	611	-	611
Environmental Commission	694	694	-	694
Buildings & Grounds	666	666	245	421
Senior Citizens and Handicapped Transportation	3,270	3,270	518	2,752
Open Space Committee	1,033	1,033	-	1,033
Recreation Commission	8,608	8,608	952	7,656
Park Maintenance	30	30	-	30
Other Expenses				
Mayor and Council	3,543	3,543	-	3,543
Administrative and Executive	17,354	17,746	2,893	14,853
Borough Clerk	6,476	6,671	849	5,822
Data Processing	10,151	38,339	26,295	12,044
Financial Administration				
Miscellaneous	19,928	24,322	9,819	14,503
Audit Services	23,900	23,900	23,900	-
Assessment of Taxes	21,080	24,150	8,675	15,475
Collection of Taxes	3,530	3,860	53	3,807
Land Use Board	8,948	9,956	3,470	6,486
Legal Services	14,894	19,226	6,999	12,227
Engineering Services and Costs	11,576	11,576	4,602	6,974
Construction	2,069	2,069	-	2,069
Aid to Volunteer Fire Companies	3,131	35,702	13,738	21,964
Police	10,864	15,526	4,283	11,243
Emergency Dispatch	12,956	19,443	8,053	11,390
Emergency Management	2,291	2,291	2,195	96
Fire Prevention	1,500	1,630	130	1,500
Municipal Prosecutor	13,890	23,496	19,858	3,638
Street and Road Maintenance	26,575	79,805	78,899	906
Contractual - Garbage	6,703	10,959	2,536	8,423
Recycling	5,063	17,582	13,519	4,063
Buildings and Grounds	10,591	14,779	4,935	9,844
Vehicle Maintenance	7,318	21,641	4,889	16,752
Municipal Court	1,777	1,890	113	1,777
Board of Health	798	1,198	462	736
Environmental Health Services	134	134	-	134
Park Maintenance	30,435	35,981	7,811	28,170
Senior Citizens Programs	1,214	1,787	1,504	283
Celebration of Public Events	3,107	4,275	1,672	2,603

**BOROUGH OF HOPATCONG
STATEMENT OF 2014 APPROPRIATION RESERVES**

	Balance December <u>31, 2014</u>	Budget After Transfer on <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Other Expenses (Cont.)				
Recreation Commission	\$ 6,721	\$ 7,647	\$ 1,454	\$ 6,193
Utilities:				
Electricity	18,098	18,098		18,098
Street Lighting	13,444	13,444		13,444
Telephone	5,798	6,068	185	5,883
Fuel Oil	7,156	12,343	7,659	4,684
Gasoline	19,085	29,465	7,966	21,499
Social Security System (O.A.S.I.)	18,341	18,341		18,341
Public Employees Retirement System	34,937	34,937	3,072	31,865
Police and Fireman's Retirement System	39,307	39,307		39,307
State Unemployment Insurance	18,854	18,854	3,264	15,590
Defined Contribution Retirement Program	2,144	2,144	113	2,031
Hudson Guild Farm Donation	390	390		390
FEMA Generator Grant Match	37,500	37,500	-	37,500
Senior Center Bus Grant Match	25,000	25,000		25,000
Insurance				
Workers Compensation	1,856	1,856	-	1,856
Employee Group Health	161,435	161,435	-	161,435
Solid Waste Disposal - Contract Services	53,348	60,787		60,787
State Mandated Landfill - Monitoring	7,670	9,770	2,100	7,670
LOSAP	100,000	100,000	68,310	31,690
	<u>\$ 1,242,530</u>	<u>\$ 1,428,563</u>	<u>\$ 505,068</u>	<u>\$ 923,495</u>

Appropriation Reserves \$ 1,242,530
Prior Year Reserve for Encumbrances 186,033

\$ 1,428,563

Cash Disbursement \$ 505,068

**STATEMENT OF RESERVE FOR ENCUMBRANCES
FEDERAL AND STATE GRANTS FUND**

Balance December 31, 2014	\$ 26,709
Increased by:	
Charges to Grant Appropriated Reserves	<u>104,658</u>
	131,367
Decreased by:	
Restored to Grant Appropriated Reserves	<u>26,709</u>
Balance December 31, 2015	<u>\$ 104,658</u>

**BOROUGH OF HOPATCONG
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2014	\$ 186,033
Increased by:	
Charges to 2015 Appropriations	<u>259,444</u>
	445,477
Decreased by:	
Cancelled and Restored to Appropriation Reserves	<u>186,033</u>
Balance, December 31, 2015	<u>\$ 259,444</u>

STATEMENT OF PREPAID TAXES

Balance, December 31, 2014	\$ 221,674
Increased by:	
2015 Prepaid Taxes	<u>265,643</u>
	487,317
Decreased by:	
Application to 2015 Taxes	<u>221,674</u>
Balance, December 31, 2015	<u>\$ 265,643</u>

STATEMENT OF TAX OVERPAYMENTS

Balance, December 31, 2014	\$ 24,336
Increased by:	
Overpayments	<u>670</u>
	25,006
Decreased by:	
Refunds	<u>24,336</u>
Balance, December 31, 2015	<u>\$ 670</u>

**BOROUGH OF HOPATCONG
STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, December 31, <u>2014</u>	<u>Cash Receipts</u>	<u>Decreases</u>	Balance, December 31, <u>2015</u>
Tax Sale Premiums	\$ 776,200	\$ 918,600	\$ 451,200	\$ 1,243,600
Sale of Municipal Assets	90,375	36,001	30,000	96,376
Pending Tax Appeals	200,000		10,000	190,000
Third Party Tax Title Liens	10,863	700,878	695,827	15,914
Third Party Tax Title Lien Attorney Fees	24	11,324	11,348	-
PSE&G Settlement	15,058			15,058
Unidentified Receipts	<u>1,022</u>	<u>4,591</u>	<u>-</u>	<u>5,613</u>
	<u>\$ 1,093,542</u>	<u>\$ 1,671,394</u>	<u>\$ 1,198,375</u>	<u>\$ 1,566,561</u>
		Cash Disbursements	\$ 1,144,875	
		Sale of Municipal Assets Utilized as Budget Revenue	30,000	
		Tax Premiums Cancelled	13,500	
		Reserve for Tax Appeals Cancelled	<u>10,000</u>	
			<u>\$ 1,198,375</u>	

EXHIBIT A-18

STATEMENT OF COUNTY TAXES PAYABLE

Balance, December 31, 2014	\$ 34,224
Increased by:	
2015 Levy	
County Tax	\$ 7,672,408
County Library	410,821
County Health	160,378
County Open Space Preservation	37,084
County Tax for Added Taxes (54:4-63.1)	<u>5,893</u>
	<u>8,286,584</u>
	8,320,808
Decreased by:	
Payments	<u>8,314,915</u>
Balance, December 31, 2015	<u>\$ 5,893</u>

**BOROUGH OF HOPATCONG
STATEMENT OF LOCAL SCHOOL TAXES PAYABLE**

Increased by:		
2015 Levy	\$	24,270,550
Decreased by:		
Payments		<u>24,270,549</u>
Balance, December 31, 2015	\$	<u>1</u>

STATEMENT OF MUNICIPAL OPEN SPACE TAXES PAYABLE

Increased by:			
2015 Levy			
Municipal Open Space Preservation	\$	10,087	
Municipal Open Space Preservation - Added Taxes		<u>10</u>	
	\$		<u>10,097</u>
			10,097
Decreased by:			
Payments to Open Space Trust Fund			<u>10,087</u>
Balance, December 31, 2015 (Due to Municipal Open Space Trust Fund)	\$		<u>10</u>

**BOROUGH OF HOPATCONG
FEDERAL AND STATE GRANTS FUND
STATEMENT OF RESERVE FOR UNAPPROPRIATED GRANTS**

	Balance December 31, <u>2014</u>	<u>Received</u>	Realized in <u>2015</u>	Balance December 31, <u>2015</u>
Recycling Tonnage Grant	\$ 15,744		\$ 15,744	
Body Armor Replacement Fund	<u>-</u>	<u>\$ 2,773</u>	<u>-</u>	<u>\$ 2,773</u>
	<u>\$ 15,744</u>	<u>\$ 2,773</u>	<u>\$ 15,744</u>	<u>\$ 2,773</u>

EXHIBIT A-22

**STATEMENT OF RESERVES FOR APPROPRIATED GRANTS
FEDERAL AND STATE GRANTS FUND**

	Balance December 31 <u>2014</u>	Transfer from 2015 <u>Budget</u>	Prior Year Encumbrances <u>Cancelled</u>	<u>Cancelled</u>	Paid or <u>Charged</u>	Balance December 31, <u>2015</u>
Clean Communities Program - 2015		\$ 36,189				\$ 36,189
Clean Communities Grant - 2013	\$ 15,956		\$ 1,072		\$ 17,028	-
Clean Communities Grant - 2014	29,764				5,294	24,470
Recycling Tonnage Grant	26,609	15,744	3,822		27,943	18,232
Alcohol Education and Rehabilitation	1,827					1,827
Municipal Alliance - Year 2014	11,657		1,476	\$ 1,310	11,823	-
Municipal Alliance - Year 2015		13,134			650	12,484
Safe and Secure Communities		60,000			60,000	-
Hudson Foundation		15,000			11,018	3,982
NJ Highlands Council:						
Plan Conformance	78,625	15,000	20,339		36,725	77,239
TDR Feasibility	8,067					8,067
Drunk Driving Enforcement Fund	18,771				7,070	11,701
Body Armor Replacement Fund	12,106	443			10,002	2,547
Drive Sober or Get Pulled Over Grant	700				400	300
NJ-DOT Trust Fund Authority Act - Enhancement	268,000					268,000
NJ DOT Grant -Resurfacing		200,000			200,000	
NJ DOT Grant -2015 Paving		170,000			170,000	-
Click it or Ticket		4,000			3,800	200
Crime Drug Enforcement Grant	2,639					2,639
USDA Housing Grant	<u>-</u>	<u>45,948</u>	<u>-</u>	<u>-</u>	<u>45,948</u>	<u>-</u>
	<u>\$ 474,721</u>	<u>\$ 575,458</u>	<u>\$ 26,709</u>	<u>\$ 1,310</u>	<u>\$ 607,701</u>	<u>\$ 467,877</u>

