BOROUGH OF MEDFORD LAKES
County of Burlington

Report of Audit of Financial Statements

For the Year Ended December 31, 2015

BOROUGH OF MEDFORD LAKES
COUNTY OF BURLINGTON

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BOROUGH OF MEDFORD LAKES

PART I

Report of Audit of Financial Statements

For the Year Ended December 31, 2015

INVERSO & STEWART, LLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Borough Council
Borough of Medford Lakes
County of Burlington
Medford Lakes, New Jersey

Report on the Financial Statements

I have audited the accompanying statements of assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Borough of Medford Lakes, in the County of Burlington, State of New Jersey, as of December 31, 2015 and 2014, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis, statement of expenditures - regulatory basis, and statement of general fixed assets group of accounts for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 on the basis of the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and 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 my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Borough of Medford Lakes, in the County of Burlington, State of New Jersey, as of December 31, 2015 and 2014, or the results of its operations and changes in fund balance for the years then ended.

Opinion on Regulatory Basis of Accounting

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

Other Information

My audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The supplemental financial statements presented for the various funds are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and are not a required part of the basic financial statements

The supplementary financial statements presented for the various funds 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information described in the previous paragraph is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 27, 2016 on my consideration of the Borough of Medford Lakes', in the County of Burlington, State of New Jersey, internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Medford Lakes' internal control over financial reporting.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants

Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
May 27, 2016

INVERSO & STEWART, LLC

Certified Public 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

The Honorable Mayor and
Members of the Borough Council
Borough of Medford Lakes
County of Burlington
Medford Lakes, New Jersey

I have audited, in accordance with the auditing standards generally accepted in the United States of America: the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements prepared on a regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey of the Borough of Medford Lakes, in the County of Burlington, State of New Jersey, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued my report thereon dated May 27, 2016. That report indicated that the Borough of Medford Lakes' financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America, but were prepared on a regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Borough of Medford Lakes' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, I do not express an opinion on the effectiveness of the Borough of Medford Lakes' 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Medford Lakes' financial statements are free from material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Govemment Auditing Standards* and audit requirements as prescribed by the Division of Local Governments Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

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

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants

Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
May 27, 2016

EXHIBIT A

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Reference	2015	2014
ASSETS			
Regular Fund:			
Cash - Treasurer	A-4	$ 5,419,178.38	$ 5,219,231.31
Cash - Tax Collector	A-5	219,344.06	195,511.15
Cash - Collector's Change Fund		500.00	500.00
Total		5,639,022.44	5,415,242.46
Due from State of NJ - Vets & SC Deductions	A-13	547.32	172.32
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	257,964.26	203,509.66
Tax Title Lien Receivable	A-7	15,898.62	11,365.64
Revenue Accounts Receivable	A-8	6,087.41	5,039.99
Other Accounts Receivale			1,347.50
Due from Federal and State Grant Fund	A	23,792.06	
Due from Capital Fund	C	52.89	457.72
Due from Other Trust Fund	B	780.81	1,471.10
Total		304,576.05	223,191.61
Deferred Charges:			
Special Emergency Authorization	A-19	200,000.00	100,000.00
Total Regular Fund		6,144,145.81	5,738,606.39
Federal and State Grant Fund:			
Cash - Treasurer	A-4	253,628.98	25,202.31
Federal and State Grants Receivable	A-20	131,504.12	215,733.20
Total Federal and State Grant Fund		385,133.10	240,935.51
Total		$ 6,529,278.91	$ 5,979,541.90

(Continued)

EXHIBIT A

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Reference	2015	2014
LIABILITIES, RESERVES AND FUND BALANCE			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3	$ 255,349.63	$ 290,008.87
Reserve for Encumbrances	A-3	140,010.96	94,612.26
Reserve for Farmers Market	A-10	3,306.91	3,306.91
Reserve for Leon Tood Memorial Park	A-11	7,680.62	4,709.69
Reserve for POAA	A-12	12.00	12.00
Tax Overpayments	A-14	30,728.39	0.54
Prepaid Taxes	A-4	65,853.18	62,646.69
Reserve for Tax Sale Premiums	A-15	219,344.06	195,511.15
Reserve for Storm damage		60,589.56	
Due State of New Jersey:			
Construction Code Fees		1,208.00	1,142.00
Marriage License Fees		125.00	150.00
Due County for Added Taxes	A-16	2,667.63	1,617.69
Regional High School Tax Payable	A-17	1,403,240.95	1,431,956.23
Local District School Tax Payable	A-18	2,219,825.77	2,123,627.77
Total Liabilities		4,409,942.66	4,209,301.80
Reserve for Receivables and Other Assets	A	304,576.05	223,191.61
Fund Balance	A-1	1,429,627.10	1,306,112.98
Total Regular Fund		6,144,145.81	5,738,606.39
Federal and State Grant Fund:			
Unppropriated Reserves	A-21	3,257.75	15,940.51
Reserve for Encumbrances	A-22	111,048.39	24,261.16
Due to Current Fund	A	23,792.06	
Due to Capital Fund	C	50,000.00	50,000.00
Appropriated Reserves	A-22	197,034.90	150,733.84
Total Federal and State Grant Fund		385,133.10	240,935.51
Total		$ 6,529,278.91	$ 5,979,541.90

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT A-1

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Operations and Changes in Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	2015	2014
Revenue and Other Income Realized:		
Fund Balance Utilized	$ 787,000.00	$ 545,000.00
Miscellaneous Revenue Anticipated	1,087,488.40	1,096,528.30
Receipts from Delinquent Taxes	146,353.77	261,269.63
Receipts from Current Taxes	13,280,403.96	13,024,053.84
Nonbudget Revenues	214,849.09	113,334.55
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	277,091.64	260,848.13
Cancelation of Reserve Balances		
Interfunds Liquidated	457.72	2,937.94
Total Revenue and Other Income Realized	15,793,644.58	15,303,972.39
Expenditures:		
Operations Within "CAPS":		
Salaries and Wages	1,328,013.00	1,388,688.00
Other Expenses	1,332,693.00	1,289,831.00
Deferred Charges and Statutory Expenditures Within "CAPS"	287,573.00	280,647.00
Operations Excluded from "CAPS":		
Other Expenses	253,596.61	246,185.90
Capital Improvements Excluded from "CAPS"	52,500.00	15,000.00
Municipal Debt Service Excluded from "CAPS"	537,500.64	537,500.64
Deferred Charges Excluded from "CAPS"	340,000.00	340,000.00
Local District School Tax	2,724,697.00	5,947,931.00
Regional High School Tax	6,140,328.00	2,782,128.00
County Taxes	1,883,561.58	1,753,489.27
Due County for Added Taxes	2,667.63	1,699.85
Interfund Receivables Created		1,347.50
Total	14,883,130.46	14,584,448.16
Excess	910,514.12	719,524.23
Fund Balance January 1	1,306,112.98	1,131,588.75
Total	2,216,627.10	1,851,112.98
Decreased by Utilization as Anticipated Revenue	787,000.00	545,000.00
Balance December 31,	$ 1,429,627.10	$ 1,306,112.98

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT A-2

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Revenues -- Regulatory Basis
For the Year Ended December 31, 2015

