

**BOROUGH OF CLAYTON
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2016**

INDEX

	Page
PART I	1
Independent Auditor's Report	2-4
CURRENT FUND	5
A Comparative Balance Sheet - Current Fund - Regulatory Basis	6-7
A-1 Comparative Statement of Operations and Change in Fund Balance - Current Fund - Regulatory Basis	8-9
A-2 Statement of Revenues - Current Fund - Regulatory Basis	10-11
A-3 Statement of Expenditures - Current Fund - Regulatory Basis	12-19
TRUST FUND	20
B Comparative Balance Sheet - Trust Fund - Regulatory Basis	21-23
GENERAL CAPITAL FUND	24
C Comparative Balance Sheet - General Capital Fund - Regulatory Basis	25
C-1 Statement of Fund Balance - General Capital Fund - Regulatory Basis	25
WATER AND SEWER UTILITY FUND	26
D Comparative Balance Sheet - Water and Sewer Utility Fund - Regulatory Basis	27-28
D-1 Comparative Statement of Operations and Change in Fund Balance - Water and Sewer Utility Fund - Regulatory Basis	29
D-2 Statement of Fund Balance - Water and Sewer Capital Fund - Regulatory Basis	30
D-3 Statement of Revenues - Water and Sewer Utility Fund - Regulatory Basis	30
D-4 Statement of Expenditures - Water and Sewer Utility Fund - Regulatory Basis	31
GENERAL FIXED ASSETS	32
E Comparative Balance Sheet - General Fixed Assets - Regulatory Basis	33
NOTES TO FINANCIAL STATEMENTS - Regulatory Basis	34-61
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSIONS (GASB 68 & GASB 71)	62
F-1 Schedule of the Borough's Proportionate Share of the Net Pension Liability - PERS	63
F-2 Schedule of Borough Contributions - PERS	64
F-3 Schedule of the Borough's Proportionate Share of the Net Pension Liability - PFRS	65
F-4 Schedule of Borough Contributions - PFRS	66
F-5 Schedule of the Borough's Proportionate Share of the Net Pension Liability - PFRS - Special Funding Situation	67
F-6 Schedule of Borough Contributions - PFRS - Special Funding Situation	68
SUPPLEMENTARY INFORMATION	69
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	70-71

INDEX (CONTINUED)

	Page
CURRENT FUND	72
A-4 Schedule of Current Fund Cash - Treasurer	73-74
A-5 Schedule of Current Fund Cash - Collector	75
A-6 Schedule of Grants Receivable	76
A-7 Schedule of Taxes Receivable and Analysis of Property Tax Levy	77-78
A-8 Schedule of Tax Title Liens Receivable	79
A-9 Schedule of Property Acquired for Taxes (At Assessed Valuation)	79
A-10 Schedule of Revenue Accounts Receivable	80
A-11 Schedule of Appropriation Reserves	81
A-12 Schedule of Accounts Payable	82
A-13 Schedule of Encumbrances Payable	82
A-14 Schedule of Due to State of New Jersey - Senior Citizen and Veterans Deductions	83
A-15 Schedule of Local District School Tax Payable	83
A-16 Schedule of Reserve for Grants - Appropriated	84
A-17 Schedule of Deferred Charges - NJSA 40A:4-55 Special Emergency - Tax Map and Revaluation Program	85
TRUST FUND	86
B-1 Schedule of Trust Fund Cash - Treasurer	87
B-2 Schedule of Trust Fund Cash - Collector	88
B-3 Schedule of Reserve for Dog Fund Expenditures	88
B-4 Schedule of Deposits for Redemption of Tax Sale Certificates	89
B-5 Schedule of Reserve for Tax Sale Premiums	89
GENERAL CAPITAL FUND	90
C-2 Schedule of General Capital Cash - Treasurer	91
C-3 Analysis of General Capital Fund Cash	92
C-4 Schedule of Deferred Charges to Future Taxation - Funded	93
C-5 Schedule of Deferred Charges to Future Taxation – Unfunded	94
C-6 Schedule of Improvement Authorizations	95
C-7 Schedule of Encumbrances Payable	96
C-8 Schedule of Capital Improvement Fund	96
C-9 Schedule of Serial Bonds Payable	97
C-10 Schedule of Bond Anticipation Notes Payable	98
C-11 Schedule of Obligations Under Capital Lease	98
C-12 Schedule of Bonds and Notes Authorized But Not Issued	99
WATER AND SEWER UTILITY FUND	100
D-5 Schedule of Water and Sewer Utility Fund Cash	101
D-6 Analysis of Water and Sewer Utility Capital Fund Cash	102
D-7 Schedule of Consumer Accounts Receivable	103
D-8 Schedule of Utility Liens Receivable	103
D-9 Schedule of Fixed Capital	104
D-10 Schedule of Fixed Capital Authorized and Uncompleted	105
D-11 Schedule of NJEIT Loan Receivable	106
D-12 Schedule of Appropriation Reserves	107
D-13 Schedule of Encumbrances Payable	107

INDEX (CONTINUED)

	Page
WATER AND SEWER UTILITY FUND (CONTINUED)	
D-14 Schedule of Accrued Interest on Bonds, Notes, and Loans and Analysis of Balance	108
D-15 Schedule of Improvement Authorizations	109
D-16 Schedule of Capital Improvement Fund	110
D-17 Schedule of Water and Sewer Capital Serial Bonds Payable	111
D-18 Schedule of Bond Anticipation Notes	112
D-19 Schedule of Loans Payable	113
D-20 Schedule of Deferred Reserve for Amortization	114
D-21 Schedule of Bonds and Notes Authorized But Not Issued	115
 PART II – LETTER OF COMMENTS AND RECOMMENDATIONS	 116
General Comments	117-120
Other Comments	120
Status of Prior Recommendations	120
Recommendations	120

PART I

PETRONI & ASSOCIATES LLC

Certified Public Accountants • Registered Municipal Accountants
102 West High Street, Suite 100 • P.O. Box 279 • Glassboro, NJ 08028
(856) 881-1600 • Fax (856) 881-6860

MEMBER: AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Nick L. Petroni, CPA, RMA

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Clayton
125 North Delsea Drive
Clayton, New Jersey 08312

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Clayton, as of December 31, 2016 and 2015, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Borough of Clayton's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Clayton as of December 31, 2016 and 2015, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Note 15 of the financial statements, the Borough participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$178,742.09 and \$165,513.40 for 2016 and 2015, respectively, were not audited and, therefore, we express no opinion on the LOSAP program.

Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2016 and 2015, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2016, in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2017, on our consideration of the Borough of Clayton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Clayton's internal control over financial reporting and compliance.