Transferred - 2015 Current Fund Budget \$ 575,458

Cash Disbursements	\$ 457,095
Transferred to Other Trust Fund	45,948
Reserve for Encumbrances	<u>104,658</u>
	<u>\$ 607,701</u>

**BOROUGH OF HOPATCONG
STATEMENT OF UNAPPROPRIATED RESERVES**

Balance, December 31, 2014	\$ 1,380
Decreased by	
Transfers to 2015 Budget Revenue	<u>1,380</u>
Balance, December 31, 2015	<u>\$ -</u>

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2014	\$ <u>47,277</u>
Balance, December 31, 2015	<u>\$ 47,277</u>

STATEMENT OF APPROPRIATED RESERVES

Balance, December 31, 2014	\$ 65,167
Decreased by:	
Disbursements	<u>22,536</u>
Balance, December 31, 2015	<u>\$ 42,631</u>

Analysis:

Hudson Guild Farm Recreation Donation	\$ 1,269
PSE&G Donation/Settlement	<u>41,362</u>
	<u>\$ 42,631</u>

**BOROUGH OF HOPATCONG
STATEMENT OF AMOUNT DUE TO STATE - MARRIAGE LICENSE FEES**

Balance, December 31, 2014	\$ 425
Increased by:	
Cash Receipts	<u>2,125</u>
	2,550
Decreased by:	
Cash Disbursements	<u>1,550</u>
Balance, December 31, 2015	<u>\$ 1,000</u>

STATEMENT OF AMOUNT DUE TO STATE - STATE TRAINING FEES

Balance, December 31, 2014	\$ 3,683
Increased by:	
Cash Receipts	<u>8,402</u>
	12,085
Decreased by:	
Cash Disbursements	<u>8,881</u>
Balance, December 31, 2015	<u>\$ 3,204</u>

**BOROUGH OF HOPATCONG
STATEMENT OF SPECIAL EMERGENCY AUTHORIZATIONS**

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	<u>Net</u> <u>Amount</u> <u>Authorized</u>	<u>1/5 of</u> <u>Net Amount</u> <u>Authorized</u>	<u>Balance,</u> <u>December 31,</u> <u>2014</u>	<u>Reduced</u> <u>by 2015</u> <u>Budget</u>	<u>Balance,</u> <u>December 31,</u> <u>2015</u>
8/15/2012	Reassessment of Real Property	\$ 300,000	\$ 60,000	<u>\$ 180,000</u>	<u>\$ 60,000</u>	<u>\$ 120,000</u>

STATEMENT OF AMOUNT DUE TO GENERAL CAPITAL FUND

Increased by:		
Cash Receipts		<u>\$ 48,464</u>
 Balance, December 31, 2015		 <u>\$ 48,464</u>

TRUST FUND

**BOROUGH OF HOPATCONG
STATEMENT OF TRUST CASH AND INVESTMENTS - TREASURER**

	<u>Animal Control Fund</u>	<u>Other Trust Fund</u>	<u>Unemployment Insurance Trust Fund</u>	<u>Open Space Preservation Trust</u>
Balance, December 31, 2014	\$ 18,179	\$ 1,567,157	\$ 148,515	\$ 29,109
Increased by Receipts:				
Dog/Cat Licenses Issued	\$ 20,090			
Interlocal Agreements/Animal Shelters	47,994			
Miscellaneous Reserves		\$ 476,875		
Open Space Levy				\$ 10,087
Payroll Deductions Payable		8,495,664		
Receipts Due to Current Fund		2,720		
Unemployment Deposits			\$ 8,685	
State Registration Fees	<u>2,604</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>70,688</u>	<u>8,975,259</u>	<u>8,685</u>	<u>10,087</u>
	88,867	10,542,416	157,200	39,196
Decreased by:				
Expenditures Under R.S. 4:19-15.1	50,055			
Due to State of New Jersey				
Animal License Fees	2,648			
Unemployment Claims			5,000	
Payroll Deductions Payable		8,592,869		
Payments to Current Fund		815		
Miscellaneous Reserves	<u>-</u>	<u>501,764</u>	<u>-</u>	<u>-</u>
	<u>52,703</u>	<u>9,095,448</u>	<u>5,000</u>	<u>-</u>
Balance, December 31, 2015	\$ <u>36,164</u>	\$ <u>1,446,968</u>	\$ <u>152,200</u>	\$ <u>39,196</u>

**BOROUGH OF HOPATCONG
STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES**

Balance, December 31, 2014		\$ 18,114
Increased by:		
Dog/Cat Licenses Issued/Lae Fees	\$ 20,090	
Interlocal Agreements/Animal Shelters	<u>47,994</u>	
		<u>68,084</u>
		86,198
Decreased by:		
Due Current Fund - Statutory Excess	5,126	
Expenditures Under R.S. 4:19-15.11	<u>50,055</u>	
		<u>55,181</u>
Balance, December 31, 2015		<u>\$ 31,017</u>

STATEMENT OF DUE TO STATE OF NEW JERSEY - ANIMAL CONTROL FUND

Balance, December 31, 2014		\$ 65
Increased by:		
2015 State Registration Fees		<u>2,604</u>
		2,669
Decreased by:		
Payments		<u>2,648</u>
Balance, December 31, 2015		<u>\$ 21</u>

**STATEMENT OF HUD GRANT RECEIVABLE
OTHER TRUST FUND**

Increased by:		
Awarded in 2015	\$ 45,948	
Balance, December 31, 2015		<u>\$ 45,948</u>
Reserve For HUD Grant Receivable		<u>\$ 45,948</u>

**BOROUGH OF HOPATCONG
STATEMENT OF MISCELLANEOUS RESERVES
OTHER TRUST FUND**

	Balance December 31, 2014	Cash Receipts	Cash Disbursements	Balance December 31, 2015
Developer's Escrow	\$ 280,262	\$ 98,124	\$ 125,624	\$ 252,762
Public Defender	4,074	27,151	26,000	5,225
Housing Trust	147,130	9,001	-	156,131
Fire Safety	6,376	-	35	6,341
Parking Offenses Adjudication Act	324	18		342
Police Outside Employment	7,840	36,087	26,900	17,027
Celebration of Public Events	3,874	9,550	12,032	1,392
Snow Removal	208,612	131,000	132,036	207,576
HUD Programs	126,415	13,177	17,405	122,187
Accumulated Leave	193,399	-	-	193,399
Recreation	33,352	121,792	114,887	40,257
Landfill	251,538	1,885	19,625	233,798
Forfeited Property	10,150	29,090	27,220	12,020
	<u>\$ 1,273,346</u>	<u>\$ 476,875</u>	<u>\$ 501,764</u>	<u>\$ 1,248,457</u>

EXHIBIT B-8

STATEMENT OF RESERVE FOR UNEMPLOYMENT INSURANCE CLAIMS

Balance, December 31, 2014	\$ 148,515
Increased by:	
Deposits	<u>8,685</u>
	157,200
Decreased by:	
Unemployment Insurance Claims	<u>5,000</u>
Balance, December 31, 2015	<u>\$ 152,200</u>

EXHIBIT B-9

**STATEMENT OF PAYROLL DEDUCTIONS PAYABLE
OTHER TRUST FUND**

Balance, December 31, 2014	\$ 292,996
Increased by:	
Cash Receipts	<u>8,495,664</u>
	8,788,660
Decreased by:	
Cash Disbursements	<u>8,592,869</u>
Balance, December 31, 2015	<u>\$ 195,791</u>

**BOROUGH OF HOPATCONG
STATEMENT OF RESERVE FOR OPEN SPACE PRESERVATION
OPEN SPACE PRESERVATION TRUST FUND**

Balance, December 31, 2014		\$ 29,109
Increased by:		
2015 Tax Levy	\$ 10,087	
Due from Current Fund - 2015 Added Tax Levy	<u>10</u>	
		<u>10,097</u>
Balance, December 31, 2015		<u>\$ 39,206</u>

**STATEMENT OF DUE TO CURRENT FUND
OTHER TRUST FUND**

Balance, December 31, 2014		\$ 815
Increased by:		
Interest on Investments		<u>2,720</u>
		3,535
Decreased by:		
Payments to Current Fund		<u>815</u>
Balance, December 31, 2015		<u>\$ 2,720</u>

**STATEMENT OF DUE TO CURRENT FUND
ANIMAL CONTROL TRUST FUND**

Increased by:		
Statutory Excess	\$	<u>5,126</u>
Balance, December 31, 2015		<u>\$ 5,126</u>

GENERAL CAPITAL FUND

BOROUGH OF HOPATCONG
STATEMENT OF GENERAL CAPITAL CASH - TREASURER

Balance, December 31, 2014		\$ 1,447,777
Increased by:		
Interest Earned	\$ 1	
Capital Improvement Fund- Budget Appropriation	63,900	
Deferred Charges to Future Taxation - Unfunded- Budget Appropriation	100,530	
Bond Anticipation Notes	<u>1,076,350</u>	
		<u>1,240,781</u>
		2,688,558
Decreased by Disbursements:		
Improvement Authorizations	624,904	
Payments to Current Fund	<u>1</u>	
		<u>624,905</u>
Balance, December 31, 2015		<u>\$ 2,063,653</u>