	BUDGET	SPECIAL NJS 40A:4-87	REALIZED	EXCESS (DEFICIT)
Fund Balance Anticipated	$ 787,000.00	$ -	$ 787,000.00	$ -
Miscellaneous Revenues:				
Licenses:				
Alcohol	1,125.00		1,431.00	306.00
Fees and Permits - Other	15,000.00		27,046.61	12,046.61
Fines and Costs - Municipal Court	53,000.00		61,032.42	8,032.42
Interest and Costs on Taxes	50,000.00		46,499.03	(3,500.97)
Cellular Tower Rental	150,000.00		189,802.98	39,802.98
Consolidated Municipal Property Tax Relief Aid	12,554.00		12,554.00	
Energy Receipts Taxes	277,046.00		277,046.00	
Uniform Construction Code Fees	39,000.00		55,107.00	16,107.00
Reserve for Payment of Debt Service Cost	165,000.00		165,000.00	
Miscellaneous Revenues Offset with Appropriations:				
Body Armor	1,174.81		1,174.81	
Clean Communities		11,061.85	11,061.85	
Click It or Ticket		3,600.00	3,600.00	
Drunk Driving Enforcement Fund	1,744.52		1,744.52	
Drive Sober or Get Pulled Over		5,000.00	5,000.00	
Municipal Alliance	6,509.00		6,509.00	
Safer Grant		107,000.00	107,000.00	
Firefighters Grant		102,858.00	102,858.00	
Recycling Tonnage Grant	13,021.18		13,021.18	
Total	785,174.51	229,519.85	1,087,488.40	72,794.04
Receipts from Delinquent Taxes	162,000.00		146,353.77	(15,646.23)
Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes	2,741,086.30		2,979,554.16	238,467.86
Budget Totals	4,475,260.81	229,519.85	5,000,396.33	$ 295,615.67
Nonbudget Revenues			214,849.09	
Total	$ 4,475,260.81	$ 229,519.85	$ 5,215,245.42	

(Continued)

EXHIBIT A-2

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Revenues -- Regulatory Basis
For the Year Ended December 31, 2015

Analysis of Realized Revenue

Allocation of Current Tax Collections:		
Revenue from Collections	$	13,280,403.96
Allocated to School and County Taxes		10,751,254.21
Balance for Support of Municipal Budget Appropriations		2,529,149.75
Add Appropriation - Reserve for Uncollected Taxes		450,404.41
Amount for Support of Municipal Budget Appropriations	$	2,979,554.16
Receipts from Delinquent Taxes:		
Delinquent Tax Collections	$	146,353.77
Fees and Permits - Other:		
Historic Commission Permits		80.00
Street Opening Permits		8,000.00
Firearm Permits		244.00
Zoning Permits		4,225.00
Land Use Board Fees		1,060.00
Tree Removal Permits		2,305.00
Permits and Fees		3,189.48
Fire Official Permits and Fees		7,943.13
Total	$	27,046.61
Miscellaneous Revenue Not Anticipated:		
Collected - Treasurer		
Cable TV Franchise Fee	$	65,342.47
Vet & Senior Citizen Admin Fee		912.50
JIF Dividend		11,514.25
DMV Inspection Fees		1,300.00
Photocopies		969.02
Admin Fee - Off Duty Police		565.61
Interest on Bank Deposits		10,786.70
Sale of Assets		8,743.02
Police Reports		157.22
Raffle License		420.00
Prior Year Refunds		105,882.85
Miscellaneous		8,255.45
Total Treasurer	$	214,849.09

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT A-3

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2015

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
GENERAL APPROPRIATIONS:						
Operations Within "CAPS":						
General Government						
General Administration:						
Salaries and Wages	$ 96,000.00	$ 100,000.00	$ 97,455.93	$ -	$ 2,544.07	$ -
Other Expenses	16,650.00	16,650.00	15,537.95	966.75	145.30	
Mayor and Council:						
Salaries and Wages	8,500.00	8,500.00	8,499.99		0.01	
Other Expenses	5,675.00	5,675.00	5,586.75		88.25	
Borough Clerk:						
Salaries and Wages	46,500.00	49,300.00	48,386.54		913.46	
Other Expenses	21,900.00	19,100.00	9,105.12	1,473.09	8,521.79	
Financial Administration:						
Salaries and Wages	35,000.00	36,000.00	35,222.36	-	777.64	
Other Expenses	2,500.00	1,500.00	700.00	120.50	679.50	
Audit Services:						
Other Expenses	18,000.00	18,000.00	18,000.00			
Computerized Data Processing:						
Other Expenses	13,000.00	13,000.00	12,768.00	200.00	32.00	
Collection of Taxes:						
Salaries and Wages	22,000.00	23,200.00	22,676.40		523.60	
Other Expenses	2,725.00	2,725.00	1,784.20	13.50	927.30	
Assessment of Taxes:						
Other Expenses	25,500.00	25,500.00	25,157.50		342.50	
Legal Services & Costs:						
Other Expenses	35,000.00	32,000.00	27,840.10	2,250.00	1,909.90	
General Government						
Engineering Services:						
Other Expenses	18,000.00	16,500.00	7,079.34		9,420.66	

(Continued)

EXHIBIT A-3

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Expenditures – Regulatory Basis
For the Year Ended December 31, 2015

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
Operations Within "CAPS" (Continued)						
General Government						
Historic Preservation Commission:						
Salaries and Wages	$ 1,600.00	$ 1,600.00	$ 1,250.00	$ -	$ 350.00	$ -
Other Expenses	100.00	100.00	75.00		25.00	
Land Use Administration:						
Plannin						
Salaries & Wages	4,300.00	4,800.00	4,250.65		549.35	
Other Expenses	7,200.00	10,200.00	8,031.68	115.00	2,053.32	
Insurance:						
Liability Insurance	171,000.00	171,000.00	169,822.68	484.60	692.72	
Employees Group Insurance	308,200.00	303,200.00	284,455.32		18,744.68	
Unemployment Compensation	6,000.00	6,000.00	769.42		5,230.58	
Health Benefit Waiver	15,000.00	15,000.00	9,230.34		5,769.66	
Public Safety:						
Police:						
Salaries and Wages	735,513.00	700,313.00	678,761.91		21,551.09	
Other Expenses	35,000.00	80,000.00	22,352.74	54,637.81	3,009.45	
Office of Emergency Management:						
Salaries and Wages	3,500.00	3,500.00	2,856.84		643.16	
Other Expenses	2,000.00	2,000.00	25.00		1,975.00	
Emergency Medical Services:						
Salaries and Wages	3,500.00	3,500.00	1,250.00		2,250.00	
Other Expenses	4,000.00	5,000.00	4,484.96		515.04	
Fire Department:						
Other Expenses	57,000.00	57,000.00	24,368.66	12,285.56	20,345.78	
Fire Official:						
Salaries & Wages	14,000.00	14,200.00	14,177.96		22.04	
Other Expenses	1,100.00	1,100.00			1,100.00	

(Continued)

EXHIBIT A-3

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Expenditures – Regulatory Basis
For the Year Ended December 31, 2015

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
Operations Within "CAPS" (Continued)						
Borough Prosecutor:						
Other Expenses	$ 6,300.00	$ 6,300.00	$ 5,250.00	$ 525.00	$ 525.00	$ -
Public Works:						
Streets & Roads:						
Salaries and Wages	286,000.00	293,000.00	286,358.72		6,641.28	
Other Expenses	82,000.00	88,000.00	64,711.54	15,500.53	7,787.93	
Solid Waste Collection:						
Salaries & Wages	38,000.00	33,000.00	16,794.60		16,205.40	
Other Expenses	50,000.00	50,000.00	13,911.11	12,818.99	23,269.90	
Public Buildings and Grounds:						
Salaries & Wages	26,000.00	21,000.00	5,760.00		15,240.00	
Other Expenses	16,000.00	19,000.00	15,050.27	1,663.00	2,286.73	
Vehicle Maintenance:						
Other Expenses	50,000.00	70,000.00	50,776.69	13,518.66	5,704.65	
Utility Expenses and Bulk Purchases:						
Electricity	28,000.00	30,000.00	24,875.57		5,124.43	
Street Lighting	10,000.00	10,000.00	7,850.00		2,150.00	
Telephone	11,000.00	11,000.00	10,833.05		166.95	
Natural Gas	11,000.00	11,000.00	8,074.74		2,925.26	
Gasoline	57,000.00	52,000.00	27,723.79		24,276.21	
Printing & Postage	7,500.00	7,500.00	1,500.00		6,000.00	
Landfill/Solid Waste Disposal Costs:						
Landfill Fees	145,000.00	137,000.00	120,900.50	9,658.96	6,440.54	
Uniform Construction Code:						
Construction Code Official:						
Salaries and Wages	13,000.00	12,000.00	11,535.63		464.37	
Other Expenses	23,000.00	23,000.00	20,954.20		2,045.80	
Zoning Code Enforcement Officer:						
Salaries and Wages	11,300.00	12,100.00	11,627.68		472.32	
Other Expenses	300.00	300.00	50.00		250.00	