PETRONI & ASSOCIATES LLC



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

June 8, 2017

CURRENT FUND

EXHIBIT A

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

ASSETS	Ref.	Balance Dec. 31, 2016	Balance Dec. 31, 2015
Regular Fund			
Cash - Treasurer	A-4	\$ 4,209,511.65	\$ 3,334,709.35
Cash - Payroll & Agency			33,075.56
Cash - Collector	A-5	172,062.08	282,113.61
Change Fund		400.00	400.00
		<u>4,381,973.73</u>	<u>3,650,298.52</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes Receivable	A-7	405,047.61	362,138.73
Tax Title Liens Receivable	A-8	63,379.39	30,775.47
Property Acquired for Taxes - Assessed Valuation	A-9	1,119,500.00	1,119,500.00
Revenue Accounts Receivable	A-10	3,218.95	4,822.91
Miscellaneous Charges Receivable		4,663.48	2,710.62
Clean-up Charges Receivable		9,206.25	6,800.00
Tax Abatement Receivable		1,035.90	4,656.49
Due from Animal Control Trust Fund	B	2,230.77	5.66
Due from Tax Sale Premium	B	76.88	122.98
Due from Tax Sale Redemption	B	9.13	16.44
Due from Escrow Trust Fund	B	18.72	24.38
Due from Off-Duty Police	B	4,538.85	447.54
Due from Donations - Aberdeen Senior Clubhouse	B	0.66	2.16
Due from Donations - Special Events	B	2.05	2.60
Due from Donations - K9 Unit	B	0.61	2.40
Due Payroll Agency Trust	B	15.05	
Due from General Capital Fund	C	171.28	163.10
		<u>1,613,115.58</u>	<u>1,532,191.48</u>
Deferred Charges			
Special Emergency Authorization	A-17	14,800.00	18,500.00
		<u>6,009,889.31</u>	<u>5,200,990.00</u>
Federal and State Grant Fund			
Cash - Treasurer	A-4	92,822.29	114,892.06
Grants Receivable	A-6	145,792.09	121,337.30
		<u>238,614.38</u>	<u>236,229.36</u>
		<u>\$ 6,248,503.69</u>	<u>\$ 5,437,219.36</u>

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

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

LIABILITIES, RESERVES, AND FUND BALANCE	Ref.	Balance Dec. 31, 2016	Balance Dec. 31, 2015
Regular Fund			
Liabilities:			
Appropriation Reserves	A-3:A-11	\$ 821,358.15	\$ 777,625.68
Encumbrances Payable	A-13	56,875.14	53,257.71
Accounts Payable	A-12	8,606.65	620.36
Prepaid Taxes		148,846.96	112,289.72
Tax Overpayments		990.53	4,170.96
Prepaid PILOT		2,210.67	3,331.56
Due County for Added & Omitted Taxes	A-7	24,026.77	19,866.83
Due County of Gloucester - PILOT		11,430.57	9,762.63
Local School District Tax Payable	A-15	362,475.53	22,943.53
Due to POAA	B	2,096.01	2,076.01
Due to Public Defender Trust	B	3,223.75	3,123.75
Due to Township of Elk		930.00	
Payroll Taxes Payable			33,063.47
Reserve for:			
Codification of Ordinance		124.00	124.00
Security Deposits		290.00	280.00
Due State of New Jersey:			
Construction - DCA Fees		2,675.00	
Senior Citizen and Veterans Deductions	A-14	2,843.93	4,791.35
Marriage License Fees & Burial Permits		175.00	100.00
		<hr/>	<hr/>
		1,449,178.66	1,047,427.56
Reserve for Receivables		1,613,115.58	1,532,191.48
Fund Balance	A-1	2,947,595.07	2,621,370.96
		<hr/>	<hr/>
		6,009,889.31	5,200,990.00
Federal and State Grant Fund			
Reserve for Grants - Appropriated	A-16	181,104.63	77,507.49
Encumbrances Payable	A-13	57,509.75	158,721.87
		<hr/>	<hr/>
		238,614.38	236,229.36
		<hr/>	<hr/>
		\$ 6,248,503.69	\$ 5,437,219.36
		<hr/>	<hr/>

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

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

Revenue and Other Income Realized	Ref.	Year 2016	Year 2015
Fund Balance Utilized	A-2	\$ 761,579.19	\$ 846,340.26
Miscellaneous Revenue Anticipated	A-2	2,051,064.92	2,034,244.05
Receipts from Delinquent Taxes	A-2	368,742.07	593,341.62
Receipts from Current Taxes	A-2	16,889,835.25	16,406,427.40
Non-Budget Revenue	A-2	351,743.72	355,421.99
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-11	589,925.05	464,370.29
Encumbrances Payable - Canceled	A-13	1,429.68	7,512.90
Interfund Loan Returned		790.22	3,653.88
Reserve for Grants - Appropriated Canceled	A-16	1,195.93	200.00
Total Income		21,016,306.03	20,711,512.39
Expenditures			
Budget Appropriations Within "CAPS"			
Operations:			
Salaries and Wages	A-3	2,616,420.00	2,554,645.00
Other Expenses	A-3	3,084,475.00	2,953,596.00
Deferred Charges and Statutory:			
Expenditures - Municipal	A-3	623,422.00	621,042.00
Budget Appropriations Excluded from "CAPS"			
Operations:			
Other Expenses	A-3	465,822.46	355,075.39
Capital Improvements	A-3	50,000.00	220,000.00
Debt Service	A-3	359,535.16	343,080.00
Deferred Charges	A-3	3,700.00	
County Taxes	A-7	2,920,188.75	2,814,413.29
County Library Taxes	A-7	224,470.43	212,155.51
County Open Space Taxes	A-7	189,395.93	189,663.27
Due County for Added Taxes	A-7	24,026.77	19,866.83
Local District School Tax	A-15	9,335,398.00	8,932,559.00
Prior Year Deductions Disallowed	A-14	933.80	1,128.08
Grants Receivable Canceled	A-6	1,195.93	906.35
Interfund Advanced		15.05	
Prior Year PILOT Funds Due County	A-4	29,503.45	
Total Expenditures		19,928,502.73	19,218,130.72

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

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

	Ref.	Year 2016	Year 2015
Excess in Revenue		<u>1,087,803.30</u>	<u>1,493,381.67</u>
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year			18,500.00
Statutory Excess to Fund Balance		<u>1,087,803.30</u>	<u>1,511,881.67</u>
Fund Balance			
Balance January 1	A	<u>2,621,370.96</u>	<u>1,955,829.55</u>
		3,709,174.26	3,467,711.22
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>761,579.19</u>	<u>846,340.26</u>
Balance December 31	A	<u>\$ 2,947,595.07</u>	<u>\$ 2,621,370.96</u>

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

STATEMENT OF REVENUES - CURRENT FUND - REGULATORY BASIS

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	Amended by NJSA 40A:4-87		
Fund Balance Anticipated	A-1	\$ 761,579.19		\$ 761,579.19	
Miscellaneous Revenues:					
Fees and Permits	A-10	17,900.00		21,380.72	\$ 3,480.72
Fines and Costs:					
Municipal Court	A-10	71,500.00		72,501.18	1,001.18
Interest and Costs on Taxes	A-10	125,000.00		77,657.76	(47,342.24)
Interest on Investments	A-10	10,000.00		16,832.85	6,832.85
Fire Inspection Fees	A-10	5,300.00		5,363.68	63.68
Consolidated Municipal					
Property Tax Relief Act					
(NJSA 52:27D-118.34)	A-10	24,422.00		24,422.00	
Energy Receipts Tax	A-10	529,567.00		529,567.00	
Uniform Construction Code	A-10	192,267.00		135,686.00	(56,581.00)
Click It or Ticket	A-6		\$ 1,400.00	1,400.00	
Drive Sober or Get Pulled Over	A-6		2,520.00	2,520.00	
Community Development Block Grant	A-6	49,680.00		49,680.00	
Police Body Armor	A-6		1,783.18	1,783.18	
Bulletproof Vest Partnership	A-6		1,770.00	1,770.00	
Environmental Commission Grant	A-6		500.00	500.00	
Clean Communities Program	A-6		20,714.36	20,714.36	
Recycling Tonnage Grant	A-6	9,393.97		9,393.97	
Safe & Secure	A-6	60,000.00		60,000.00	
Municipal Alliance on Alcohol and Drug Abuse	A-6	11,122.00		11,122.00	
County of Gloucester - Body Worn Cameras	A-6		7,500.00	7,500.00	
Hazardous Discharge Remediation Grant:					
Clevenger's	A-6	6,466.00		6,466.00	
Wayne's	A-6	41,901.95		41,901.95	
FEMA Debris Removal	A-6	64,095.00		64,095.00	
Uniform Fire Safety Act	A-10	10,411.00		7,289.43	(3,121.57)
Payment in Lieu of Taxes	A:A-10	675,000.00		881,517.84	206,517.84
Total Miscellaneous Revenues		1,904,025.92	36,187.54	2,051,064.92	110,851.46
Receipts from Delinquent Taxes	A-2	350,000.00		368,742.07	18,742.07
Subtotal General Revenues		2,254,025.92	36,187.54	2,419,806.99	129,593.53
Amount to be Raised by Taxation	A-2	4,591,900.00		4,636,633.56	44,733.56
Budget Totals		7,607,505.11	36,187.54	7,818,019.74	174,327.09
Non-Budget Revenue	A-2			351,743.72	
		\$ 7,607,505.11	\$ 36,187.54	\$ 8,169,763.46	
Ref.	A-3		A-3		