**BOROUGH OF HOPATCONG
ANALYSIS OF GENERAL CAPITAL CASH**

	Balance, December 31, <u>2015</u>
Fund Balance	\$ 18,521
Capital Improvement Fund	17,140
Due from Current Fund	(48,464)
Reserve for Improvements - FEMA	48,464
Contracts Payable	672,519

<u>Ordinance Number</u>	<u>Improvement Description</u>	
03-07	Various Improvements	96
11-08	Various Improvements	5,000
23-09	Various Improvements	9,737
11-10	Various Improvements	127,503
17-10	Recreational Improvements (Open Space)	2,395
18-10	Oil Tank Removal & Replacement	3,135
9-11	Various Improvements	95,811
21-11	Various Roadway Improvements	39,975
7-12	Various Improvements	104,653
20-12	Recreational Improvements (Open Space)	300
4-13	Recreational Improvements (Open Space)	3,034
5-13	Purchase and Installation of Police Equipment	250
7-13	Various Improvements	259,224
4-14	Various Improvements	122,787
7-14	Recreational Improvements (Open Space)	5,549
24-14	Various Improvements	390
35-14	Acquisition of Police Computer Equipment	316
13-15	Various Improvements	<u>575,318</u>
		<u>\$ 2,063,653</u>

EXHIBIT C-4

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2014	\$ 6,505,000
Increased by:	
Bonds Issued	-
	6,505,000
Decreased by:	
2015 Budget Appropriations	
Serial Bonds	1,025,000
Balance, December 31, 2015	<u>\$ 5,480,000</u>

**BOROUGH OF HOPATCONG
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Balance December 31, 2014</u>	<u>2015 Authorizations</u>	<u>Paid by Budget Appropriation</u>	<u>Notes Paid by Budget Appropriation</u>	<u>Balance December 31, 2015</u>	<u>Bond Anticipation Note</u>	<u>Expenditures</u>	<u>Unexpended Improvement Authorizations</u>
7-12	Various Improvements	\$ 938,330		\$ 100,530	\$ 470	\$ 837,330	\$ 837,330		
7-13	Various Improvements	726,750			32,000	694,750	694,750		
4-14	Various Improvements	456,000				456,000	456,000		
24-14	Various Improvements	42,750				42,750	42,750		
13-15	Various Improvements	-	\$ 1,033,600	-	-	1,033,600	1,033,600	-	-
		<u>\$ 2,163,830</u>	<u>\$ 1,033,600</u>	<u>\$ 100,530</u>	<u>\$ 32,470</u>	<u>\$ 3,064,430</u>	<u>\$ 3,064,430</u>	<u>\$ -</u>	<u>\$ -</u>

Improvement Authorizations- Unfunded \$ 1,062,372

Less: Unexpended note proceeds

Ord. 7-2012	\$ 104,653
Ord. 7-2013	259,224
Ord. 4-2014	122,787
Ord. 24-2014	390
Ord. 13-2015	575,318

1,062,372

\$ -

BOROUGH OF HOPATCONG
STATEMENT OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2014		2015 Authorizations			Balance, December 31, 2015			
			Funded	Unfunded	Deferred Charges to Future Taxation Unfunded	Capital Improvement Fund	Prior Year Contracts Payable Reinstated	Cash Disbursements	Contracts Payable	Funded	Unfunded
13-06	Various Improvements	\$ 626,000	\$ 96							\$ 96	
11-08	Various Improvements	420,000	5,000							5,000	
23-09	Various Improvements	762,000	9,737							9,737	
11-10	Various Improvements	1,416,208	131,839				\$ 5,200	\$ 7,036	\$ 2,500	127,503	
17-10	Recreational Improvements (Open Space)	207,500	2,395							2,395	
18-10	Oil Tank Removal & Replacement	40,000	3,135							3,135	
9-11	Various Improvements	821,000	95,811				61,710	61,710		95,811	
21-11	Various Roadway Improvements	300,000	43,124				63,290	66,439		39,975	
7-12	Various Improvements	1,102,400		\$ 158,943				37,303	16,987		\$ 104,653
20-12	Recreational Improvements (Open Space)	40,000	300							300	
4-13	Recreational Improvements (Open Space)	35,000	13,687					253	10,400	3,034	
5-13	Purchase and Installation of Police Equipment	80,000	250							250	
7-13	Various Improvements	850,000		395,003			19,722	120,971	34,530	-	259,224
04-14	Various Improvements	480,000		443,701			1,891	94,280	228,525		122,787
07-14	Various Improvements	173,000	43,890				40,782	79,123		5,549	
12-14	Recreational Improvements (Open Space)	10,000									390
24-14	Various Improvements	45,000		390							
35-14	Acquisition of Police Computer Equipment	25,000	361				24,639	24,684		316	
13-15	Various Improvements	25,000	-	-	\$ 1,033,600	\$ 54,400	-	133,105	379,577	-	575,318
			<u>\$ 349,625</u>	<u>\$ 998,037</u>	<u>\$ 1,033,600</u>	<u>\$ 54,400</u>	<u>\$ 217,234</u>	<u>\$ 624,904</u>	<u>\$ 672,519</u>	<u>\$ 293,101</u>	<u>\$ 1,062,372</u>

**BOROUGH OF HOPATCONG
STATEMENT OF SERIAL BONDS**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2015</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2014</u>	<u>Decreased</u>	<u>Balance, December 31, 2015</u>
			<u>Date</u>	<u>Amount</u>				
General Refunding Bonds	9/1/2006	\$ 3,865,000	8/1/2016	\$ 400,000	4.000%	\$ 1,985,000	\$ 405,000	\$ 1,580,000
			8/1/2017	400,000	4.000%			
			8/1/2018	395,000	4.000%			
			8/1/2019	385,000	4.100%			
General Improvement Bonds	9/15/2011	5,760,000	9/1/2016	650,000	2.000%	<u>4,520,000</u>	<u>620,000</u>	<u>3,900,000</u>
			9/1/2017	650,000	2.000%			
			9/1/2018	650,000	2.000%			
			9/1/2019	650,000	2.125%			
			9/1/2010	650,000	2.250%			
			9/1/2021	650,000	2.500%			
						<u>\$ 6,505,000</u>	<u>\$ 1,025,000</u>	<u>\$ 5,480,000</u>
Paid by Budget Appropriation							<u>\$ 1,025,000</u>	

**BOROUGH OF HOPATCONG
STATEMENT OF DUE FROM CURRENT FUND**

Balance, December 31, 2014		\$	-
Increased by:			
Received in Current Fund		\$	48,464
Interest Earned			<u>1</u>
			<u>48,465</u>
			48,465
Decreased by:			
Payments to Current Fund			<u>1</u>
Balance, December 31, 2015		\$	<u>48,464</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2014		\$	7,640
Increased by:			
2015 Budget Appropriation			<u>63,900</u>
			71,540
Decreased by:			
Appropriations to Finance Improvement Authorizations			<u>54,400</u>
Balance, December 31, 2015		\$	<u>17,140</u>

**BOROUGH OF HOPATCONG
STATEMENT OF BOND ANTICIPATION NOTES**

Ord. No.	<u>Improvement Description</u>	Original Date of Issue	Original Amount Issued	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2014	Increased	Decreased	Balance, December 31, 2015	
07-12	Various Improvements	8/2/2012	\$ 1,047,000	7/31/2014 7/30/2015	7/31/2015 7/30/2016	1.00% 0.58%	\$ 837,800	\$ 837,330	\$ 837,800	\$ 837,330	
07-13	Various Improvements	8/1/2013	807,500	7/31/2014 7/30/2015	7/31/2015 7/30/2016	1.00% 0.58%	726,750	694,750	726,750	694,750	
04-14	Various Improvements	7/31/2014	456,000	7/31/2014 7/30/2015	7/31/2015 7/30/2016	1.00% 0.58%	456,000	- 456,000	456,000	- 456,000	
24-14	Acquisition of Police SUV	7/30/2015	42,750	7/30/2015	7/30/2016	0.58%		42,750		42,750	
13-15	Various Improvements	7/30/2015	1,033,600	7/30/2015	7/30/2016	0.58%	-	1,033,600	-	1,033,600	
							<u>\$ 2,020,550</u>	<u>\$3,064,430</u>	<u>\$2,020,550</u>	<u>\$ 3,064,430</u>	
								New Note Issued		\$1,076,350	
								Note Rollover	1,988,080	\$1,988,080	
								Paid by Budget Appropriation			
								Deferred Charge - Unfunded	-	32,470	
								<u>\$3,064,430</u>	<u>\$2,020,550</u>		

EXHIBIT C-11

**BOROUGH OF HOPATCONG
STATEMENT OF CONTRACTS PAYABLE**

Balance, December 31, 2014	\$ 217,234
Increased by:	
Charges to Improvement Authorizations	<u>672,519</u>
	889,753
Decreased by:	
Reinstated to Improvement Authorizations in 2015	<u>217,234</u>
Balance, December 31, 2015	<u>\$ 672,519</u>

EXHIBIT C-12

STATEMENT OF RESERVE FOR IMPROVEMENTS - FEMA

Increased by:	
Receipts Due from Current Fund	<u>\$ 48,464</u>
Balance, December 31, 2015	<u>\$ 48,464</u>

**BOROUGH OF HOPATCONG
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance December 31, <u>2014</u>	2015 <u>Authorizations</u>	Paid - Budget <u>Appropriation</u>	Notes <u>Issued</u>	Balance December 31, <u>2015</u>
07-12	Various Improvements	\$ 100,530		\$ 100,530		
24-14	Acquisition of Police SUV	42,750			\$ 42,750	
13-15	Various Improvements	<u>-</u>	<u>\$ 1,033,600</u>	<u>-</u>	<u>1,033,600</u>	<u>-</u>
		<u>\$ 143,280</u>	<u>\$ 1,033,600</u>	<u>\$ 100,530</u>	<u>\$ 1,076,350</u>	<u>\$ -</u>