(Continued)

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2015

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
Operations Within "CAPS" (Continued)						
Accumulated Sick Leave Compensation						
Salaries and Wages	$ 25,000.00	$ -	$ -	$ -	$ -	$ -
Municipal Court:						
Salaries and Wages	9,000.00	9,000.00	7,929.08		1,070.92	
Other Expenses	15,843.00	15,843.00	13,398.66	216.99	2,227.35	
Public Defender						
Salaries and Wages	3,000.00	3,000.00	2,625.00		375.00	
Other Expenses						
Total Operations - Within "CAPS"	2,660,206.00	2,660,206.00	2,290,454.17	126,448.94	243,302.89	
Contingent	500.00	500.00			500.00	
Total Operations Including Contingent - within "CAPS"	2,660,706.00	2,660,706.00	2,290,454.17	126,448.94	243,802.89	
Detail:						
Salaries and Wages	1,381,713.00	1,328,013.00	1,257,419.29		70,593.71	
Other Expenses	1,278,993.00	1,332,693.00	1,033,034.88	126,448.94	173,209.18	
Deferred Charges and Statutory Expenditures - Municipal - Within "CAPS":						
STATUTORY EXPENDITURES:						
Contribution to:						
Public Employees Retirement System	46,887.00	46,887.00	46,887.00			
Social Security System (O.A.S.I.)	107,100.00	107,100.00	98,468.51		8,631.49	
Police and Firemen's Retirement System	130,586.00	130,586.00	130,586.00			
Defined Contribution Retirement Fund	3,000.00	3,000.00	84.75		2,915.25	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	287,573.00	287,573.00	276,026.26		11,546.74	
al General Appropriations - For Municipal Purposes Within "CAPS"	2,948,279.00	2,948,279.00	2,566,480.43	126,448.94	255,349.63	

(Continued)

EXHIBIT A-3

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Expenditures – Regulatory Basis
For the Year Ended December 31, 2015

	Appropriations		Expended			Unexpended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Balance Canceled
Operations Excluded from "CAPS":						
Employee Group Insurance						
Public and Private Programs Offset By Revenues:						
Municipal Alliance for Alcoholism and Drug Abuse						
State Share	$ 6,509.00	$ 6,509.00	$ 6,509.00	$ -	$ -	$ -
Borough Share	1,627.25	1,627.25	1,627.25			
Recycling Tonnage Grant	13,021.18	13,021.18	13,021.18			
Clean Communities		11,061.85	11,061.85			
Drunk Driving Enforcement Fund	1,744.52	1,744.52	1,744.52			
Click it or Ticket		3,600.00	3,600.00			
Drive Sober or Get Pulled Over		5,000.00	5,000.00			
Safer Grant		107,000.00	107,000.00			
Homeland Security - Fire Fighters Grant		102,858.00	102,858.00			
Body Armor	1,174.81	1,174.81	1,174.81			
Total Operations - Excluded From "CAPS"	24,076.76	253,596.61	253,596.61			
Detail:						
Salaries and Wages						
Other Expenses	24,076.76	253,596.61	253,596.61			
Capital Improvements - Excluded From "CAPS"						
Capital Improvement Fund	25,000.00	25,000.00	25,000.00			
Road Reconstruction	150,000.00	150,000.00	14,552.98	12,947.02		122,500.00
Total Capital Improvements - Excluded From "CAPS"	175,000.00	175,000.00	39,552.98	12,947.02		122,500.00
Municipal Debt Service - Excluded From "CAPS"						
Loan Repayment - Principal	425,433.89	425,433.89	425,433.89			
Loan Repayment - Interest	112,066.75	112,066.75	112,066.75			
Total Municipal Debt Service - Excluded From "CAPS"	537,500.64	537,500.64	537,500.64			

(Continued)

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Expenditures – Regulatory Basis
For the Year Ended December 31, 2015

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	(Continued)
Deferred Charges - Municipal - Excluded From "CAPS"						
Special Emergency Authorizations	$ 50,000.00	$ 50,000.00	$ 50,000.00	$ -	$ -	$ -
Deferred Charges to Future Revenue - Unfunded:						
Ordinance 518	74,450.41	74,450.41	74,450.41			
Ordinance 569	75,000.00	75,000.00	75,000.00			
Ordinance 550	44,445.00	44,445.00	44,445.00			
Ordinance 581	96,104.59	96,104.59	96,104.59			
Total Deferred Charges - Municipal - Excluded From "CAPS"	340,000.00	340,000.00	340,000.00			
Total General Appropriations for Municipal Purposes Excluded From "CAPS"	1,076,577.40	1,306,097.25	1,170,650.23	12,947.02	-	122,500.00
Subtotal General Appropriations	4,024,856.40	4,254,376.25	3,737,130.66	139,395.96	255,349.63	122,500.00
Reserve for Uncollected Taxes	450,404.41	450,404.41	450,404.41			
TOTAL GENERAL APPROPRIATIONS	$ 4,475,260.81	$ 4,704,780.66	$ 4,187,535.07	$ 139,395.96	$ 255,349.63	$ 122,500.00

Analysis of Budget After Modification:

Original Budget	$ 4,475,260.81
Appropriation by 40A: 4-87	229,519.85
Total	$ 4,704,780.66

Analysis of Expended - Paid or Charged:

Reserve for Federal and State Grants	$ 251,969.36
Deferred Charges - Emergency	50,000.00
Reserve for Uncollected Taxes	450,404.41
Disbursed	3,435,161.30
Total	$ 4,187,535.07

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT B

BOROUGH OF MEDFORD LAKES

TRUST FUND

Statement of Assets, Liabilities, Reserves, and Fund Balance - Regulatory Basis
December 31, 2015 and 2014

	Reference	2015	2014
ASSETS			
Animal Control Fund:			
Cash - Treasurer	B-1	$ 5,431.06	$ 6,584.02
Other Funds:			
Cash - Treasurer	B-1	164,465.84	156,869.88
Other receivable			51.67
Total Other Funds		164,465.84	156,921.55
Total		$ 169,896.90	$ 163,505.57
LIABILITIES AND RESERVES			
Animal Control Fund:			
Due to State Department of Health		$ 6.00	$ 6.60
Reserve for Animal Control Fund Expenditures	B-2	5,425.06	6,577.42
Total Animal Control Fund		5,431.06	6,584.02
Other Funds:			
Due to Current Fund	A	780.81	1,471.10
Payroll Deductions Payable	B-3	17,588.83	6,252.67
Reserve for Planning and Zoning Escrow Deposits	B-4	1,677.27	907.27
Reserve for Unemployment Compensation Trust	B-5	8,456.03	6,858.98
Reserve for Public Defender Fund	B-6	1,894.92	994.92
Reserve for Compensated Absences	B-7		
Reserve for Special Law Enforcement Fund	B-8	2,197.94	2,197.94
Reserve for Street Opening Deposits	B-9	17,862.37	21,304.11
Reserve for EMS	B-10	108,617.12	115,583.54
Reserve for Health Care	B-11	5,390.55	1,351.02
Total Other Funds		164,465.84	156,921.55
Total		$ 169,896.90	$ 163,505.57