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

STATEMENT OF REVENUES - CURRENT FUND - REGULATORY BASIS

	Anticipated		Realized	Excess or (Deficit)
	Budget	Amended by NJSA 40A:4-87 Ref.		
Allocation of Current Tax Collections:				
Revenue from Collections		A-7		\$ 16,889,835.25
Allocated to:				
School and County Taxes		A-7		12,693,479.88
Balance for Support of Municipal Budget Appropriation				4,196,355.37
Add: Appropriation "Reserve for Uncollected Taxes"		A-3		440,278.19
Amount for Support of Municipal Budget Appropriation		A-2		\$ 4,636,633.56
Receipts from Delinquent Taxes:				
Delinquent Tax Collection		A-7		\$ 357,160.23
Tax Title Liens		A-8		11,581.84
		A-2		\$ 368,742.07

Analysis of Non-Budget Revenue

Miscellaneous Revenue Not Anticipated:			
Revenue Accounts Receivable:			
Franchise Fees	A-10	\$ 170,028.13	
Administration Fees	A-10	1,551.32	
Cat Licenses	A-10	1,581.80	
Landlord Registration	A-10	4,765.00	
OPRA Records Request Fees	A-10	50.37	
Marriage Ceremonies	A-10	700.00	
Debris Processing and Removal	A-10	46,830.42	
Vacant Property Registration Fee	A-10	28,700.00	
Payments in Lieu of Taxes	A-10	55,500.00	
Sale of Municipal Assets	A-10	25,693.02	
Miscellaneous	A-10	4,242.50	
Tax Sale Costs and Other Collectors Fees	A-10	3,881.29	
Miscellaneous and Clean-up Charges	A-10	8,219.87	
	A-2	\$ 351,743.72	

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT						
General Administration:						
Salaries & Wages	\$ 63,500.00	\$ 63,500.00	\$ 60,910.08		\$ 2,589.92	
Other Expenses	2,000.00	2,000.00	684.74	\$ 45.00	1,270.26	
Mayor and Council:						
Salaries & Wages	14,200.00	14,200.00	12,330.36		1,869.64	
Other Expenses	1,800.00	1,800.00	725.00		1,075.00	
Borough Clerk:						
Salaries & Wages	41,000.00	41,000.00	40,954.87		45.13	
Other Expenses:						
Printing & Legal Advertising	9,000.00	9,000.00	5,791.98	120.21	3,087.81	
Codification of Ordinances	4,000.00	4,000.00	1,195.00		2,805.00	
Miscellaneous Other Expenses	2,700.00	2,700.00	2,689.66		10.34	
Elections:						
Other Expenses	4,200.00	4,800.00	4,778.81		21.19	
Financial Administration:						
Salaries & Wages	96,000.00	96,000.00	91,174.75		4,825.25	
Other Expenses	53,000.00	72,500.00	62,695.32	3,051.33	6,753.35	
Audit Services:						
Other Expenses	38,000.00	38,000.00	11,493.50		26,506.50	
Collection of Taxes:						
Salaries & Wages	55,700.00	55,700.00	55,684.53		15.47	
Other Expenses:						
Tax Sale Costs	1,500.00	1,500.00	880.00		620.00	
Miscellaneous Other Expenses	4,500.00	4,500.00	2,902.58		1,597.42	
Liquidation of Tax Title Liens:						
Other Expenses	5,000.00	5,000.00	290.49		4,709.51	
Costs for Sale of Municipal Property:						
Other Expenses	25.00	25.00			25.00	

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Legal Services and Costs:						
Other Expenses:						
Legal Services	100,000.00	119,000.00	34,119.40		84,880.60	
Labor Council	75,000.00	75,000.00	35,250.07		39,749.93	
Engineering Services and Costs:						
Other Expenses:						
Engineering	50,000.00	50,000.00	31,089.60	15,135.94	3,774.46	
Environmental Engineer	30,000.00	30,000.00	24,776.66	2,223.34	3,000.00	
Economic Development Committee:						
Other Expenses	15,000.00	20,000.00	17,315.59	1,503.75	1,180.66	
Historic Commission:						
Other Expenses	700.00	700.00	682.39		17.61	
LAND USE ADMINISTRATION						
Municipal Land Use Law (NJSA 40:55D-1)						
Planning Board:						
Salaries and Wages	2,450.00	2,450.00	2,437.36		12.64	
Other Expenses	6,000.00	6,000.00	4,235.71	49.71	1,714.58	
Zoning Official:						
Salaries and Wages	5,620.00	5,620.00	5,611.95		8.05	
Other Expenses	250.00	250.00	11.45		238.55	
Council on Affordable Housing:						
Other Expenses	20,000.00	26,000.00	20,964.13	121.25	4,914.62	
CODE ENFORCEMENT & ADMINISTRATION						
Code Enforcement Official:						
Salaries and Wages	5,100.00	5,100.00	4,196.86		903.14	
Other Expenses	200.00	200.00			200.00	
Housing Safety:						
Salaries and Wages	1,400.00	1,400.00	1,370.14		29.86	
Other Expenses	300.00	300.00			300.00	
Occupancy:						
Salaries and Wages:						
Administrative	5,365.00	5,365.00	5,362.48		2.52	
Secretarial	3,035.00	3,035.00	3,014.31		20.69	
Other Expenses	300.00	300.00	21.89		278.11	

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
INSURANCE						
Liability Insurance	100,000.00	100,000.00	49,117.51		50,882.49	
Workmen's Compensation	24,000.00	24,000.00	6,502.98	6,080.00	11,417.02	
Group Insurance	187,000.00	187,000.00	175,000.00		12,000.00	
Miscellaneous Insurance	962,500.00	962,500.00	852,086.29		110,413.71	
PUBLIC SAFETY FUNCTIONS						
Police:						
Salaries & Wages	1,856,400.00	1,773,800.00	1,696,786.32		77,013.68	
Other Expenses:						
Miscellaneous Other Expenses	59,000.00	59,000.00	48,895.78	4,511.75	5,592.47	
Car Lease Expense	39,000.00	39,000.00	37,891.97		1,108.03	
Office of Emergency Management:						
Salaries & Wages	1,625.00	1,625.00	1,623.67		1.33	
Other Expenses	500.00	500.00	500.00			
Volunteer Fire - Contribution	37,000.00	37,000.00	37,000.00			
Uniform Fire Safety Act (PL 1983, C383):						
Fire Official:						
Salaries & Wages	7,550.00	7,550.00	6,246.95		1,303.05	
Other Expenses	5,900.00	5,900.00	5,824.46		75.54	
PUBLIC WORKS FUNCTIONS						
Road Repairs & Maintenance:						
Salaries & Wages	329,000.00	329,000.00	271,332.65		57,667.35	
Other Expenses	56,500.00	56,500.00	37,909.79	7,902.05	10,688.16	
Snow Removal:						
Salaries & Wages	15,000.00	15,000.00	15,000.00			
Other Expenses	1,500.00	1,500.00			1,500.00	
Solid Waste Collection:						
Other Expenses - Contractual	212,000.00	212,000.00	200,299.33		11,700.67	
Recycling:						
Salaries & Wages	4,100.00	4,100.00	2,061.84		2,038.16	
Other Expenses:						
Contractual	189,500.00	189,500.00	185,337.80		4,162.20	
Miscellaneous Other Expenses	200.00	200.00			200.00	