WATER UTILITY FUND

**BOROUGH OF HOPATCONG
STATEMENT OF WATER UTILITY CASH - TREASURER**

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2014	\$ 617,404	\$ 489,203
Increased by Receipts:		
Consumer Accounts Receivable	\$ 862,136	
Receipts from Water Capital Fund	1,299	
Miscellaneous Revenue	33,279	
Grants Receivable		121,606
Budget Appropriation - Capital Improvement Fund		14,750
Bond Anticipation Notes	-	280,250
	<u>896,714</u>	<u>416,606</u>
	1,514,118	905,809
Decreased by Disbursements:		
2015 Budget Appropriations	713,279	
2014 Appropriation Reserves	55,669	
Improvement Authorizations		165,728
Due from Water Capital Fund	181	
Payments to Water Operating Fund - Other		1,299
Accrued Interest	<u>109,984</u>	<u>-</u>
	<u>879,113</u>	<u>167,027</u>
Balance, December 31, 2015	<u>\$ 635,005</u>	<u>\$ 738,782</u>

EXHIBIT D-6

**STATEMENT OF CHANGE FUND
WATER OPERATING FUND**

<u>Office</u>	Balance, December 31, 2014	Balance, December 31, 2015
Water Utility Collector	<u>\$ 50</u>	<u>\$ 50</u>

**BOROUGH OF HOPATCONG
STATEMENT OF WATER UTILITY CAPITAL CASH
ANALYSIS OF CASH**

	Balance, December 31, <u>2015</u>
Capital Improvement Fund	\$ 308
Contracts Payable	170,635
Amount Due to Water Utility Operating Fund	181
Fund Balance	16,453
Grants Receivable	(60,392)

<u>Ord. #</u>	<u>Improvement Authorizations</u>	
12-08	Improvements to Water Supply and Distribution System	3,054
24-09	Improvements to Water Supply and Distribution System	97,812
12-10	Improvements to Water Supply and Distribution System	51
10-11	Improvements to Water Supply and Distribution System	6,469
28-11	Improvements to Water Supply and Distribution System	141,700
08-12	Improvements to Water Supply and Distribution System	13,491
08-13	Improvements to Water Supply and Distribution System	22,120
05-14	Various Water Utility Improvements	50,000
14-15	Various Water Utility Improvements	276,900
		<u>\$ 738,782</u>

**BOROUGH OF HOPATCONG
STATEMENT OF CONSUMER ACCOUNTS RECEIVABLE
WATER UTILITY OPERATING FUND**

Balance, December 31, 2014	\$ 79,526
Increased by:	
Water Rents Levied	<u>858,581</u>
	938,107
Decreased by:	
Collections	<u>862,136</u>
Balance, December 31, 2015	<u>\$ 75,971</u>

**STATEMENT OF AMOUNT DUE FROM WATER CAPITAL FUND
WATER UTILITY OPERATING FUND**

Balance, December 31, 2014	\$ 1,299
Increased by:	
Cash Disbursements	<u>181</u>
	1,480
Decreased by:	
Receipts	<u>1,299</u>
Balance, December 31, 2015	<u>\$ 181</u>

BOROUGH OF HOPATCONG
STATEMENT OF ACCRUED INTEREST ON BONDS
WATER UTILITY OPERATING FUND

Balance, December 31, 2014	\$ 39,602
Increased by:	
Charged to 2015 Budget	106,707
	146,309
Decreased by:	
Cash Disbursements	109,984
Balance, December 31, 2015	\$ 36,325

EXHIBIT D-11

STATEMENT OF 2014 APPROPRIATION RESERVES

	Balance, December 31, <u>2014</u>	Transferred from Reserve for <u>Encumbrances</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating				
Salaries and Wages	\$ 17,344		\$ 3,249	\$ 14,095
Other Expenses	81,981	\$ 51,523	52,420	81,084
Statutory Expenditures				
Contribution to Public Employees				
Retirement System	2,200			2,200
Social Security System	18,700			18,700
Unemployment Compensation	5,000	-	-	5,000
	\$ 125,225	\$ 51,523	\$ 55,669	\$ 121,079
		Cash Disbursements	\$ 55,669	

**BOROUGH OF HOPATCONG
STATEMENT OF ENCUMBRANCES PAYABLE
WATER UTILITY OPERATING FUND**

Balance, December 31, 2014	\$ 51,523
Increased by:	
Charged to 2015 Appropriations	<u>30,033</u>
	81,556
Decreased by:	
Cancelled Encumbrances Restored to Appropriation Reserves	<u>51,523</u>
Balance, December 31, 2015	<u>\$ 30,033</u>

**BOROUGH OF HOPATCONG
STATEMENT OF FIXED CAPITAL
WATER UTILITY CAPITAL FUND**

Balance, December 31, 2014	\$ <u>4,794,179</u>
Balance, December 31, 2015	\$ <u>4,794,179</u>

**STATEMENT OF RESERVE FOR AMORTIZATION
WATER UTILITY CAPITAL FUND**

Balance, December 31, 2014	\$ 2,962,357
Increased by:	
Serial Bonds Paid by Operating Budget	\$ 85,000
Notes Paid by Operating Budget	83,900
Loans Paid by Operating Budget:	
FMHA Bonds	50,462
Water Supply Loans	22,618
NJ Environmental Infrastructure Trust	<u>36,438</u>
	278,418
Less: Accrued Interest Applied	<u>(181)</u>
	<u>278,237</u>
Balance, December 31, 2015	\$ <u>3,240,594</u>

**STATEMENT OF CONTRACTS PAYABLE
WATER UTILITY CAPITAL FUND**

Balance, December 31, 2014	\$ 29,831
Increased by:	
Charges to Improvement Authorizations	<u>170,635</u>
	200,466
Decreased by:	
Restored to Improvement Authorizations	<u>29,831</u>
Balance, December 31, 2015	\$ <u>170,635</u>

**BOROUGH OF HOPATCONG
STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
WATER UTILITY CAPITAL FUND**

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance, December 31, <u>2014</u>	2015 <u>Authorization</u>	Balance, December 31, <u>2015</u>
12-08	Improvements to Water Supply and Distribution System	\$ 322,325		\$ 322,325
24-09	Improvements to Water Supply and Distribution System	300,000		300,000
12-10	Improvements to Water Supply and Distribution System	100,000		100,000
10-11	Improvements to Water Supply and Distribution System	442,100		442,100
28-11	Improvements to Water Supply and Distribution System	1,700,000		1,700,000
08-12	Improvements to Water Supply and Distribution System	62,000		62,000
08-13	Improvements to Water Supply and Distribution System	250,000		250,000
05-14	Various Water Utility Improvements	50,000		50,000
14-15	Various Water Utility Improvements	-	\$ 295,000	295,000
		<u>\$ 3,226,425</u>	<u>\$ 295,000</u>	<u>\$ 3,521,425</u>

EXHIBIT D-17

**STATEMENT OF RESERVE FOR DEFERRED AMORTIZATION
WATER UTILITY CAPITAL FUND**

Balance, December 31, 2014	\$ 1,075,305
Increased by:	
2015 Authorizations	<u>14,750</u>
Balance, December 31, 2015	<u>\$ 1,090,055</u>

**BOROUGH OF HOPATCONG
STATEMENT OF IMPROVEMENT AUTHORIZATIONS
WATER UTILITY CAPITAL FUND**

Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2014		2015 Authorizations		Contracts Payable Restored	Paid or Charged	Balance, December 31, 2015	
			Funded	Unfunded	Deferred Charges to Future Revenue	Down Payment on Improvements			Funded	Unfunded
12-08	Improvements to Water Supply and Distribution System	\$ 325,000	\$ 3,050				\$ 3		\$ 3,053	
24-09	Improvements to Water Supply and Distribution System	300,000	137,646				1,494	\$ 41,328	97,812	
12-10	Improvements to Water Supply and Distribution System	100,000	50				1		51	
10-11	Improvements to Water Supply and Distribution System	442,100	36,695				7,040	37,266	6,469	
28-11	Improvements to Water Supply and Distribution System	1,700,000		\$ 214,172			14,931	87,403		\$ 141,700
8-12	Various Water Utility Improvements	62,000		15,513			2,073	4,095		13,491
8-13	Various Water Utility Improvements	250,000		166,002			4,289	148,171		22,120
5-14	Various Water Utility Improvements	50,000	2,500	47,500					2,500	47,500
14-15	Various Water Utility Improvements	295,000	-	-	\$ 280,250	\$ 14,750	-	18,100	-	276,900
			<u>\$ 179,941</u>	<u>\$ 443,187</u>	<u>\$ 280,250</u>	<u>\$ 14,750</u>	<u>\$ 29,831</u>	<u>\$ 336,363</u>	<u>\$ 109,885</u>	<u>\$ 501,711</u>
								Cash Disbursement	\$ 165,728	
								Contracts Payable	170,635	
									<u>\$ 336,363</u>	

**BOROUGH OF HOPATCONG
STATEMENT OF CAPITAL IMPROVEMENT FUND
WATER UTILITY CAPITAL FUND**

Balance, December 31, 2014	\$ 308
Increased by:	
Budget Appropriation	<u>14,750</u>
	15,058
Decreased by:	
Appropriated to Finance Improvement Authorization	<u>14,750</u>
Balance, December 31, 2015	<u>\$ 308</u>

EXHIBIT D-21

**STATEMENT OF GRANTS RECEIVABLE
WATER UTILITY CAPITAL FUND**

Balance, December 31, 2014	\$ 181,998
Decreased by;	
Received in 2015	<u>121,606</u>
Balance, December 31, 2015	<u>\$ 60,392</u>