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT C

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Reference	2015	2014
ASSETS			
Cash	C-2	$ 827,397.25	$ 593,233.72
Investments - Bond Anticipation Notes			234,000.00
Deferred Charges to Future Taxation:			
Funded	C-4	5,283,733.26	5,709,167.15
Unfunded	C-5	1,972,046.63	1,986,831.63
Due from Federal & State Grant Fund	A	50,000.00	50,000.00
Due from Sewer Utility Fund	D	234,000.00	234,000.00
Due from Sewer Capital Fund	D	79,000.00	79,000.00
Total		$ 8,446,177.14	$ 8,886,232.50
LIABILITIES, RESERVES AND FUND BALANCE			
Encumbrances Payable	C-7	$ 108,500.62	$ 96,260.34
Due to Current Fund	A	52.89	457.72
EDA Loan Payable	C-6	5,283,733.26	5,709,167.15
Improvement Authorizations:			
Funded	C-7	676,235.26	730,247.33
Unfunded	C-7	880,365.13	698,324.98
Capital Improvement Fund	C-8	10,822.76	307.76
Reserve for Payment of Debt Service Costs	C-3	1,326,405.58	1,491,405.58
Reserve for Payment of Loan	C-3	147,421.75	147,421.75
Fund Balance	C-1	12,639.89	12,639.89
Total		$ 8,446,177.14	$ 8,886,232.50

The accompanying Notes to Financial Statements are an integral part of this statement.

EXHIBIT C-1

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

Statement of Operations and Changes in Fund Balance -- Regulatory Basis
For the Year Ended December 31, 2015

Balance December 31, 2014 and 2015	$ 12,639.89

The accompanying Notes to Financial Statements are an integral part of this statement.

EXHIBIT D

BOROUGH OF MEDFORD LAKES

SEWER UTILITY OPERATING AND CAPITAL FUND

Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Reference	2015	2014
ASSETS			
Operating Fund:			
Cash - Treasurer	D-5	$ 1,468,716.36	$ 993,512.65
Due from Sewer Utility Capital Fund	D	6.50	234,198.56
Receivables with Full Reserves:			
Sewer Service Charges Receivable	D-7	128,832.24	122,943.82
Sewer Service Lien Receivable	D-8	5,053.30	3,653.30
Total Operating Fund		1,602,608.40	1,354,308.33
Capital Fund:			
Cash - Treasurer	D-5	3,529.83	258,190.89
Fixed Capital	D-9	5,533,651.24	5,533,651.24
Fixed Capital Authorized & Uncompleted	D-10	813,900.00	783,900.00
Total Capital Fund		6,351,081.07	6,575,742.13
Total		$ 7,953,689.47	$ 7,930,050.46

(Continued)

EXHIBIT D

BOROUGH OF MEDFORD LAKES

SEWER UTILITY OPERATING AND CAPITAL FUND

Statement of Assets, Liabilities, Reserves and Fund Balance - Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Reference	2015	2014
LIABILITIES, RESERVES AND FUND BALANCE			
Operating Fund:			
Due to General Capital	C	$ 234,000.00	$ 234,000.00
Appropriaton Reserves	D-4	144,071.14	129,675.89
Encumbrances Payable	D-4	60,341.97	44,264.14
Prepaid Sewer Service Charges	D-5	47,480.28	50,856.46
Sewer Rent Overpayments		1,763.17	2,234.52
Accrued Interest on Bonds and Notes	D-16		2,679.78
Total		487,656.56	463,710.79
Reserve for Receivables	D	133,885.54	126,597.12
Fund Balance	D-1	981,066.30	764,000.42
Total Operating Fund		1,602,608.40	1,354,308.33
Capital Fund:			
Serial Bonds			
Bond Anticipation Notes Payable	D-17		234,000.00
Encumbrances Payable		67,330.57	27,702.19
Due to General Capital Fund	C	79,000.00	79,000.00
Due to Sewer Utility Operating Fund	D	6.50	234,198.56
Improvement Authorization			
Funded	D-13	2,945.00	2,945.00
Unfunded	D-13	657,043.28	687,140.66
Reserve for Amortization	D-14	5,054,550.97	5,054,550.97
Deferred Reserve for Amortization	D-15	472,104.84	238,104.84
Reserve for Debt		990.16	990.16
Capital Improvement Fund	D-12	3,458.25	3,458.25
Capital Fund Balance	D-2	13,651.50	13,651.50
Total Capital Fund		6,351,081.07	6,575,742.13
Total		$ 7,953,689.47	$ 7,930,050.46

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT D-1

BOROUGH OF MEDFORD LAKES

SEWER UTILITY OPERATING FUND

Statement of Operations and Changes In Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	2015	2014
Revenue and Other Income Realized:		
Fund Balance Utilized	$ 100,000.00	$ 100,000.00
Sewer Service Charges	1,245,538.83	1,276,617.81
Miscellaneous	28,468.41	29,650.44
Reserve for Debt Service		234,000.00
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	130,416.86	113,945.59
Total Revenues	1,504,424.10	1,754,213.84
Expenditures:		
Operating	889,100.00	881,324.00
Debt Service	236,000.22	598,717.58
Deferred Charges and Statutory Expenditures	62,258.00	60,706.00
Total Expenditures	1,187,358.22	1,540,747.58
Excess in Revenues	317,065.88	213,466.26
Fund Balance January 1	764,000.42	650,534.16
	1,081,066.30	864,000.42
Decreased by Utilization by Sewer Utility Operating Budget	100,000.00	100,000.00
Fund Balance Balance December 31	$ 981,066.30	$ 764,000.42

The accompanying Notes to the Financial Statements is an integral part of this statement.

EXHIBIT D-2

BOROUGH OF MEDFORD LAKES

SEWER UTILITY CAPITAL FUND

Statement of Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2015 and 2014

Balance December 31, 2014 and 2015	$ 13,651.50

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT D-3

BOROUGH OF MEDFORD LAKES

SEWER UTILITY OPERATING FUND

Statement of Revenues -- Regulatory Basis
For the Year Ended December 31, 2015

	Anticipated	Realized	Excess (Deficit)
Fund Balance	$ 100,000.00	$ 100,000.00	$ -
Sewer Service Charges	1,097,358.00	1,245,538.83	148,180.83
Total	1,197,358.00	1,345,538.83	148,180.83
Miscellaneous		28,468.41	28,468.41
Total	$ 1,197,358.00	$ 1,374,007.24	$ 176,649.24

Analysis of Realized Revenues

Sewer Service Charges:	
Consumer Accounts Receivable:	
Collections - 2015	$ 1,194,682.37
Prepayments Applied	50,856.46
Total	$ 1,245,538.83
Miscellaneous:	
Sewer Late Fee Charges	$ 24,912.28
Interest Earned on Investments	1,470.13
Sump Pump Fees	2,075.00
Miscellaneous	11.00
Total	$ 28,468.41

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT D-4

BOROUGH OF MEDFORD LAKES

SEWER UTILITY OPERATING FUND

Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2015

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbrances Payable	Reserved	
Operating:						
Salaries and Wages	$ 236,200.00	$ 236,200.00	$ 235,575.83	$ -	$ 624.17	$ -
Other Expenses	652,900.00	652,900.00	461,916.84	60,341.97	130,641.19	
Debt Service:						
Payment of Bond Principal					-	
Payment of Note Principal	234,000.00	234,000.00	234,000.00		-	
Interest on Bonds						
Interest on Notes	12,000.00	12,000.00	2,000.22			9,999.78
Statutory Expenditures:					-	
Public Employees Retirement System	31,258.00	31,258.00	31,258.00		-	
Social Security System	24,000.00	24,000.00	18,023.88		5,976.12	
Defined Contribution Retirement	3,000.00	3,000.00	36.93		2,963.07	
Unemployment Compensation					-	
Insurance (NJSA 43:21-3 et. seq.)	4,000.00	4,000.00	133.41		3,866.59	
Total	$ 1,197,358.00	$ 1,197,358.00	$ 982,945.11	$ 60,341.97	$ 144,071.14	$ 9,999.78