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Public Buildings & Grounds:						
Other Expenses	30,500.00	30,500.00	20,405.99		10,094.01	
Equipment Repair & Maintenance:						
Salaries & Wages	56,500.00	79,000.00	78,616.80		383.20	
Other Expenses	101,500.00	91,500.00	50,655.43	9,220.40	31,624.17	
HEALTH & HUMAN SERVICES						
Board of Health:						
Other Expenses	1,500.00	1,500.00	143.23		1,356.77	
Registrar of Vital Statistics:						
Salaries & Wages	3,175.00	3,175.00	3,166.44		8.56	
Other Expenses	500.00	500.00	249.90		250.10	
Environmental Committee:						
Other Expenses	800.00	800.00	800.00			
Administration of Overseer of the Poor:						
Salaries & Wages	5,800.00	5,800.00	4,924.62		875.38	
Other Expenses	350.00	350.00	161.67		188.33	
PARK & RECREATION FUNCTIONS						
Parks and Playgrounds:						
Salaries & Wages	6,000.00	6,000.00	5,395.20		604.80	
Other Expenses	9,300.00	9,300.00	6,469.00	2,402.35	428.65	
Senior Center:						
Other Expenses	5,000.00	5,000.00	2,679.67	1,795.85	524.48	
Senior Citizen Transportation:						
Salaries & Wages	15,000.00	15,000.00	13,184.71		1,815.29	
Other Expenses	3,000.00	3,000.00	1,200.00		1,800.00	
Summer Recreation for Individuals with Disabilities:						
Other Expenses	6,500.00	6,500.00	5,723.42		776.58	
OTHER COMMON OPERATING FUNCTIONS						
Celebration of Public Event, Anniversary or Holiday:						
Other Expenses	800.00	800.00	500.00		300.00	
Special Events	5,000.00	5,000.00	4,616.18	362.37	21.45	
Veteran's Committee:						
Other Expenses	750.00	750.00	284.47		465.53	

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
UTILITY EXPENSES AND BULK PURCHASES						
Electricity	45,500.00	49,000.00	31,430.65		17,569.35	
Street Lighting	103,500.00	120,000.00	107,644.15		12,355.85	
Telephone	16,000.00	16,000.00	9,160.81		6,839.19	
Fuel Oil	25,000.00	25,000.00	12,846.49		12,153.51	
Gasoline/Diesel Fuel	48,000.00	48,000.00	23,867.23	1,659.59	22,473.18	
LANDFILL/SOLID WASTE DISPOSAL COSTS						
Solid Waste Disposal:						
Tipping Fees	300,000.00	300,000.00	226,480.53		73,519.47	
UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES (NJAC 5:23-4.17)						
State Uniform Construction Code:						
Construction Officials						
Salaries & Wages	76,500.00	76,500.00	74,623.55		1,876.45	
Other Expenses	2,800.00	2,800.00	2,798.53		1.47	
Group Insurance	20,000.00	20,000.00	9,629.75	690.25	9,680.00	
Sub-Code Official:						
Fire Protection:						
Salaries & Wages	6,500.00	6,500.00	6,375.00		125.00	
Total Operations within "CAPS"	5,700,895.00	5,700,895.00	4,879,092.42	56,875.14	764,927.44	
Detail:						
Salaries and Wages	2,676,520.00	2,616,420.00	2,462,385.44		154,034.56	
Other Expenses	3,024,375.00	3,084,475.00	2,416,706.98	56,875.14	610,892.88	

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
DEFERRED CHARGES & STATUTORY					
EXPENDITURES - MUNICIPAL WITHIN "CAPS"					
STATUTORY EXPENDITURES					
Contribution to:					
Social Security System (OASI)	206,500.00	206,500.00	189,985.07		16,514.93
Public Employees' Retirement System	90,252.00	90,252.00	90,251.00		1.00
Police & Firemen's Retirement of NJ	305,670.00	305,670.00	305,669.00		1.00
Unemployment Insurance	18,000.00	18,000.00	17,934.08		65.92
Defined Contribution Retirement Program	3,000.00	3,000.00	1,405.73		1,594.27
Total Deferred Charges & Statutory					
Expenditures within "CAPS"	623,422.00	623,422.00	605,244.88		18,177.12
Total General Appropriations for Municipal					
Purposes within "CAPS"	6,324,317.00	6,324,317.00	5,484,337.30	56,875.14	783,104.56
OPERATIONS EXCLUDED FROM "CAPS"					
PUBLIC SAFETY FUNCTIONS					
Length of Service Award Program	11,000.00	11,000.00			11,000.00
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Recycling Tax	11,500.00	11,500.00	7,090.98		4,409.02
SHARED SERVICE AGREEMENTS					
Gloucester County -					
Fleet Maintenance	17,500.00	17,500.00	17,500.00		
Gloucester County Improvement Authority -					
Snow Removal	10,000.00	10,000.00	3,229.43		6,770.57
Township of Elk - Municipal Court	97,420.00	97,420.00	97,419.00		1.00
PUBLIC AND PRIVATE PROGRAMS OFFSET					
BY REVENUES					
Municipal Alliance for Drug & Alcohol Abuse	13,903.00	13,903.00	13,903.00		
Clean Communities		20,714.36	20,714.36		
Recycling Tonnage Grant	9,393.97	9,393.97	9,393.97		
Safe and Secure	60,000.00	60,000.00	60,000.00		
Matching Funds for Safe and Secure	36,775.00	36,775.00	36,775.00		
Click it or Ticket		1,400.00	1,400.00		
Drive Sober or Get Pulled Over		2,520.00	2,520.00		