**BOROUGH OF HOPATCONG
STATEMENT OF WATER SUPPLY LOANS PAYABLE
WATER UTILITY CAPITAL FUND**

<u>Loan Issue</u>	Balance, December 31, 2014	Accrued Interest Applied	Paid by Budget Appropriation	Balance, December 31, 2015
Water Supply Loans	\$ 22,437	\$ 181	\$ 22,618	\$ -

EXHIBIT D-23

**STATEMENT OF NJ ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE
WATER UTILITY CAPITAL FUND**

<u>Loan Issue</u>	Balance, December 31, 2014	Paid by Budget Appropriation	Balance, December 31, 2015
2000 Trust Loan	\$ 140,000	\$ 20,000	\$ 120,000
2000 Fund Loan	100,372	16,438	83,934
	<u>\$ 240,372</u>	<u>\$ 36,438</u>	<u>\$ 203,934</u>

EXHIBIT D-24

**STATEMENT OF ACCRUED INTEREST PAYABLE
WATER UTILITY CAPITAL FUND**

	Balance, December 31, 2014	Applied to Water Supply Loans Payable	Balance, December 31, 2015
Water Supply Loans Payable	\$ 181	\$ 181	\$ -

**BOROUGH OF HOPATCONG
STATEMENT OF BOND ANTICIPATION NOTES
WATER UTILITY CAPITAL FUND**

Ord. No.	Improvement Description	Original Date of Issue	Original Amount Issued	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2014	Increased	Decreased	Balance, December 31, 2015
28-11	Improvements to Water Supply and Distribution System	8/2/2012	\$ 693,500	8/1/2014 7/31/2015	8/1/2015 7/30/2016	1.00% 0.58%	\$ 693,500	\$ 668,500	\$ 693,500	\$ 668,500
8-12	Various Water Utility Improvements	8/2/2012	58,880	8/1/2014 7/31/2015	8/1/2015 7/30/2016	1.00% 0.58%	58,900		58,900	-
8-13	Various Water Utility Improvements	8/1/2013	237,500	8/1/2014 7/31/2015	8/1/2015 7/30/2016	1.00% 0.58%	237,500	237,500	237,500	237,500
5-14	Various Water Utility Improvements	7/31/2014	47,500	8/1/2014 7/31/2015	8/1/2015 7/30/2016	1.00% 0.58%	47,500	47,500	47,500	47,500
14-15	Various Water Utility Improvements	7/31/2015	280,250	7/31/2015	7/30/2016	0.58%	-	280,250	-	280,250
							<u>\$ 1,037,400</u>	<u>\$ 1,233,750</u>	<u>\$ 1,037,400</u>	<u>\$ 1,233,750</u>
								\$ 280,250		
									\$ 83,900	
								953,500	953,500	
								<u>\$ 1,233,750</u>	<u>\$ 1,037,400</u>	

New Note Issued \$ 280,250
Notes Paid by Budget Appropriation \$ 83,900
Notes Renewed 953,500

**BOROUGH OF HOPATCONG
STATEMENT OF SERIAL BONDS
WATER UTILITY CAPITAL FUND**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2014</u>	<u>Decreased</u>	<u>Balance, December 31, 2015</u>
			<u>Date</u>	<u>Amount</u>				
Water Improvement Bonds	9/15/2011	\$2,335,000	9/1/2016	\$ 115,000	2.000%			
			9/1/2017	115,000	2.000%			
			9/1/2018	120,000	2.000%			
			9/1/2019	130,000	2.125%			
			9/1/2020	130,000	2.250%			
			9/1/2021	130,000	2.500%			
			9/1/2022	130,000	4.000%			
			9/1/2023	130,000	4.000%			
			9/1/2024	130,000	4.000%			
			9/1/2025	130,000	4.000%			
			9/1/2026	130,000	4.000%			
			9/1/2027	130,000	3.100%			
			9/1/2028	130,000	3.200%			
			9/1/2029	130,000	3.300%			
			9/1/2030	130,000	3.400%			
			9/1/2031	130,000	3.500%			
					\$ 2,125,000	\$ 85,000	\$ 2,040,000	

BOROUGH OF HOPATCONG
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance December 31, <u>2014</u>	2015 <u>Authorizations</u>	Notes <u>Issued</u>	Balance December 31, <u>2015</u>
14-15	Various Water Utility Improvements	\$ -	\$ 280,250	\$ 280,250	\$ -
		<u>\$ -</u>	<u>\$ 280,250</u>	<u>\$ 280,250</u>	<u>\$ -</u>

SEWER UTILITY FUND

BOROUGH OF HOPATCONG
STATEMENT OF SEWER UTILITY CASH - TREASURER

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2014	\$ 3,860,483	\$ 669,006
Increased by Receipts:		
Consumer Accounts Receivable	\$ 3,950,366	
Prepaid Sewer Rents	311,345	
Misc. Sewer Fees	5,601	
Bond Anticipation Notes		\$ 197,600
Budgeted Capital Improvement Fund Received		10,400
Infrastructural Loans Proceeds		11,054,703
Infrastructural Loans Premium Utilized to Pay Notes		534,652
Infrastructural Loans Premium	-	50
	<u>4,267,312</u>	<u>11,797,405</u>
	8,127,795	12,466,411
Decreased by Disbursements:		
2015 Budget Appropriations	2,608,042	
2014 Appropriation Reserves	28,499	
Improvement Authorizations		59,017
Payments to Grant Fund	300,000	
Bond Anticipation Notes		11,589,355
Accrued Interest on Bonds and Loans	<u>1,059,273</u>	<u>-</u>
	<u>3,995,814</u>	<u>11,648,372</u>
Balance, December 31, 2015	<u>\$ 4,131,981</u>	<u>\$ 818,039</u>

**BOROUGH OF HOPATCONG
STATEMENT OF SEWER UTILITY CAPITAL CASH
SEWER UTILITY CAPITAL FUND**

	Balance, December 31, <u>2015</u>
Fund Balance	\$ 531,528
Contracts Payable	77,723

Improvement Authorization

<u>Ord. No.</u>	<u>Improvement Description</u>	
9-12	Various Improvements	7,082
9-13	Various Improvements	16
6-14	Various Improvements	36,204
15-15	Various Improvements	<u>165,486</u>
		<u>\$ 818,039</u>

**BOROUGH OF HOPATCONG
STATEMENT OF CONSUMER ACCOUNTS RECEIVABLE
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2014		\$ 488,183
Increased by:		
Sewer Rents Levied		<u>4,212,158</u>
		4,700,341
Decreased by:		
Collections:		
Cash Receipts	\$ 3,950,366	
Prepaid Rents Applied	<u>263,958</u>	
		<u>4,214,324</u>
Balance, December 31, 2015		<u>\$ 486,017</u>

**STATEMENT OF DUE FROM GRANTS FUND
SEWER UTILITY OPERATING FUND**

Increased by:		
Disbursed in 2015		<u>\$ 300,000</u>
Balance, December 31, 2015		<u>\$ 300,000</u>

**BOROUGH OF HOPATCONG
STATEMENT OF 2014 APPROPRIATION RESERVES
SEWER UTILITY OPERATING FUND**

	Balance, December 31, <u>2014</u>	Transferred from Reserve for <u>Encumbrances</u>	Modified <u>Balance</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating					
Salaries and Wages	\$ 15,476		\$ 15,476	\$ 2,451	\$ 13,025
Other Expenses	371,830	\$ 19,767	391,597	27,648	363,949
Statutory Expenditures					
Contribution to					
Public Employees Retirement System	2,200		2,200		2,200
Social Security System	18,200		18,200		18,200
Unemployment Compensation	5,000	-	5,000	-	5,000
	<u>\$ 412,706</u>	<u>\$ 19,767</u>	<u>\$ 432,473</u>	<u>\$ 30,099</u>	<u>\$ 402,374</u>
			Encumbrances	\$ 1,600	
			Cash Disbursements	<u>28,499</u>	
			Cash Disbursed	<u>\$ 30,099</u>	

EXHIBIT E-10

**STATEMENT OF ACCRUED INTEREST ON BONDS, NOTES AND LOANS
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2014	\$ 461,186
Increased by:	
Charged to 2015 Budget	<u>1,092,202</u>
	1,553,388
Decreased by:	
Cash Disbursements	<u>1,059,273</u>
Balance, December 31, 2015	<u>\$ 494,115</u>
	Accrued Interest on Bonds \$ 309,870
	Accrued Interest on Notes 474
	Accrued Interest on Loans <u>183,771</u>
	<u>\$ 494,115</u>

**BOROUGH OF HOPATCONG
STATEMENT OF ENCUMBRANCES PAYABLE
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2014		\$ 19,767
Increased by:		
Appropriation Reserves	\$ 1,600	
Charged to 2015 Budget	49,074	
		50,674
		70,441
Decreased by:		
Cancelled Encumbrances Restored to Appropriation Reserves		19,767
Balance, December 31, 2015		\$ 50,674

**STATEMENT OF FIXED CAPITAL
SEWER UTILITY CAPITAL FUND**

Balance, December 31, 2014		\$ <u>60,690,806</u>
Balance, December 31, 2015		\$ <u>60,690,806</u>

**BOROUGH OF HOPATCONG
STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
SEWER UTILITY CAPITAL FUND**

Ord. No.	<u>Improvement Description</u>	Balance, December 31, 2014	2015 <u>Authorizations</u>	Transfer Costs to Fixed Capital	Balance, December 31, 2015
9-12	Various Improvements	\$ 60,000			\$ 60,000
9-13	Various Improvements	85,000			85,000
6-14	Various Improvements	93,000			93,000
37-14	Improvement of the Sanitary Sewerage System Phase I & II	250,000			250,000
15-15	Various Improvements	-	\$ 208,000	-	208,000
		<u>\$ 488,000</u>	<u>\$ 208,000</u>	<u>\$ -</u>	<u>\$ 696,000</u>