Analysis of Paid or Charged:

Interest on Bonds and Notes	$ 2,000.22
Disbursed	980,944.89
Total	$ 982,945.11

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT E

BOROUGH OF MEDFORD LAKES

ACCOUNT GROUP

Statement of General Fixed Assets Group of Accounts
For the Year Ended December 31, 2015

	Balance December 31, 2014	Additions	Retirements	Balance December 31, 2015
General Fixed Assets:				
Buildings	$ 6,634,023.26	$ -	$ -	$ 6,634,023.26
Improvements Other Than to Buildings	170,444.15			170,444.15
Furniture and Equipment	9,000.00			9,000.00
Vehicles and Equipment	2,627,137.00	83,804.00		2,710,941.00
Total General Fixed Assets	$ 9,440,604.41	$ 83,804.00	$ -	$ 9,524,408.41
Total Investment In General Fixed Assets	$ 9,440,604.41	$ 83,804.00	$ -	$ 9,524,408.41

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The Borough of Medford Lakes (hereafter referred to as the "Borough") is located in the western portion of the County of Burlington, State of New Jersey. The present population according to the 2010 census is 4,110.

The Borough was incorporated in 1939 and operates under the provisions of the Municipal Manager's Act of Chapter 113 of the 1923 Laws of New Jersey, as amended. Under this act the Borough is governed by a five member Borough Council. At least one councilmember is elected every two years to a four year term. At its reorganization the council selects a mayor and appoints a professionally qualified Manager. The Council is the legislative body of the Borough, while the Mayor acts as the Chief Executive Officer. The Borough Manager monitors the daily administrative and financial responsibilities, including but not limited to, staffing and personnel issues and budget preparation and implementation.

Component Units – The Borough of Medford Lakes had no component units as defined by Governmental Accounting Standards Board Statement No. 14.

Basis of Accounting, Measurement Focus and Basis of Presentation - The financial statements of the Borough contain all funds and account groups in accordance with the "Requirements of Audit" as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the "Requirements" 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. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these "Requirements". In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units. The more significant differences are explained in this Note.

In accordance with the "Requirements", the Borough accounts for its financial transactions through the use of separate funds which are described as follows.

> **Current Fund** - The Current Fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grant funds.
>
> **Trust Funds** - The various Trust Funds account for receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.
>
> **General Capital Fund** - The General Capital Fund accounts for receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.
>
> **Sewer Utility Operating and Capital Funds** - The Sewer Utility Operating and Capital Funds account for operations of the utility and the acquisition of capital facilities of the municipally-owned sewer utility.

Budgets and Budgetary Accounting - The Borough must adopt an annual budget for its current and sewer utility funds in accordance with N.J.S.A. 40A:4 et seq. N.J.S.A. 40A:4-5 requires the governing body to introduce and approve the annual municipal budget no later than February 10 of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the Borough. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with N.J.S.A. 40A:4-9. Amendments to the adopted budgets, if any, are detailed in the statements of revenues and expenditures.

An extension of the statutory dates for introduction, approval and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services, with the permission of the Local Finance Board.

Budgets are adopted on the same basis of accounting utilized for the preparation of the Borough's financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents and Investments - Cash and cash equivalents, for all funds, include petty cash, change funds, cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost. Consequently, unrealized gain or loss on investments has not been recorded in accordance with Governmental Accounting Standards Board Statement No. 31.

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local utilities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

The cash management plan adopted by the Borough requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

Interfunds - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies - The 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 statements of assets, liabilities, reserves and fund balances.

General Fixed Assets - Accounting for Governmental Fixed Assets, as required by N.J.A.C. 5:30-5.6, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and Budget Circular A-87 (Attachment B, Section 19), except that the useful life of such property is at least five years. The Borough has adopted a capitalization threshold of $5,000 the maximum amount allowed by the Circular.

Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. Donated general fixed assets are recorded at their estimated fair market value on the acquisition date. Donated general fixed assets are recorded at their estimated fair market value on the acquisition date. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation. The Borough is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements and transfers of fixed assets. In addition, a Statement of General Fixed Assets, reflecting the activity for the year, must be included in the Borough's basic financial statements.

The regulations require that general fixed assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be maintained that includes accurate records indicating asset description, source, ownership, acquisition cost and date, the percentage of Federal participation (if any), and the location, use, and condition of the asset. Periodically, physical inventories must be taken and reconciled with these records. Lastly, all fixed assets must be adequately controlled to safeguard against loss, damage or theft. No depreciation of general fixed assets is recorded.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Utility Fixed Assets - Property and equipment purchased by a utility fund are recorded in the utility capital account at cost and are adjusted for dispositions and abandonment. The amounts shown do not represent replacement cost or current value. The Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the cost of acquisition of property, equipment and improvements and contributed capital. Depreciation is not recorded on these fixed assets.

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily it is the intention of the municipality to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason the value of foreclosed property has not been included in the General Fixed Assets Account Group. If such property is converted to a municipal use, it will be recorded in the General Fixed Assets Account Group.

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

Liens Sold for Other Governmental Units - Liens sold on behalf of other governmental units are not recorded on the records of the Borough until such liens are collected. Upon their collection, such liens are recorded as a liability due to the governmental unit net of the costs of the initial sale. The related costs of sale are recognized as revenue when received.

Fund Balance - Fund Balance included in the Current Fund and Utility Operating Fund represent amounts available for anticipation as revenue in future years' budgets, with certain restrictions.

Appropriation Reserves - Appropriation reserves covering unexpended appropriation balances are automatically created at year end and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

Compensated Absences and Postemployment Benefits - Compensated absences for vacation and sick leave are recorded and provided for in the annual budget in the year in which they are paid, on a pay-as-you-go basis. Likewise, no accrual is made for postemployment benefits, if any, which are also funded on a pay-as-you-go basis.

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

Property Tax Revenues - Property tax revenues are collected in quarterly installments due February 1, May 1, August 1, and November 1. The amount of tax levied includes not only the amount required in support of the Borough's annual budget, but also the amounts required in support of the budgets of the Medford Lakes Borough School District, the Lenape Regional High School and the County of Burlington. Unpaid property taxes are subject to tax sale in accordance with the statutes.

School Taxes - The Borough is responsible for levying, collecting and remitting school taxes for the Medford Lakes Borough School District and the Lenape Regional High School District. Operations is charged for the full amount required to be raised from taxation to operate the school district for the period from July 1 to June 30, increased by the amount deferred at December 31, 2014 and decreased by the amount deferred at December 31, 2015.

County Taxes - The Borough is responsible for levying, collecting and remitting county taxes for the County of Burlington. Operations is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations is charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10 of the current year and due to be paid to the County by February 15 of the following year.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reserve for Uncollected Taxes - The inclusion of the "Reserve for Uncollected Taxes" appropriation in the Borough's annual budget protects the Borough from taxes not paid currently. The Reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year, with certain exceptions, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations.

Expenditures - Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when paid. However, for charges to amounts appropriated for "other expenses", an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed in accordance with N.J.A.C. 5:30-5.2. When encumbered charges are paid, the amount encumbered is simultaneously liquidated in its original amount. Outstanding encumbrances are offset by an account entitled "Reserve for Encumbrances". The reserve is classified as a cash liability under New Jersey municipal accounting. At December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same statutory provisions as appropriation reserves.

Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis; whereas interest on utility indebtedness is on the accrual basis.