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
Police Body Armor		1,783.18	1,783.18		
Bulletproof Vest Partnership		1,770.00	1,770.00		
FEMA Debris Removal	64,095.00	64,095.00	64,095.00		
Gloucester County Improvement Authority Environmental Commission Grant		500.00	500.00		
Gloucester County Housing & Community Development	49,680.00	49,680.00	49,680.00		
Hazardous Discharge Remediation Grants: Clevenger's	6,466.00	6,466.00	6,466.00		
Wayne's	41,901.95	41,901.95	41,901.95		
County of Gloucester - Body Worn Cameras		7,500.00	7,500.00		
Total Operations Excluded from "CAPS"	429,634.92	465,822.46	443,641.87	22,180.59	
Detail:					
Other Expenses	429,634.92	465,822.46	443,641.87	22,180.59	
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	32,000.00	32,000.00	32,000.00		
Purchase of Municipal Equipment	18,000.00	18,000.00	1,927.00	16,073.00	
Capital Improvements Excluded from "CAPS"	50,000.00	50,000.00	33,927.00	16,073.00	
DEBT SERVICE					
Payment of Bond Principal	185,000.00	185,000.00	185,000.00		
Payment of Bond Anticipation Notes	26,950.00	26,950.00	26,950.00		
Interest on Bonds	36,100.00	36,100.00	36,100.00		
Interest on Notes	14,200.00	14,200.00	14,165.36		\$ 34.64
Capital Lease Obligations:					
Principal	65,000.00	65,000.00	65,000.00		
Interest	32,325.00	32,325.00	32,319.80		5.20
Total Debt Service	359,575.00	359,575.00	359,535.16		39.84
DEFERRED CHARGES - MUNICIPAL EXCLUDED FROM "CAPS"					
Deferred Charges:					
Special Emergency Authorizations - 5 Years (NJSA 40A:4-55)	3,700.00	3,700.00	3,700.00		
Total Deferred Charges Excluded from "CAPS"	3,700.00	3,700.00	3,700.00		

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	842,909.92	879,097.46	840,804.03		38,253.59
Subtotal General Appropriations	7,167,226.92	7,203,414.46	6,325,141.33	56,875.14	821,358.15
Reserve for Uncollected Taxes	440,278.19	440,278.19	440,278.19		
Total General Appropriations	<u>\$ 7,607,505.11</u>	<u>\$ 7,643,692.65</u>	<u>\$ 6,765,419.52</u>	<u>\$ 56,875.14</u>	<u>\$ 821,358.15</u>
Ref.	A-2			A-13	A
Budget	Ref. A-3	\$ 7,607,505.11			
Budget Amendments per NJSA 40A:4-87	A-2	36,187.54			
		<u>\$ 7,643,692.65</u>			
Reserve for Uncollected Taxes	Ref. A-2		\$ 440,278.19		
Deferred Charges:					
Special Emergency	A-17		3,700.00		
Reserve for Federal & State Grants - Appropriated	A-16		318,402.46		
Disbursed	A-4		6,003,038.87		
			<u>\$ 6,765,419.52</u>		

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

TRUST FUND

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

ASSETS	Ref.	Balance	Balance
		Dec. 31, 2016	Dec. 31, 2015
Affordable Housing Trust Fund			
Cash - Treasurer	B-1	\$ 12,804.69	\$ 12,766.33
Animal Control Trust Fund			
Cash - Treasurer	B-1	24,027.77	21,717.32
Change Fund		25.00	25.00
		<u>24,052.77</u>	<u>21,742.32</u>
Developer's Escrow Trust Fund			
Cash - Treasurer	B-1	75,884.59	93,991.43
Escrow Receivable		400.00	400.00
		<u>76,284.59</u>	<u>94,391.43</u>
Disposal of Forfeited Property			
Cash - Treasurer	B-1	29,048.88	28,418.93
Donations - Senior Clubhouse			
Cash - Treasurer	B-1	2,600.01	8,483.80
Donations - Special Events			
Cash - Treasurer	B-1	7,812.22	9,436.98
Donations - K9 Unit			
Cash - Treasurer	B-1	2,397.61	2,399.40
LOSAP (unaudited)			
Investment		178,242.09	165,513.40
Uninvested Deposit		500.00	
		<u>178,742.09</u>	<u>165,513.40</u>
Outside Employment of Off-Duty Municipal Police Officers			
Cash - Treasurer	B-1	3,358.35	3,862.54
Fees Receivable		2,078.00	
		<u>5,436.35</u>	<u>3,862.54</u>
Parking Offense Adjudication Act			
Due from Current	A	2,096.01	2,076.01
Park and Recreation Trust Fund			
Cash - Treasurer	B-1	101,464.97	113,668.08
Public Defender Trust Fund			
Due from Current	A	3,223.75	3,123.75
Performance Bond Escrow Trust Fund			
Cash - Treasurer	B-1	19,996.50	19,546.50
Tax Sale Premium			
Cash - Collector	B-2	265,076.88	474,322.98
Tax Sale Redemption			
Cash - Collector	B-2	13,134.86	73,494.19
Unemployment Trust Fund			
Cash - Treasurer	B-1	11,396.39	19,067.86
Payroll Agency Trust			
Cash - Treasurer	B-1	36,789.85	
		<u>\$ 792,358.42</u>	<u>\$ 1,052,314.50</u>

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

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

LIABILITIES, RESERVES, AND FUND BALANCE	Ref.	Balance	Balance
		Dec. 31, 2016	Dec. 31, 2015
Affordable Housing Trust Fund			
Reserve for Affordable Housing		\$ 12,804.69	\$ 12,766.33
Animal Control Trust Fund			
Due Current Fund	A	2,230.77	5.66
Encumbrances Payable			474.00
Reserve for Dog Fund Expenditures	B-3	21,822.00	21,262.66
		24,052.77	21,742.32
Developer's Escrow Trust Fund			
Reserve for Planning Board Escrow Fees		74,961.87	93,877.05
Encumbrances Payable		1,304.00	490.00
Due Current Fund	A	18.72	24.38
		76,284.59	94,391.43
Disposal of Forfeited Property			
Reserve for Disposal of Forfeited Property		29,048.88	28,418.93
Donations - Senior Clubhouse			
Due Current Fund	A	0.66	2.16
Encumbrances Payable		1,860.15	366.00
Reserve for Donations Senior Clubhouse		739.20	8,115.64
		2,600.01	8,483.80
Donations - Special Events			
Due Current Fund	A	2.05	2.60
Encumbrances Payable		961.77	961.77
Reserve for Donations Special Events		6,848.40	8,472.61
		7,812.22	9,436.98
Donations - K9 Unit			
Due Current Fund	A	0.61	2.40
Reserve for Donations K9 Unit		2,397.00	2,397.00
		2,397.61	2,399.40
LOSAP (unaudited)			
Reserve for LOSAP		178,742.09	165,513.40
Outside Employment of Off-Duty Municipal Police Officers			
Due Current Fund	A	4,538.85	447.54
Reserve for Off-Duty Police Fees		897.50	3,415.00
		5,436.35	3,862.54

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

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

LIABILITIES, RESERVES, AND FUND BALANCE	Ref.	Balance Dec. 31, 2016	Balance Dec. 31, 2015
Parking Offense Adjudication Act			
Reserve for POAA Fees		2,096.01	2,076.01
Park and Recreation Trust Fund			
Reserve for Park & Recreation Escrow		101,464.97	113,668.08
Public Defender Trust Fund			
Due State of New Jersey		2,005.00	2,005.00
Reserve for Public Defender Trust		1,218.75	1,118.75
		3,223.75	3,123.75
Tax Sale Premium			
Reserve for Tax Sale Premiums	B-5	265,000.00	474,200.00
Due Current Fund	A	76.88	122.98
		265,076.88	474,322.98
Tax Sale Redemption			
Due Current Fund	A	9.13	16.44
Reserve for Lien Redemptions	B-4	13,125.73	73,477.75
		13,134.86	73,494.19
Performance Bond Escrow Trust Fund			
Performance Bond Escrow		19,996.50	19,546.50
Unemployment Trust Fund			
Reserve for Unemployment Compensation		11,396.39	19,067.86
Payroll Agency Trust			
Due Current Fund	A	15.05	
Reserve for Agencies		36,774.80	
		36,789.85	
		<u>\$ 792,358.42</u>	<u>\$ 1,052,314.50</u>