EXHIBIT E-14

**STATEMENT OF RESERVE FOR AMORTIZATION
SEWER UTILITY CAPITAL FUND**

Balance, December 31, 2014	\$ 23,729,919
Increased by:	
NJ Environmental Infrastructure Loans Paid by Operating Budget	\$ 1,194,510
Serial Bonds Paid by Operating Budget	20,000
Notes Paid by Budget Appropriation	169,100
Infrastructural Loan Premium	534,652
Infrastructural Loan Premium Receipts	50
	<u>1,918,312</u>
Balance, December 31, 2015	<u>\$ 25,648,231</u>

**BOROUGH OF HOPATCONG
STATEMENT OF SERIAL BONDS
SEWER UTILITY CAPITAL FUND**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2014</u>	<u>Decreased</u>	<u>Balance, December 31, 2015</u>
			<u>Outstanding December 31, 2015 Date</u>	<u>Amount</u>				
Sewer Utility Refunding Bonds	9/1/2006	\$ 17,060,000	8/1/2016	\$ 70,000	4.000%			
			8/1/2017	70,000	4.000%			
			8/1/2018	75,000	4.000%			
			8/1/2019	75,000	4.100%			
			8/1/2020	80,000	4.125%			
			8/1/2021	85,000	4.200%			
			8/1/2022	560,000	4.200%			
			8/1/2023	1,185,000	4.250%			
			8/1/2024	1,180,000	4.250%			
			8/1/2025	1,230,000	4.250%			
			8/1/2026	1,275,000	4.300%			
			8/1/2027	1,315,000	4.300%			
			8/1/2033	9,840,000	4.500%			
					\$ 17,060,000	\$ 20,000	\$ 17,040,000	
					<u>\$ 17,060,000</u>	<u>\$ 20,000</u>	<u>\$ 17,040,000</u>	

**BOROUGH OF HOPATCONG
STATEMENT OF NJ ENVIRONMENTAL INFRASTRUCTURE
LOANS PAYABLE
SEWER UTILITY CAPITAL FUND**

	Balance December 31, <u>2014</u>	<u>Loans Issued</u>	<u>Decreased by:</u>	Balance, December 31, <u>2015</u>
2001 Wastewater Loan	\$ 1,470,000		\$ 180,000	\$ 1,290,000
2001 Fund Loan	1,110,525		158,281	952,244
2002 Wastewater Loan	3,280,000		345,000	2,935,000
2002 Fund Loan	2,510,943		314,798	2,196,145
2015 Wastewater Loan		\$ 5,260,000		5,260,000
2015 Fund Loan	-	<u>5,794,703</u>	<u>196,431</u>	<u>5,598,272</u>
	<u>\$ 8,371,468</u>	<u>\$ 11,054,703</u>	<u>\$ 1,194,510</u>	<u>\$ 18,231,661</u>
Paid by Budget Appropriation			<u>\$ 1,194,510</u>	

EXHIBIT E-17

**STATEMENT OF PREPAID RENTS
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2014	\$ 263,958
Increased by:	
Prepaid Rents Received in 2015	<u>311,345</u>
	575,303
Increased by:	
Applied to Consumer Accounts Receivable	<u>263,958</u>
Balance, December 31, 2015	<u>\$ 311,345</u>

**BOROUGH OF HOPATCONG
STATEMENT OF RESERVE FOR DEFERRED AMORTIZATION
SEWER UTILITY CAPITAL FUND**

Balance, December 31, 2014	\$ 8,900
Increased by:	
Improvement Authorizations Funded through Capital Improvement	<u>10,400</u>
Balance, December 31, 2015	<u>\$ 19,300</u>

**STATEMENT OF CONTRACTS PAYABLE
SEWER UTILITY CAPITAL FUND**

Balance, December 31, 2014	\$ 17,138
Increases by:	
Charges to Improvement Authorizations	<u>77,723</u>
	94,861
Decreased by:	
Cancelled to Improvement Authorizations	<u>17,138</u>
Balance, December 31, 2015	<u>\$ 77,723</u>

**BOROUGH OF HOPATCONG
STATEMENT OF IMPROVEMENT AUTHORIZATIONS
SEWER UTILITY CAPITAL FUND**

Ord. No. <u>Improvement Description</u>	Ordinance <u>Amount</u>	Balance, <u>December 31, 2014</u>		<u>2015 Authorization</u>	Cancellation Prior Year Contracts <u>Payable</u>	Improvement Authorizations <u>Cancelled</u>	Paid or <u>Charged</u>	Balance, <u>December 31, 2015</u>	
		<u>Funded</u>	<u>Unfunded</u>					<u>Funded</u>	<u>Unfunded</u>
9-12 Various Improvements	\$ 60,000	\$	4,106		\$ 5,575		\$ 2,599	\$ 7,082	
9-13 Various Improvements	85,000		23,298		11,563		34,831	30	
6-14 Various Improvements	93,000	\$ 4,650	88,350				56,796	36,204	
37-14 Improvement of the Sanitary Sewerage System Phase I & II	250,000		250,000					\$ 250,000	
15-15 Various Improvements		-	-	\$ 208,000	-	-	42,514	-	165,486
		<u>\$ 4,650</u>	<u>\$ 365,754</u>	<u>\$ 208,000</u>	<u>\$ 17,138</u>	<u>\$ -</u>	<u>\$ 136,740</u>	<u>\$ 43,316</u>	<u>\$ 415,486</u>
							\$ 77,723		
							<u>59,017</u>		
							<u>\$ 136,740</u>		
				\$ 10,400					
				<u>197,600</u>					
				<u>\$ 208,000</u>					

**BOROUGH OF HOPATCONG
STATEMENT OF BOND ANTICIPATION NOTES
SEWER UTILITY CAPITAL FUND**

Ord. No.	Improvement Description	Original Date of Issue	Original Amount Issued	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2014	Increased	Decreased	Balance, December 31, 2015	
38-04	Improvement of the Sanitary Sewerage System - Phase I & II	8/11/2005	\$ 9,000,000	8/1/2013 7/31/2014 9/12/2014	8/1/2014 9/15/2014 9/11/2015	1.25% 1.00% (A)	\$ 8,163,405		\$ 8,163,405		
30-05	Improvement of the Sanitary Sewerage System - Phase I & II	8/11/2006	3,714,000	8/1/2013 7/31/2014 9/12/2014	8/1/2014 9/15/2014 9/11/2015	1.25% 1.00% (A)	3,426,000		3,426,000		
9-13	Various Improvements	8/1/2013	80,695	8/1/2013 7/31/2014	8/1/2014 7/31/2015	1.25% 1.00%	80,700		80,700		
6-14	Various Improvements	8/1/2014	88,350	7/31/2014	7/31/2015	1.00%	88,350		88,350		
15-15	Various Improvements	8/1/2014	197,600	7/31/2015	7/30/2016	0.58%	-	\$ 197,600	-	\$ 197,600	
							<u>\$ 11,758,455</u>	<u>\$ 197,600</u>	<u>\$ 11,758,455</u>	<u>\$ 197,600</u>	
							Paid by Budget Appropriation Issued for Cash		\$ 197,600	\$ 169,100	
							Notes Paid by Infrastructural Loan Proceeds			11,054,703	
							Notes Paid by Infrastructural Loan Premium		-	534,652	
							<u>\$ 197,600</u>	<u>\$ 11,758,455</u>			

(A) Interest on the note will be charged at a rate of (a) with respect to the Trust portion of the principal, 0.13% and (b) with respect to the Fund portion of the principal, 0.00% at the time loans are closed with the New Jersey Environmental Infrastructure Trust.

EXHIBIT E-22

**BOROUGH OF HOPATCONG
STATEMENT OF CHANGE FUND
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2014	<u>\$ 50</u>
Balance, December 31, 2015	<u>\$ 50</u>

EXHIBIT E-23

**STATEMENT OF SEWER LIENS
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2014	<u>\$ 528</u>
Balance, December 31, 2015	<u>\$ 528</u>

EXHIBIT E-24

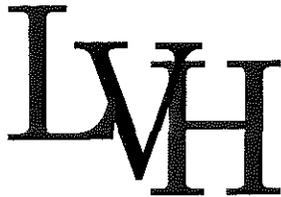
**STATEMENT OF CAPITAL IMPROVEMENT FUND
SEWER UTILITY CAPITAL FUND**

Increased by:	
Budget Appropriation	<u>\$ 10,400</u>
Decreased by:	
Appropriated to Finance Improvement Authorization	<u>\$ 10,400</u>

BOROUGH OF HOPATCONG
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance December 31, <u>2014</u>	2015 <u>Authorizations</u>	Cash <u>Receipts</u>	Decreased by <u>Notes Issued</u>	Balance December 31, <u>2015</u>
9-13	Various Improvements	\$ 50		\$ 50		
37-14	Improvement of the Sanitary Sewerage System Phase I & II	250,000				\$ 250,000
15-15	Various Improvements	<u>-</u>	<u>\$ 197,600</u>	<u>-</u>	<u>\$ 197,600</u>	<u>-</u>
		<u>\$ 250,050</u>	<u>\$ 197,600</u>	<u>\$ 50</u>	<u>\$ 197,600</u>	<u>\$ 250,000</u>

BOROUGH OF HOPATCONG
PART II
GOVERNMENTAL AUDITING STANDARDS



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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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 Hopatcong
Hopatcong, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Hopatcong as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated April 13, 2016. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting 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, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements.