Long-Term Debt - Long-Term Debt, relative to the acquisition of capital assets, is recorded as a liability in the General Capital and Utility Capital Funds. Where an improvement is a "local improvement", i.e. assessable upon completion, long-term debt associated with that portion of the cost of the improvement to be funded by assessments is transferred to the Trust Fund upon the confirmation of the assessments or when the improvement is fully and permanently funded.

Interest on Delinquent Taxes – It is the policy of the Borough to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first $1,500 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of $1,500 becoming delinquent after the due date and if a delinquency is in excess of $10,000 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten (10) day grace period.

Comparative Data – Comparative total data for the prior year have been presented in the accompanying statements of assets, liabilities, reserves and fund balance and statement of operations in order to provide an understanding of changes in the Borough's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the statement of revenues – regulatory basis and the statement of expenditures – regulatory basis since their inclusion would make the statements unduly complex and difficult to read.

NOTE 2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits – Custodial credit risk refers to the risk that, in the event of a bank failure, the Municipality's deposits may not be recovered. Although the Municipality does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit. Under the Act, the first $250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Municipality relative to the happening of a future condition. Such funds are shown as uninsured and uncollateralized. Of the Municipality's amount on deposit of $8,396,580 as of December 31, 2015, $250,000 was insured under FDIC and the remaining balance of $8,146,580 was collateralized under GUDPA.

NOTE 3. PROPERTY TAXES

The following is a comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four years ending December 31.

Comparative Schedule of Tax Rates	2015	2014	2013	2012	2011
Total Tax Rate without Business Improvement District Tax Rate	$ 2.998	$ 2.928	$ 2.877	$ 2.818	$ 2.778
Apportionment of Tax Rate:					
Municipal	$ 0.608	$ 0.600	$ 0.601	$ 0.587	$ 0.587
County	0.420	0.391	0.391	0.401	0.402
Local School	1.365	1.320	1.272	1.237	1.228
Regional High School Tax	0.605	0.617	0.613	0.593	0.561

Assessed Valuation

2015	$ 450,102,534
2014	450,478,663
2013	450,990,502
2012	452,710,270
2011	453,665,850

R = Revaluation Year

Comparison of Tax Levies and Collections

Year	Tax Levy	Collections	Percentage of Collections
2015	$ 13,513,123	$ 13,280,404	98.28%
2014	13,202,124	13,024,054	98.65%
2013	12,979,897	12,684,228	97.72%
2012	12,774,326	12,454,524	97.50%
2011	12,611,157	12,329,509	97.77%

NOTE 3. PROPERTY TAXES (CONTINUED)

Year	Tax Title Liens	Delinquent Taxes	Total Delinquent	Percentage of Tax Levy
2015	$ 15,899	$ 257,964	$ 273,863	2.03%
2014	11,366	203,510	214,876	1.63%
2013	6,939	299,622	306,561	2.36%
2012	-	289,651	289,651	2.27%
2011	15,453	245,332	260,785	2.07%

The following comparison is made of the number of tax title liens receivable on December 31, of the current year and previous four years.

Year	Number
2015	1
2014	1
2013	1
2012	0
2011	1

NOTE 4. SEWER UTILITY SERVICE CHARGES

The following is a five-year comparison of sewer utility service charges (rents) and collections for the current and previous four years.

	Balance Beginning of Year				Cash	
Year	Receivables	Liens	Levy	Total	Collections	Percentage
2015	$ 122,944	$ 3,653	$ 1,252,827	$ 1,379,424	$ 1,245,538	90.29%
2014	142,779	2,253	1,258,182	1,403,214	1,276,618	90.98%
2013	143,369	-	1,251,464	1,394,833	1,232,620	88.37%
2012	144,299	-	1,263,509	1,407,808	1,264,439	89.82%
2011	121,146	-	1,254,055	1,375,201	1,229,501	89.41%

NOTE 5. FUND BALANCES APPROPRIATED

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

Year	Balance December 31,	Utilized in Budget of Succeeding Year	Percentage of Fund Balance Used
Current Fund			
2015	$ 1,429,627	$ 820,500	57.39%
2014	1,306,113	787,000	60.26%
2013	1,131,589	545,000	48.16%
2012	1,020,157	545,000	53.42%
2011	893,060	500,000	55.99%
Sewer Utility Fund			
2015	$ 981,066	$ 119,990	12.23%
2014	764,000	100,000	13.09%
2013	650,534	100,000	15.37%
2012	575,225	81,003	14.08%
2011	414,690	38,750	9.34%

NOTE 6. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances were recorded on the various statements of assets, liabilities, reserves and fund balances as of December 31, 2015:

Fund	Interfund Receivables	Interfund Payables
Current Fund	$ 24,625.76	$ -
Federal & State Grant Fund		73,792.06
Trust Fund:		
Other Trust Funds		780.81
General Capital Fund	363,000.00	52.89
Sewer Utility Fund		
Operating Fund	6.50	234,000.00
Capital Fund		79,006.50
	$ 387,632.26	$ 387,632.26

NOTE 7. PENSION PLANS

Substantially all of the Borough's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits (Division): the Police and Firemen's Retirement System (PFRS), the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP). Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits. P.O. Box 295, Trenton, New Jersey, 08625-0295.

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS and PFRS operate and to the benefit provisions of those systems.

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

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age from age 55 to 65 for Tier 5 members
- The eligible age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increases in active member contribution rates for PERS active members from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years. For fiscal year 2012, the member contribution rates will increase in 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4 year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay.)

Police and Firemen's Retirement System (PFRS)

The Police and Firemen's Retirement System was established in 1944. The PFRS provides retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:16A and 43:3B. The contribution requirements of plan members are determined by State statute. In accordance with Chapter 204, P.L. 1989, plan members enrolled in the PFRS are required to contribute 8.5% of their annual covered salary. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased to 10.0% in October, 2011. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

NOTE 7. PENSION PLANS (CONTINUED)

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

The Borough is billed annually for its normal contributions plus any accrued liability. These contributions, equal to the required contributions are detailed below.

	Police & Firemen's Retirement System				
	Borough Contributions				
	Pension				
Year	Normal Contribution	Percentage of Covered Payrolls	Accrued Liability	Non-Contributory Life Insurance	Employee Contributions
2015	$ 44,794	9.68%	$ 79,934	$ 5,858	$ 47,376
2014	54,213	10.86%	70,157	5,227	51,195
2013	55,532	10.31%	58,813	5,310	54,963

At June 30, 2015, the Borough's net pension liability for PFRS was $2,272,874.

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

Inflation rate: 3.04%
Salary Increases:
2012-2021: 2.60-9.48% based on age
Thereafter: 3.60-10.48% based on age
Investment Rate of Return: 7.90%

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

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

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method n which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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.

NOTE 7. PENSION PLANS (CONTINUED)

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

Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	05.00%	01.04%
U.S. Treasuries	01.75%	01.64%
Investment Grade Credit	10.00%	01.79%
Mortgages	02.10%	01.62%
High Yield Bonds	02.00%	04.03%
Inflation Indexed Bonds	01.50%	03.25%
Broad US Equities	27.25%	08.52%
Developed Foreign Equities	12.00%	06.88%
Emerging Market Equities	06.40%	10.00%
Private Equity	09.25%	12.41%
Hedge Funds/Absolute Ret	12.00%	04.72%
Real Estate (Property)	02.00%	06.83%
Commodities	01.00%	05.32%
Global Debt ex US	03.50%	-0.40%
REIT	04.25%	5.12%

Discount rate. The discount rate used to measure the State's total pension liability was 5.79% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.8% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2045. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Borough's proportionate share of the net pension liability to changes in the discount rate. The following presents the Borough's proportionate share of the net pension liability measured as of June 30, 2015, calculated using the discount rate of 5.79%, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.79%) or 1 percentage point higher (6.79%) that the current rate:

	1% Decrease (4.79%)	Current Discount Rate (5.79%)	1% Increase (6.79%)
Borough's proportionate share of the net pension liability	$ 2,996,370	$ 2,272,874	$ 1,682,928

Pension Plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established on January 1, 1955. The PERS provides retirement, death and disability, and medical benefits to certain qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary.