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

GENERAL CAPITAL FUND

EXHIBIT C

COMPARATIVE BALANCE SHEET - GENERAL CAPITAL FUND - REGULATORY BASIS

ASSETS	Ref.	Balance	Balance
		Dec. 31, 2016	Dec. 31, 2015
Cash - Treasurer	C-2	\$ 626,734.49	\$ 690,434.15
Deferred Charges to Future Taxation:			
Funded	C-4	645,000.00	830,000.00
Unfunded	C-5	1,757,214.00	1,731,582.00
Amount to be Provided by Capital Lease	C-11	540,000.00	605,000.00
		<u>\$ 3,568,948.49</u>	<u>\$ 3,857,016.15</u>
LIABILITIES, RESERVES, AND FUND BALANCE			
Serial Bonds Payable	C-9	\$ 645,000.00	\$ 830,000.00
Bond Anticipation Notes	C-10	1,715,402.00	1,691,050.00
Improvement Authorizations:			
Funded	C-6	41,212.24	45,658.13
Unfunded	C-6	527,472.62	607,423.37
Encumbrances Payable	C-7	21,030.16	28,061.80
Capital Improvement Fund	C-8	71,632.00	42,632.00
Due Current Fund	A	171.28	163.10
Reserves for Improvements to Roads		2,831.20	2,831.20
Obligations Under Capital Lease	C-11	540,000.00	605,000.00
Fund Balance	C-1	4,196.99	4,196.55
		<u>\$ 3,568,948.49</u>	<u>\$ 3,857,016.15</u>

EXHIBIT C-1

STATEMENT OF FUND BALANCE - GENERAL CAPITAL FUND - REGULATORY BASIS

Balance December 31, 2015	Ref. C	\$ 4,196.55
Increased by:		
Cancellation of Improvement Authorization	C-3	0.44
Balance December 31, 2016	C	<u>\$ 4,196.99</u>

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

WATER AND SEWER UTILITY FUND

EXHIBIT D

COMPARATIVE BALANCE SHEET - WATER AND SEWER
UTILITY FUND - REGULATORY BASIS

ASSETS	Ref.	Balance Dec. 31, 2016	Balance Dec. 31, 2015
Operating Fund			
Cash	D-5	\$ 1,151,936.13	\$ 1,065,123.06
Change Fund		100.00	100.00
Due from Utility Escrow Fund	D	17.21	18.14
Due from Utility Capital Fund	D	239.57	101.13
		<u>1,152,292.91</u>	<u>1,065,342.33</u>
Receivables with Full Reserves			
Consumer Accounts Receivable	D-7	183,611.46	101,553.02
Utility Liens Receivable	D-8	9,849.52	2,047.29
		<u>193,460.98</u>	<u>103,600.31</u>
Total Operating Fund		<u>1,345,753.89</u>	<u>1,168,942.64</u>
Capital Fund			
Cash	D-5	1,324,616.59	398,815.60
Fixed Capital	D-9	14,212,232.81	10,851,422.84
Fixed Capital Authorized and Uncompleted	D-10	2,301,578.53	3,523,727.05
NJEIT Loan Receivable	D-11	12,034.00	59,832.00
Total Capital Fund		<u>17,850,461.93</u>	<u>14,833,797.49</u>
Escrow Fund			
Cash	D-5	73,764.54	71,055.71
		<u>\$ 19,269,980.36</u>	<u>\$ 16,073,795.84</u>

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

COMPARATIVE BALANCE SHEET - WATER AND SEWER
UTILITY FUND - REGULATORY BASIS

LIABILITIES, RESERVES, AND FUND BALANCE	Ref.	Balance Dec. 31, 2016	Balance Dec. 31, 2015
Operating Fund			
Liabilities:			
Appropriation Reserves	D-4:D-12	\$ 422,441.50	\$ 279,368.55
Encumbrances Payable	D-13	20,160.23	69,372.76
Accrued Interest on Bonds, Notes & Loans	D-14	21,413.89	23,128.68
Utility Rent Overpayments		3,635.50	3,477.50
		<hr/>	<hr/>
		467,651.12	375,347.49
Reserve for Receivables		193,460.98	103,600.31
Fund Balance	D-1	684,641.79	689,994.84
		<hr/>	<hr/>
		1,345,753.89	1,168,942.64
Capital Fund			
Serial Bonds Payable	D-17	822,000.00	1,054,000.00
Bond Anticipation Notes Payable	D-18	2,214,598.00	613,950.00
USDA Loans Payable	D-19	576,536.24	585,754.24
NJEIT Loans Payable	D-19	2,125,691.66	2,579,682.71
Improvement Authorizations:			
Funded	D-15	59,254.60	58,648.60
Unfunded	D-15	624,201.64	209,257.70
Encumbrances Payable	D-13	1,031,356.85	253,354.43
Capital Improvement Fund	D-16	96,357.83	27,012.83
Due Utility Operating Fund	D	239.57	101.13
Reserve for Interest Payable	D-5	39,968.10	
Reserve for Amortization		10,229,152.92	9,420,930.42
Deferred Reserve for Amortization	D-20	6,232.52	6,232.52
Fund Balance	D-2	24,872.00	24,872.91
		<hr/>	<hr/>
		17,850,461.93	14,833,797.49
Escrow Fund			
Due Utility Operating Fund	D	17.21	18.14
Reserve for Escrow Deposits		73,747.33	71,037.57
		<hr/>	<hr/>
		73,764.54	71,055.71
		<hr/>	<hr/>
		\$ 19,269,980.36	\$ 16,073,795.84
		<hr/>	<hr/>

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND
BALANCE - WATER AND SEWER UTILITY FUND - REGULATORY BASIS

	Ref.	Year 2016	Year 2015
Revenue and Other Income Realized			
Fund Balance Utilized	D-3	\$ 298,800.00	\$ 386,585.00
Rents	D-3	2,379,361.73	2,259,207.01
Connection Fees	D-3	4,289.48	90,387.12
Miscellaneous	D-3	41,179.54	60,066.51
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-12	242,254.74	282,309.55
Total Income		<u>2,965,885.49</u>	<u>3,078,555.19</u>
Expenditures			
Operating	D-4	1,954,400.00	1,892,900.00
Capital Improvements	D-4	164,800.00	115,000.00
Debt Service	D-4	463,140.54	470,245.36
Deferred Charges			79,000.00
Statutory Expenditures	D-4	90,098.00	88,370.00
Total Expenditures		<u>2,672,438.54</u>	<u>2,645,515.36</u>
Statutory Excess to Fund Balance		293,446.95	433,039.83
Fund Balance			
Balance January 1	D	<u>689,994.84</u>	<u>643,540.01</u>
		983,441.79	1,076,579.84
Decreased by:			
Utilization as Anticipated Revenue	D-1	<u>298,800.00</u>	<u>386,585.00</u>
Balance December 31	D	<u><u>\$ 684,641.79</u></u>	<u><u>\$ 689,994.84</u></u>

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

EXHIBIT D-2

STATEMENT OF FUND BALANCE - WATER AND SEWER
CAPITAL FUND - REGULATORY BASIS

Balance December 31, 2015	Ref. D	\$ 24,872.91
Decreased by:		
Cancellation of Improvement Authorization	D-6	0.91
Balance December 31, 2016	D	<u>\$ 24,872.00</u>