Internal Control over Financial Reporting

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

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

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

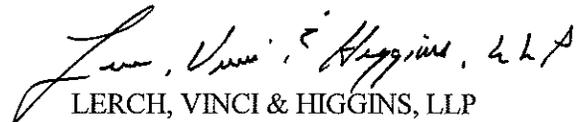
Compliance and Other Matters

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

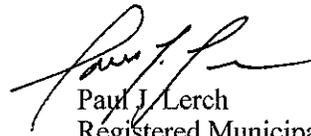
However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Hopatcong in Part III of this report of audit entitled, "Letter of Comments and Recommendations".

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 Borough of Hopatcong's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Hopatcong's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Paul J. Lerch
Registered Municipal Accountant
RMA Number CR00457

Fair Lawn, New Jersey
April 13, 2016

BOROUGH OF HOPATCONG
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Federal Funding Department</u>	<u>Grant or State Project Number</u>	<u>Grant Year</u>	<u>Federal CFDA Number</u>	<u>Grant Award Amount</u>	<u>2015 Grant Receipts</u>	<u>Balance, December 31, 2014</u>	<u>Revenue Realized</u>	<u>Expendi- tures</u>	<u>Cancelled</u>	<u>Balance, December 31, 2015</u>	<u>Memo Cumulative Total Expenditure</u>
U.S. Department of Transportation											
(Passed through State Div. of Highway Traffic Safety)											
Local Municipal Aid - NJTPA - Road Repaving		2015	20.205	\$ 170,000	\$ 127,500		\$ 170,000	\$ 170,000			* \$ 170,000
Local Municipal Aid - NJTPA - Road Resurfacing		2015	20.205	200,000	150,000		200,000	200,000			* 200,000
Local Municipal Aid - NJTPA - Enhancement		2013	20.205	268,000		\$ 268,000				\$ 268,000	* -
Drive Sober or Get Pulled Over		2014	20.601	7,500	7,200	700		400		300	* 400
Click it Or Ticket	1160-100-113	2015	20.602	4,000			4,000	3,800		200	* 3,800
U.S. Department of Environmental Protection											
Drinking Water Infrastructure Improvements (FY10) and Elba Point Water Infrastructure (FY09)		2011	66.202	970,000	121,606	181,998		121,606		60,392	* 909,608
						<u>\$ 450,698</u>	<u>\$ 374,000</u>	<u>\$ 495,806</u>	<u>\$ -</u>	<u>\$ 328,892</u>	*

Note - This schedule is not subject to the single audit requirements of U.S. Uniform Guidance

**TOWNSHIP OF HOPATCONG
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>State Grant Program</u>	<u>Grant Number/ Account Numbers</u>	<u>Grant Year</u>	<u>2015 Grant Receipts</u>	<u>Grant Award Amount</u>	<u>Balance, December 31, 2014</u>	<u>Cancelled</u>	<u>Revenue</u>	<u>Expended</u>	<u>Balance, December 31, 2015</u>	<u>Memo Cumulative Total Expenditures</u>
Alcohol Education and Rehabilitation Program	9735-760-001	2013		633	\$ 633				\$ 633	*
		2011		\$ 539	539				539	*
		2009		2,948	655				655	* \$
										2,293
Alcoholism and Drug Abuse Awareness Program	**	2015		13,134	-		\$ 13,134	\$ 650	12,484	*
		2014	\$ 3,008	13,134	11,657	\$ (1,310)		10,347	-	*
										13,134
Clean Communities Grant	4900-765-004	2015	36,189	36,189			36,189		36,189	*
		2014		29,764	29,764			5,294	24,470	*
		2013		31,736	15,956			15,956	-	*
										31,736
Recycling Tonnage Grant	4900-752-001	2015		15,744	-		15,744		15,744	*
		2014		16,190	16,190			13,702	2,488	*
		2013		14,653	10,419			10,419	-	*
										14,653
Drunk Driving Enforcement Fund	1110-448-031020-22	2014		7,174	7,174				7,174	*
		2013		8,158	8,158			3,631	4,527	*
		2012		7,328	3,439			3,439	-	*
										7,328
New Jersey Highlands Council - Plan Conformance	2078-100-033	2013	70,334	127,400	78,625				16,386	*
		2015		15,000			15,000		15,000	*
										65,161
New Jersey Highlands Council - TDR Feasibility	2078-100-033	2009		18,924	8,067				8,067	*
										10,857
Police Body Armor Fund	1160-100-057	2015	443	443			443		443	*
		2014		2,525	2,525			421	2,104	*
		2013		3,240	3,240			3,240	-	*
		2012		2,689	2,689			2,689	-	*
		2011		2,545	2,545			2,545	-	*
		2010		3,685	1,107			1,107	-	*
										3,685
Organized Crime Drug Enforcement Grant		2014		6,500	2,639				2,639	*
										3,861
Safe and Secure Communities	1020-100-232	2015	30,000	60,000	-		60,000	60,000	-	*
		2014	15,000	60,000	-				-	*
					-				-	*
					<u>\$ 206,021</u>	<u>\$ (1,310)</u>	<u>\$ 140,510</u>	<u>\$ 149,826</u>	<u>\$ 195,395</u>	*

Note - This schedule is not subject to the single audit requirements of New Jersey OMB 15-08.

** Not Available

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

**BOROUGH OF HOPATCONG
 NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE
 YEAR ENDED DECEMBER 31, 2015**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the regulatory basis of accounting as prescribed for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1 to the Borough's financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Borough's financial statements. Financial assistance revenues are reported in the Borough's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	<u>\$ 374,000</u>	<u>\$ 140,510</u>	<u>\$ 514,510</u>
Total Financial Awards	<u>\$ 374,000</u>	<u>\$ 140,510</u>	<u>\$ 514,510</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Borough's fiscal year and grant program year.

**BOROUGH OF HOPATCONG
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2015**

NOTE 5 FEDERAL AND STATE LOANS OUTSTANDING

The Borough's federal and state loans outstanding at December 31, 2015, which are not required to be reported on the schedules of expenditures of federal awards and state financial assistance, are as follows:

<u>Loan Program</u>	<u>State Account Number</u>	<u>Amount</u>
FMHA Loans		\$ 507,272
Wastewater Trust Loan	2000	120,000
Wastewater Trust Loan	2000	83,934
Environmental Infrastructure		
Trust Loan	2001	1,290,000
Fund Loan	2001	952,244
Trust Loan	2002	2,935,000
Fund Loan	2002	2,196,145
Trust Loan	2015	5,260,000
Fund Loan	2015	<u>5,598,272</u>
		<u>\$ 18,942,867</u>

**BOROUGH OF HOPATCONG
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Part I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on financial statements	<u>Modified, Presentation of Unaudited LOSAP Fund</u>		
Internal control over financial reporting:			
1) Material weakness(es) identified	_____ yes	<u> X </u> no	
2) Significant deficiency(ies) that are not considered to be material weakness(es)?	_____ yes	<u> X </u> none	
Noncompliance material to the financial statements noted?	_____ yes	<u> X </u> no	

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

**BOROUGH OF HOPATCONG
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2015**

Part II – Schedule of Financial Statement Findings

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

There are none.

**BOROUGH OF HOPATCONG
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB Circular 15-08.

CURRENT YEAR STATE AWARDS

Not Applicable.

CURRENT YEAR FEDERAL AWARDS

Not Applicable.

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

This section identifies the status of prior-year findings related to the financial statements are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*.

STATUS OF PRIOR YEAR FINDINGS

There were none.

**BOROUGH OF HOPATCONG
SUSSEX COUNTY, NEW JERSEY**

PART III

**SUPPLEMENTARY DATA
LETTER OF COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015**

**BOROUGH OF HOPATCONG
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -
CURRENT FUND**

	Year 2015		Year 2014	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 1,425,000	2.82%	\$ 1,425,000	2.85%
Miscellaneous - From Other Than Local				
Property Tax Levies	2,769,223	5.48%	2,409,000	4.82%
Collection of Delinquent Taxes and Tax Title Liens	974,700	1.93%	979,757	1.96%
Collection of Current Tax Levy	44,445,823	87.90%	44,214,161	88.38%
Other Credits	947,811	1.87%	998,604	2.00%
	<u>50,562,557</u>	<u>100.00%</u>	<u>50,026,522</u>	<u>100.00%</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	15,875,606	32.76%	15,401,062	32.16%
County Taxes	8,286,584	17.10%	8,640,250	18.04%
Local School Taxes	24,270,550	50.09%	23,835,544	49.77%
Municipal Open Space Taxes	10,097	0.02%	10,112	0.02%
Other Expenditures	12,188	0.03%	6,565	0.01%
	<u>48,455,025</u>	<u>100.00%</u>	<u>47,893,533</u>	<u>100.00%</u>
Excess in Revenue	2,107,532		2,132,989	
Fund Balance, January 1	<u>3,935,814</u>		<u>3,227,825</u>	
	6,043,346		5,360,814	
Less Utilization as Anticipated Revenue	<u>1,425,000</u>		<u>1,425,000</u>	
Fund Balance, December 31	<u>\$ 4,618,346</u>		<u>\$ 3,935,814</u>	