NOTE 7. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008.

Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase is being phased-in over seven years beginning on July 1, 2012 and increases each subsequent July 1. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Borough is billed annually for its normal contribution plus any accrued liability. The Borough's contributions, equal to the required contribution for each fiscal year, were as follows:

	Public Employee's Retirement System				
	Borough Contributions				
	Pension				
Year	Normal Contribution	Percentage of Covered Payrolls	Accrued Liability	Non-Contributory Life Insurance	Employee Contributions
2015	$ 13,009	2.00%	$ 60,179	$ 4,957	$ 45,798
2014	12,509	1.83%	54,999	1,148	49,512
2013	19,061	2.81%	45,575	3,847	47,628

At June 30, 2015, the Borough's net pension liability for PERS was $2,175,915.

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

Inflation rate: 3.04%
Salary Increases:
2012-2021: 2.15-4.40% based on age
Thereafter: 3.15-5.40% based on age
Investment Rate of Return: 7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method n which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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.

NOTE 7. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	05.00%	01.04%
U.S. Treasuries	01.75%	01.64%
Investment Grade Credit	10.00%	01.79%
Mortgages	02.10%	01.62%
High Yield Bonds	02.00%	04.03%
Inflation Indexed Bonds	01.50%	03.25%
Broad US Equities	27.25%	08.52%
Developed Foreign Equities	12.00%	06.88%
Emerging Market Equities	06.40%	10.00%
Private Equity	09.25%	12.41%
Hedge Funds/Absolute Ret	12.00%	04.72%
Real Estate (Property)	02.00%	06.83%
Commodities	01.00%	05.32%
Global Debt ex US	03.50%	-0.40%
REIT	04.25%	5.12%

Discount rate. The discount rate used to measure the State's total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.8% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Borough's proportionate share of the net pension liability to changes in the discount rate. The following presents the Borough's proportionate share of the net pension liability measured as of June 30, 2015, calculated using the discount rate of 4.90%, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.90%) or 1 percentage point higher (5.90%) that the current rate:

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Borough's proportionate share of the net pension liability	$ 2,704,396	$ 2,175,915	$ 1,732,840

Pension Plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report.

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program was established in 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A.43:15C-1 et. seq), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered by Prudential Financial on behalf of the Divisions of Pensions and Benefits. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

NOTE 7. PENSION PLANS (CONTINUED)

Defined Contribution Retirement Program (DCRP) (Continued)

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. Pursuant to the provisions of Chapter 78 P.L. 2011, the active member contribution rate was increased to 6.5% plus an additional 1.0% phased-in over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, state statute also requires the return to the normal rate when such surplus pension assets no longer exist. The employee contributions along with the Borough's contribution for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

The Borough's contributions, equal to the required contribution for each fiscal year, were as follows:

Fiscal Year	Total Liability	Employee Contribution	Paid by Borough
2015	$ 345	$ 223	$ 122
2014	310	232	78
2013	1,636	1,020	616

Related Party Investments – The Division of Pensions and Benefits does not invest in securities issued by the Borough.

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The financial statements of the Borough are not prepared in accordance with Governmental Standards Board Statement No. 45. The following information is provided in accordance with the requirements of the Statement.

Plan Description – The Borough contributes to the State Health Benefits Program ("SHBP"), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. The Borough's defined benefit postemployment healthcare plan provides post employment health care benefits, at its cost, to certain retired employees. A Borough employee will receive paid health insurance benefits upon retirement from the Borough provided they 1) retire from the Borough with at least twenty-five years of service in the New Jersey Public Employees Retirement System, 2) retire from the Borough with at least twenty years of service with the Borough, and 3) at the time of retirement the employee is at least sixty-two years of age. Retirees will not be eligible to receive paid health coverage for their spouses or for their dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625.

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

NOTE 9. COMPENSATED ABSENCES

Borough employees are entitled to sick leave, personal days and vacation days each year in varying amounts as outlined in the employee handbook. Unused sick leave may be accumulated and carried forward to the subsequent year. Personal days cannot be carried forward to the subsequent year. Vacation days are earned based on years of service. Unused vacation days may not be carried forward to the subsequent year unless specifically approved by Council. Vacations days carried forward must be used in the next succeeding year or be forfeited.

Police officers, regardless of the number of years serving the Borough and upon retirement from the Borough, will be compensated for any accumulated unused sick leave at 100% of their final pay The maximum benefit payable under this provision shall be limited to a maximum of seventy-five thousand dollars ($75,000).

All other Borough employees do not receive compensation for any accumulated unused sick leave.

The Borough does not record accrued expenses related to compensated absences. However, it is estimated that, at December 31, 2015, accrued benefits for compensated absences are valued at $301,856.38.

The Borough has established a Compensated Absences Trust Fund to set aside funds for the future payments of compensated absences. At December 31, 2015 the balance of the fund is $-0-.

NOTE 10. DEFERRED COMPENSATION SALARY ACCOUNT

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and which have been approved by the Director of the Division of Local Government Services. The plan, available to all full time employees at their option, permits them to defer a portion of their salary to future years. The deferred compensation is not available to the participants until termination, retirement, death, or an unforeseeable emergency occurs.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Borough or its creditors. Since the Borough does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Borough's financial statements.

NOTE 11. JOINT INSURANCE POOL

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

- Public Employees Bond
- Public Official Bonds
- Business Automobile
- Workers' Compensation and Employer's Liability
- Environmental Liability
- Property Damage

Annual contributions to the Fund, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations.

The Fund publishes its own financial report which can be obtained by writing to: Camden County Municipal Joint Insurance Fund, 9 Campus Drive, Suite 16, Parsippany, New Jersey, 07054.

NOTE 12. NEW JERSEY UNEMPLOYMENT COMPENSATION INSURANCE

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

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

Fiscal Year	Borough Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2015	$ -	$ 2,665	$ 1,068	$ 8,456
2014	-	2,642	3,816	6,859
2013	4,512	2,770	7,762	8,033

NOTE 13. CAPITAL DEBT

Summary of Municipal Debt

	Year 2015	Year 2014	Year 2013
Issued:			
General Bonds and Notes	$ -	$ -	$ -
Sewer Utility Bonds and Notes	-	234,000	821,000
Loans	5,283,733	5,709,167	6,126,218
Total Issued	5,283,733	5,943,167	6,947,218
Authorized But Not Issued:			
General Bonds and Notes	1,972,047	1,986,832	1,945,782
Sewer Utility Bonds and Notes	820,895	790,895	148,895
Net Debt	$ 8,076,675	$ 8,720,894	$ 9,041,895

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.433%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	$ 2,610,000	$ 2,610,000	
Regional School District Debt	1,708,699	1,708,699	
Sewer Utility Debt	820,895	820,895	
General Debt	7,255,780	5,283,733	$ 1,972,047
Total	$ 12,395,374	$ 10,423,327	$ 1,972,047

Net Debt, $1,972,047 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2, as amended, $455,471,839 equals 0.433%.