EXHIBIT D-3

STATEMENT OF REVENUES - WATER AND SEWER UTILITY FUND - REGULATORY BASIS

	Ref.	Anticipated Budget	Realized	Excess or (Deficit)
Operating Surplus Anticipated	D-1	\$ 298,800.00	\$ 298,800.00	
Rents	D-3	2,259,016.00	2,379,361.73	\$ 120,345.73
Connection Fees	D-5	90,000.00	4,289.48	(85,710.52)
Miscellaneous	D-3	60,000.00	41,179.54	(18,820.46)
		<u>\$ 2,707,816.00</u>	<u>\$ 2,723,630.75</u>	<u>\$ 15,814.75</u>
	Ref. D-4			

Analysis of Realized Revenue

Rents:	Ref.	
Consumer Accounts Receivable:		
Collected	D-7	\$ 2,375,168.76
Overpayments Applied	D-7	3,477.50
Water and Sewer Liens	D-8	715.47
	D-3	<u>\$ 2,379,361.73</u>
Miscellaneous:		
Penalties/Tax Sale Costs		\$ 23,735.02
Miscellaneous		400.00
Meter Charges		4,387.00
Transfer Fee		5,174.07
Turn On/Off		3,479.96
Interest on Investments		4,003.49
	D-3:D-5	<u>\$ 41,179.54</u>

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

STATEMENT OF EXPENDITURES - WATER AND SEWER UTILITY FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Operating:						
Salaries and Wages	\$ 445,000.00	\$ 442,500.00	\$ 395,961.23		\$ 46,538.77	
Other Expenses	1,541,900.00	1,541,900.00	1,148,018.62	\$ 16,874.93	347,006.45	\$ 30,000.00
Capital Improvements:						
Capital Improvement Fund	35,000.00	35,000.00	35,000.00			
Treatment Plant Lift Station Pumps	9,000.00	9,000.00	4,590.00		4,410.00	
Treatment Plant Electrical Upgrades	10,000.00	10,000.00	9,465.00		535.00	
Replacement of Pumps & Controls	40,000.00	40,000.00	26,951.49	1,212.30	11,836.21	
Loop Water System (New Water Tower)	5,800.00	5,800.00			5,800.00	
Replacement of Water Meters	65,000.00	65,000.00	59,904.00	2,073.00	3,023.00	
Debt Service:						
Payment of Bond Principal	232,000.00	232,000.00	232,000.00			
Payment of USDA Loan Principal	9,218.00	9,218.00	9,218.00			
Payment of NJEIT Loan Principal	116,500.00	116,500.00	116,262.25			237.75
Payment of Bond Anticipation Notes	9,900.00	9,900.00	9,900.00			
Interest on Bonds	52,500.00	53,000.00	49,477.47			3,522.53
Interest on USDA Loan	23,000.00	23,400.00	22,094.34			1,305.66
Interest on NJEIT Loan	17,550.00	17,550.00	17,504.00			46.00
Interest on Notes	5,350.00	6,950.00	6,684.48			265.52
Statutory Expenditures:						
Public Employees' Retirement	48,598.00	48,598.00	48,598.00			
Social Security System (OASI)	34,000.00	34,000.00	30,760.03		3,239.97	
Unemployment Compensation	7,500.00	7,500.00	7,447.90		52.10	
	<u>\$ 2,707,816.00</u>	<u>\$ 2,707,816.00</u>	<u>\$ 2,229,836.81</u>	<u>\$ 20,160.23</u>	<u>\$ 422,441.50</u>	<u>\$ 35,377.46</u>
Ref.	D-3	D-3		D-13	D	
Interest on Bonds, Notes, and Loans	Ref.					
Disbursed	D-14		\$ 95,760.29			
	D-5		2,134,076.52			
			<u>\$ 2,229,836.81</u>			

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

GENERAL FIXED ASSETS

COMPARATIVE BALANCE SHEET - GENERAL FIXED ASSETS - REGULATORY BASIS

	Balance Dec. 31, 2016	Balance Dec. 31, 2015
General Fixed Assets:		
Land	\$ 1,389,900.00	\$ 1,389,900.00
Buildings	2,042,771.00	2,042,771.00
Machinery and Equipment	2,345,938.00	2,276,984.00
Licensed Vehicles	3,352,073.00	3,342,698.00
	<u>\$ 9,130,682.00</u>	<u>\$ 9,052,353.00</u>
Investment in General Fixed Assets	<u>\$ 9,130,682.00</u>	<u>\$ 9,052,353.00</u>

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

NOTES TO FINANCIAL STATEMENTS
(Regulatory Basis)

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Clayton was created in 1887 and is located in Gloucester County, New Jersey.

The Borough has an elected Mayor and six elected members of Council. The Borough is managed daily by the Borough Administrator.

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

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

B. Description of Funds and Account Groups

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

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

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

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

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

Payroll Account – Receipt and disbursement of funds to meet obligations to employees and payroll tax liabilities.

General Fixed Assets – To account for fixed assets used in governmental operations.

BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting

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

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

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

Expenditures – are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods and services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the Borough's regulatory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital and utility capital indebtedness is on the cash basis. This method differs from accounting principles generally accepted in the United States of America which requires that expenditures be recorded when services are rendered or goods are received. Under accounting principles generally accepted in the United States of America appropriation reserves do not exist and encumbrances do not constitute expenditures.

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

Interfunds – Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. Under accounting principles generally accepted in the United States of America, interfunds are not reserved.

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

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

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

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

All fixed assets are recorded at historical cost or estimated historical cost if actual historical cost is not available except for land, which is valued at estimated market value on the date of acquisition. The Borough capitalizes fixed assets with an original cost in excess of \$5,000.00.

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

No depreciation has been provided for in the financial statements.

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

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

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

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

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Property Taxes (Continued) - The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county. The inclusion of the "Reserve for Uncollected Taxes" appropriation in the Borough's annual budget protects the Borough from those taxes not paid. The minimum amount of the reserve is determined by the percentage of collections experienced in the preceding year, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations. Under accounting principles generally accepted in the United States of America, a "Reserve for Uncollected Taxes" would not be an appropriation.

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

D. Comparative Data

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

E. Recent Accounting Pronouncements Not Yet Effective

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68." This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the Borough's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the Borough's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the Borough's financial reporting.

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Recent Accounting Pronouncements Not Yet Effective (Continued)

Statement No. 80, "Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14." The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 81, "Irrevocable Split- Interest Agreements." The objective of this Statement is to improve accounting and financial reporting for certain irrevocable split-interest agreements by providing recognition and measurement guidance or situations in which a government is a beneficiary of the agreement. The Statement is effective for periods beginning after December 15, 2016. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 82, "Pension Issues and Amendments of GASB Statements No. 67, No. 68, and No. 73." The objective of this Statement is to answer certain issues that have been raised with respect to Statements No. 67, No. 68, and No. 73. The Statement is effective for periods beginning after June 15, 2016. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 83, "Certain Asset Retirement Obligations." This statement addresses accounting and financial reporting for certain asset retirement obligations (ARO's). The Statement is effective for period's beginning after June 15, 2018. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 84, "Fiduciary Activities." The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement is effective for reporting periods beginning after December 15, 2018. Management has not yet determined the impact of this Statement on the financial statements.

NOTE 2: BUDGETARY INFORMATION

The Borough must adopt an annual budget in accordance with NJSA 40A:4 et seq. This budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. This protects the Borough from taxes not paid currently. Once approved, the Borough may make emergency appropriations for a purpose which is not foreseen at the time the budget is adopted per NJSA 40A:4-46 and 54. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety or welfare prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budget of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. Budget transfers between appropriation accounts are prohibited until the last two months of the year. Budget transfers during the year were not significant. After approval from the Director, the Borough can also make amendments for any special item of revenue made available by any public or private funding source as per NJSA 40A:4-87.