**BOROUGH OF HOPATCONG
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -
WATER UTILITY OPERATING FUND**

	<u>Year 2015</u>		<u>Year 2014</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 204,538	16.75%	\$ 116,814	10.34%
Collection of Water Rents	862,136	70.61%	824,306	72.96%
Connection Fees	-	0.00%	38,857	3.44%
Miscellaneous - From Other than Water Rents	33,279	2.73%	36,862	3.26%
Other Credits	<u>121,079</u>	<u>9.92%</u>	<u>112,919</u>	<u>9.99%</u>
 Total Income	 <u>1,221,032</u>	 <u>100.00%</u>	 <u>1,129,758</u>	 <u>100.00%</u>
 EXPENDITURES				
Budget Expenditures				
Operating	545,588	55.12%	542,474	58.42%
Capital Improvements	14,750	1.49%	2,500	0.27%
Debt Service	384,763	38.87%	338,863	36.49%
Deferred Charges and Statutory Expenditures	<u>44,700</u>	<u>4.52%</u>	<u>44,700</u>	<u>4.81%</u>
 Total Expenditures	 <u>989,801</u>	 <u>100.00%</u>	 <u>928,537</u>	 <u>100.00%</u>
 Excess in Revenue	 231,231		 201,221	
 Fund Balance, January 1	 <u>402,403</u>		 <u>317,996</u>	
	633,634		519,217	
Decreased by:				
Utilization as Anticipated Revenue	<u>204,538</u>		<u>116,814</u>	
 Fund Balance, December 31	 <u>\$ 429,096</u>		 <u>\$ 402,403</u>	

**BOROUGH OF HOPATCONG
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -
SEWER UTILITY OPERATING FUND**

	<u>Year 2015</u>		<u>Year 2014</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 584,788	11.23%	\$ 439,404	8.85%
Rents	4,214,324	80.93%	4,169,059	83.96%
Miscellaneous	5,601	0.11%	4,484	0.09%
Other Credits	<u>402,374</u>	<u>7.73%</u>	<u>352,431</u>	<u>7.10%</u>
 Total Income	 <u>5,207,087</u>	 <u>100.00%</u>	 <u>4,965,378</u>	 <u>100.00%</u>
 EXPENDITURES				
Budget Expenditures				
Operating	1,704,288	40.25%	1,683,674	41.09%
Capital Improvements	10,400	0.25%	4,650	0.11%
Debt Service	2,475,812	58.46%	2,364,945	57.72%
Deferred Charges and Statutory Expenditures	<u>44,200</u>	<u>1.04%</u>	<u>44,200</u>	<u>1.08%</u>
 Total Expenditures	 <u>4,234,700</u>	 <u>100.00%</u>	 <u>4,097,469</u>	 <u>100.00%</u>
 Excess in Revenue	 972,387		 867,909	
 Fund Balance, January 1	 <u>2,702,916</u>		 <u>2,274,411</u>	
	3,675,303		3,142,320	
Decreased by:				
Utilized by Current Fund Budget	<u>584,788</u>		<u>439,404</u>	
 Fund Balance, December 31	 <u>\$ 3,090,515</u>		 <u>\$ 2,702,916</u>	

**BOROUGH OF HOPATCONG
SUPPLEMENTARY DATA**

Comparative Schedule Of Tax Rate Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Tax Rate</u>	<u>\$3,243</u>	<u>\$3,232</u>	<u>\$3,096</u>
<u>Apportionment of Tax Rate</u>			
Municipal	.917	\$.908	\$.885
County	.593	.618	.547
Local School	1.733	1.706	1.664

Assessed Valuation

2015	<u>\$1,400,912,000</u>
2014	<u>\$1,396,668,800</u>
2013	<u>\$1,399,808,100</u>

Comparison of Levies and Collection Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2015	\$ 45,456,376	\$ 44,445,823	97.78%
2014	45,314,549	44,214,161	97.57%
2013	43,340,217	42,294,273	97.59%

Delinquent Taxes and Tax Title Liens

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

<u>December 31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2015	\$ 309,521	\$ 921,321	\$ 1,230,842	2.71%
2014	257,537	1,014,982	1,272,519	2.81%
2013	218,714	978,233	1,196,947	2.76%

**BOROUGH OF HOPATCONG
SUPPLEMENTARY DATA**

Property Acquired By Tax Title Lien Liquidation

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

<u>Year</u>	<u>Amount</u>
2015	\$5,132,600
2014	4,974,400
2013	5,104,300

Comparison of Water Utility Levies

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u> *	<u>Percentage of Collection</u>
2015	\$858,581	\$862,136	100.41%
2014	830,722	824,306	99.23
2013	804,618	845,437	105.07

Comparison of Sewer Utility Levies

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u> *	<u>Percentage of Collection</u>
2015	\$4,212,158	\$4,214,324	100.05%
2014	4,224,753	4,164,554	98.58
2013	4,245,300	4,331,265	102.02

* Cash collections include prior year balance collected in the current year and prior year prepayments applied.

Comparative Schedule of Fund Balances

	<u>Year</u>	<u>Balance, December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>
<u>Current Fund</u>	2015	\$4,618,346	\$1,500,000
	2014	3,935,814	1,425,000
	2013	3,227,825	1,425,000
<u>Water Utility Operating Fund</u>	2015	\$429,096	\$214,890
	2014	402,403	204,538
	2013	317,996	116,814
<u>Sewer Utility Operating Fund</u>	2015	\$3,090,515	\$957,815
	2014	2,702,916	584,788
	2013	2,274,411	439,404

**BOROUGH OF HOPATCONG
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate or Personal Surety</u>
Sylvia Petillo	Mayor		
Marie Ryder-Galate	Council President		
Frank Padula	Councilman		
Richard Bunce	Councilman		
Michael Francis	Councilman		
Richard Schindelar	Councilman		
John Young	Councilman		
Robert Elia	Borough Administrator	(A)	
Catherine Schultz	Borough Clerk	(A)	
Kelleyanne McGann	Chief Financial Officer-Retired 8/28/15	\$ 50,000	Morris County Municipal JIF
Lorraine Rossetti	Chief Financial Officer (9/1/2015-Present)		
Patricia Emery	Tax Collector, Tax Search Officer; Water and Sewer Collector	1,000,000	Municipal Excess Liability JIB
John Ursin	Borough Attorney		
C. William Bowkley, Jr.	Magistrate	50,000	Morris County Municipal JIF
Ana Torres-Pearn	Court Administrator; Violations Clerk Retired 3/31/2015	50,000	Morris County Municipal JIF
Erin Geiger	Court Administrator (4/1/2015-Present)		
William O'Connor	Construction Code Official	(A)	

(A) Covered under Faithful Performance Blanket Bond by Morris County Municipal Joint Insurance Fund in the amount of \$50,000.

*All employees, who are not specifically bonded, are covered under a \$1,000,000.00 Faithful Performance Blanket Bond with the Municipal Excess Liability Joint Insurance Fund.

**BOROUGH OF HOPATCONG
SUPPLEMENTARY DATA**

GENERAL COMMENTS

Current Year

The audit indicated that the Borough did not file the required annual financial report accounting for the transactions related to the affordable housing in a timely manner. No recommendation is warranted since the Borough has since filed the required report.

It was noted that the Borough did not publish the synopsis of the prior year audit report as required by N.J.S. 40A:5-7 in a timely manner. No recommendation is warranted since the Borough has since published the synopsis.

The audit of fees collected by the Recreation Department revealed the following:

- There were certain instances where a registration form was not available for audit.
- There were certain instances where the amounts charged were not in agreement with the approved fees.
- The fees from Summer Recreation trips were not approved by the Mayor and Council.

It is recommended that internal controls over the collection of Recreation Department fees be reviewed and enhanced.

Contracts and Agreements Required To Be Advertised For NJS 40a:11-4

NJS 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$36,000, except by contract or agreement".

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

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

Hopatchung Road Beautification Project – Phase II
Field and Lawn Maintenance
Elba Point Infrastructure Improvements
Vacuum Street Sweeper
2015 Road Improvements Project
4x4 Crew Cab Pickup Truck for the Fire Chief
Dump Truck with Snow Plow and Spreader

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

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

**BOROUGH OF HOPATCONG
SUPPLEMENTARY DATA**

GENERAL COMMENTS

Collection of Interest of Delinquent Taxes and Assessments

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

The Governing Body on January 7, 2015 adopted the following resolution authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED that in accordance with N.J.S.A. 54:4-67, any taxes or utility charges remaining unpaid by the 1st day of February, May, August and November are subject to interest at the rate of 8% per annum up to \$1,500 and at the rate of 18% per annum for any and all sums exceeding \$1,500, to be calculated from the date the tax or utility charge was payable until the date of actual payment, except that no interest will be charged if the taxes or utility charges for the current quarter are paid during the first ten days of the quarter, and

BE IT FURTHER RESOLVED that a 6% penalty shall be charged on any delinquency in excess of \$10,000 if not paid by the end of the calendar year, and

BE IT FURTHER RESOLVED that if the office of the Collector of Taxes is closed on the first day of February, May, August or November, then the waiver above described shall be extended to include the first business day thereafter, and

BE IT FURTHER RESOLVED that the interest shall revert to the rate of 8% per annum on the first \$1,500 and at the rate of 18% per annum for any and all sums exceeding \$1,500 from the first day of any current quarter unless the taxes or utility charges for the same quarter are paid during the first ten days of the same quarter or as otherwise provided in the resolution, and

BE IT FURTHER RESOLVED that a charge of five dollars (\$5) be made for duplicate tax bills.

It appears from an examination of the collector's records that interest on taxes receivable and water charges were collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 15, 2015 and was complete.

Inspection of tax sale certificates on file revealed that all tax sale certifications were available for audit.

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

<u>Year</u>	<u>Number of Liens</u>
2015	114
2014	104
2013	96

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

**BOROUGH OF HOPATCONG
SUPPLEMENTARY DATA**

RECOMMENDATIONS

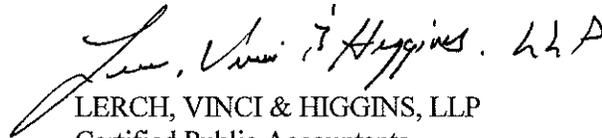
It is recommended that internal controls over the collection of Recreation Department fees be reviewed and enhanced.

Status of Prior Year's Audit Findings/Recommendations

A review was performed on the prior year recommendation and corrective action was taken.

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

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



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Paul J. Lerch
Registered Municipal Accountant
RMA Number CR00457