NOTE 13. CAPITAL DEBT (CONTINUED)

Equalized Valuation Basis:

2013	$	460,530,253
2014		455,983,894
2015		449,901,370
Average	$	455,471,839

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

3 1/2% of Equalized Valuation Basis (Municipal)	$	15,941,514
Net Debt		1,972,047
Remaining Borrowing Power	$	13,969,467

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

Cash Receipts from Fees, Rents or Other Charges for the Year			$	1,374,001
Deductions:				
Operating and Maintenance Costs	$	951,358		
Debt Service Costs		236,000		
				1,187,358
Total Excess in Revenues			$	186,643

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

NOTE 13. CAPITAL DEBT (CONTINUED)

NJDEP Loan Payable

The Borough received two (2) loan proceeds totaling $8,684,442 from the State of New Jersey Department of Environmental Protection Loan Program. The loan has a stated interest rate of 2.00% with a final maturity on September 15, 2026. As of December 31, 2015, the balance payable amounts to $5,283,733

Future principal and interest payments are as follows:

Year	Principal	Interest	Total
2016	$ 433,985	$ 103,516	$ 537,501
2017	442,708	94,792	537,500
2018	451,607	85,894	537,501
2019	460,684	76,817	537,501
2020	469,944	67,557	537,501
2021-25	2,495,261	192,242	2,687,503
2026	529,544	7,956	537,500
Total	$ 5,283,733	$ 628,774	$ 5,912,507

Bond Anticipation Notes Payable

The Borough issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the Notes can not exceed one year from the date of issuance, however the Notes may be renewed from time to time for a period not to exceed one year. Generally, such Notes must be paid no later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original Notes. The State of New Jersey also prescribes that on or before the third anniversary date of the original Note a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of which such Notes were issued be paid or retired. A second and third legal installment must be paid if the Notes are to be renewed beyond the fourth and fifth anniversary date of the original issuance.

As of December 31, 2015, the Borough had no outstanding bond anticipation notes.

NOTE 14. SCHOOL TAXES

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

	Local District School Tax Balance December 31,		Regional High School Tax Balance December 31,	
	2015	2014	2015	2014
Balance of Tax	$ 2,736,516	$ 2,640,318	$ 1,695,052	$ 1,723,767
Deferred	516,690	516,690	291,811	291,811
School Tax Payable	$ 2,219,826	$ 2,123,628	$ 1,403,241	$ 1,431,956

NOTE 15. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2015, the following deferred charges are shown on the statement of assets, liabilities, reserves and fund balance of the following funds:

	Balance December 31, 2015	2016 Budget Appropriation
Current Fund:		
Severe Storm	$ 150,000	$ 30,000
Hurricane Irene	50,000	50,000
Total	$ 200,000	$ 80,000

The appropriation in the 2016 Budget as introduced is not less than that required by the statutes.

NOTE 16. CONTINGENCIES

The Borough participates in a number of state and federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Management believes that the amount from future audits, if any, would not be material.

NOTE 17. GUARANTOR OF DEBT

On November 2, 2006 the Borough of Medford Lakes (Borough) approved a loan agreement with the State of New Jersey, Department of Environmental Protection (State) whereby, the Borough acts as a co-borrower with the State for a loan in an amount not to exceed $2,245,000 to be made to the Medford Lakes Colony (Colony) a not-for-profit corporation located in the Borough. The terms of the agreement are such that the Borough agrees to complete the dredging and lake restoration project and to reimburse the State in accordance with the terms and conditions set forth in the loan agreement, in the event of a default on the part of the Colony. The dredging and lake restoration project has been completed by the Colony. The final loan amount borrowed by the Colony was $2,171,451.50 and has a 2% interest rate with a maturity date of January 13, 2027. As of the date of this report the Colony has not defaulted on its loan obligation.

SUPPLEMENTAL EXHIBITS

CURRENT FUND

EXHIBIT A-4

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Cash - Treasurer
For the Year Ended December 31, 2015

	CURRENT FUND		FEDERAL AND STATE GRANT FUND	
Balance December 31, 2014		$ 5,219,231.31		$ 25,202.31
Receipts:				
Taxes Receivable	$ 13,318,110.50		$ -	
Tax Title Liens				
Prepaid 2015 Taxes	65,853.18			
Revenue Accounts Receivable	835,519.04			
Reserve for Leon Todd Memorial Park	4,181.81			
Tax Overpayments	52,721.31			
Due from State of New Jersey - Senior Citizens and Veterans Deductions	45,625.00			
Due to State of New Jersey:				
Marriage License Fees	425.00			
DCA Training Fees	3,976.00			
Federal and State Grants Receivable			311,551.13	
Miscellaneous Revenue Not Anticipated	214,849.09			
Due to Trust Other	19,586.68			
Due from Capital Fund	457.72			
Contra	220.00			
Budget Refunds	23,702.26			
Total Receipts		14,585,227.59		311,551.13
Total Funds Available		19,804,458.90		336,753.44
Disbursements:				
2015 Appropriations	3,435,161.30			
County Taxes Payable	1,883,561.58			
Due County for Added Taxes	1,617.69			
Refund of Tax Overpayments	21,992.92			
Due to Trust Other Fund	19,586.68			
Due to State of New Jersey:				
Marriage License Fees	450.00			
DCA Training Fees	3,910.00			
Local District School Tax	6,044,130.00			
Regional High School Tax	2,753,412.28			
2014 Appropriation Reserves and Reserve for Encumbrances	106,914.49			
Reserve for Storm Damage	89,410.44			
Reserve for Leon Todd Memorial Park	1,210.88			
Contra	220.00			
Budget Refunds	23,702.26			
Reserve for Encumbrances			24,261.16	
Reserve for Federal and State Grant Funds:				
Appropriated			58,863.30	
Total Disbursements		14,385,280.52		83,124.46
Balance December 31, 2015		$ 5,419,178.38		$ 253,628.98

EXHIBIT A-5

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Cash - Collector
For the Year Ended December 31, 2015

Balance December 31, 2014	$ 195,511.15
Receipts:	
Tax Sale Premiums	207,271.31
Total Funds Available	402,782.46
Disbursements:	
Refund of Tax Premiums Redeemed	183,438.40
Balance December 31, 2015	$ 219,344.06

EXHIBIT A-6

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Schedule of Taxes Receivable and Analysis of Property Tax Levy
For the Year Ended December 31, 2015

Year	Balance December 31, 2014	Added Taxes	2015 Levy	Collections by Cash 2014	Collections by Cash 2015	State Share of Senior Citizen and Veterans Deductions Allowed	Transfer to Tax Title Liens	Overpayments Applied	Canceled	Balance December 31, 2015
2008	$ 4,576.00	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,576.00
2009	6,642.12									6,642.12
2010	5,693.21									5,693.21
2011	5,424.55									5,424.55
2012	5,819.11									5,819.11
2013	12,568.90									12,568.90
2014	182,785.77	770.00			146,353.77					17,202.00
	203,509.66	770.00			146,353.77					57,925.89
2015			13,513,123.25	62,646.69	13,171,756.73	46,000.00	4,532.98	0.54	28,147.94	200,038.37
Total	$ 203,509.66	$ 770.00	$ 13,513,123.25	$ 62,646.69	$ 13,318,110.50	$ 46,000.00	$ 4,532.98	$ 0.54	$ 28,147.94	$ 257,964.26

ANALYSIS OF PROPERTY TAX LEVY

Tax Yield:		
General Purpose Tax		$ 13,513,123.25
Total		$ 13,513,123.25
Tax Levy:		
Local District School Tax (Abstract)		$ 6,140,328.00
Regional High School District Tax (Abstract)		2,724,697.00
County Taxes:		
County Tax (Abstract)	$ 1,556,145.60	
County Library Tax (Abstract)	144,985.52	
County Open Space Tax (Abstract)	182,430.46	
Amount Due County for Added Taxes (54:4-63.1 et.seq.)	2,667.63	1,886,229.21
Local Tax for Municipal Purposes	2,741,086.30	
Additional Tax Levies	20,782.74	2,761,869.04
Total		$ 13,513,123.25

EXHIBIT A-7

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Schedule of Tax Title Liens
For the Year Ended December 31, 2015

Balance December 31, 2014	$ 11,365.64
Increased by:	
Transfers from Taxes Receivable	4,532.98
Total	15,898.62
Decreased by:	
Cash Received	
Balance December 31, 2015	$ 15,898.62