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 2: BUDGETARY INFORMATION (CONTINUED)

The Borough amended the budget during the year by the insertion of Special Items of Revenue in the amount of \$36,187.54 as detailed on Exhibit A-2.

NOTE 3: CASH

Custodial Credit Risk – Deposits

Custodial Credit Risk is the risk that in the event of a bank failure, the government's deposits may not be able to recover the value of its deposits or investments. Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. The municipality's policy is based on New Jersey Statutes requiring cash to be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in NJSA 40A:5-15.1(a) that are treated as cash equivalents. At December 31, 2016 and 2015, the carrying amount of the Borough's deposits was \$8,257,766.34 and \$6,871,920.44, respectively. As of December 31, 2016 and 2015, \$0 of the municipality's bank balance of \$8,412,091.34 and \$7,523,926.31, respectively, was exposed to Custodial Credit Risk.

NOTE 4: INVESTMENTS

As of December 31, 2016 and 2015, the Borough did not have any investments other than LOSAP.

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

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

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

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 4: INVESTMENTS (CONTINUED)

Unaudited Investments:

As more fully described in Note 15, the Borough has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et seq. except that all investments are retained in the name of the Borough. All investments are valued at contract value. In accordance with NJAC 5:30-14.37 the investments are maintained by Variable Annual Life Insurance Company, which is an authorized provider, approved by the Division of Local Government Services. The balance in the accounts on December 31, 2016 and 2015, amounted to \$178,242.09 and \$165,513.40, respectively. The information on 5% or more invested with Variable Annual Life Insurance Company is not yet available.

NOTE 5: FUND BALANCES APPROPRIATED

Fund balances which are appropriated and included as anticipated revenue in their own respective funds for the years ending December 31 were as follows:

	Year	Balance December 31	Utilized in Budget of Succeeding Year
Current Fund	2016	\$ 2,947,595.07	\$ 1,062,130.97
	2015	2,621,370.96	761,579.19
	2014	1,955,829.55	846,340.26
	2013	1,448,507.60	814,317.45
	2012	1,794,069.12	950,000.00

	Year	Balance December 31	Budget of Succeeding Year
Water & Sewer Operating Fund	2016	\$ 684,641.79	\$ 344,000.00
	2015	689,994.84	298,800.00
	2014	643,540.01	386,585.00
	2013	484,704.23	255,394.00
	2012	520,728.98	315,575.00

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 6: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016, the following deferred charges are shown on the balance sheets of the various funds.

	Balance Dec. 31, 2016	2017 Budget Appropriation	Succeeding Years
Current Fund:			
Special Emergency	\$ 14,800.00	\$ 3,700.00	\$ 11,100.00

NOTE 7: FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group for the year ended December 31, 2016:

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
Land	\$ 1,389,900.00			\$ 1,389,900.00
Buildings	2,042,771.00			2,042,771.00
Machinery & Equipment	2,276,984.00	\$ 134,458.00	\$ 65,504.00	2,345,938.00
Vehicles	3,342,698.00	657,501.00	648,126.00	3,352,073.00
	<u>\$ 9,052,353.00</u>	<u>\$ 791,959.00</u>	<u>\$ 713,630.00</u>	<u>\$ 9,130,682.00</u>

NOTE 8: INTERFUND RECEIVABLES AND PAYABLES

The following schedule reconciles interfund receivables and payables for the year ended December 31, 2016.

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 8: INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

	<u>Due From</u>	<u>Due to</u>
Current Fund		
Animal Control Trust	\$ 2,230.77	
Tax Sale Premium	76.88	
Tax Sale Redemption	9.13	
Escrow Trust Fund	18.72	
Off-Duty Police Trust Fund	4,538.85	
Donations - Aberdeen Senior Clubhouse Trust	0.66	
Donations - Special Events - Trust	2.05	
Donations - K9 Unit	0.61	
Payroll Agency Trust	15.05	
General Capital Fund	171.28	
Parking Offense Adjudication Trust		\$ 2,096.01
Public Defender Trust Fund		3,223.75
Animal Control Trust Fund		
Current Fund		2,230.77
Parking Offense Adjudication Trust		
Current Fund	2,096.01	
Public Defender Trust Fund		
Current Fund	3,223.75	
Escrow Trust Fund		
Current Fund		18.72
Donations - Aberdeen Senior Clubhouse Trust		
Current Fund		0.66
Donations - K9 Unit		
Current Fund		2.05
Donations - Special Events - Trust		
Current Fund		0.61
Off-Duty Police Trust Fund		
Current Fund		4,538.85
Tax Sale Premium		
Current Fund		76.88
Tax Sale Redemption		
Current Fund		9.13
Payroll Agency Trust:		
Current Fund		15.05
General Capital Fund		
Current Fund		171.28
Water and Sewer Capital Fund		
Water and Sewer Operating Fund		239.57
Water and Sewer Operating Fund		
Water and Sewer Capital Fund	239.57	
Water and Sewer Escrow Fund	17.21	
Water and Sewer Escrow Fund		
Water and Sewer Operating Fund		17.21
	<u>\$ 12,640.54</u>	<u>\$ 12,640.54</u>

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 8: INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

The amount due from Federal and State Grant Fund, POAA, and Public Defender is due to the fact that a separate bank account is not maintained. All of the other interfunds are for interest earned in December but not transferred.

NOTE 9: TAXES COLLECTED IN ADVANCE

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

	Balance	
	12/31/2016	12/31/2015
Prepaid Taxes - Cash Liability	\$ 148,846.96	\$ 112,289.72

NOTE 10: SCHOOL TAXES

Regulations provide for the deferral of not more than 50% of the annual levy of \$9,335,398.00 when school taxes are raised for a school year and have not been requisitioned by the School District. In the Borough's case, the amount of \$4,667,699.00 would be the maximum amount permitted to be deferred as of December 31, 2016, under these regulations. The Borough has elected to defer school taxes as stated below.

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

	Local School District Tax	
	Balance	Balance
	Dec. 31, 2016	Dec. 31, 2015
Balance of Tax	\$ 4,641,584.03	\$ 4,302,052.03
Deferred	4,279,108.50	4,279,108.50
Tax Payable	\$ 362,475.53	\$ 22,943.53

NOTE 11: DEFERRED COMPENSATION

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Borough employees, permits them to defer a portion of their salary and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency.

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

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 11: DEFERRED COMPENSATION (CONTINUED)

As part of its fiduciary role, the Borough has an obligation of due care in selecting third party administrators. The independent administrators are Variable Annual Life Insurance Company and Equitable Life Assurance Society through AXA. In the opinion of the Borough's legal counsel, the Borough has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

NOTE 12: ACCUMULATED ABSENCE BENEFITS

The police employees have unlimited sick time. They also carry-over one week's vacation into the next year. At retirement, police employees receive the full year's vacation time that they are entitled to receive for the year in which they are retiring.

The Borough of Clayton has contracted with the American Federation of State, County, and Municipal Employees ("AFSCME") for the office personnel, shuttle bus driver, mechanic, and all Public Works employees. The AFSCME contract does not permit employees to carry over vacation days from year to year. Upon separation or retirement, an employee shall receive payment for all vacation leave not used in the current year. The AFSCME contract allows employees to accumulate unused sick leave into a bank at the end of each year. At separation, unused sick leave may be sold back to the Borough at the rate of three (3) sick days for one (1) day's current rate pay. Upon retirement, any employee may sell back to the Borough; at his/her current rate of pay, any unused sick days at the rate of one (1) day for one (1) day. According to Chapter 92 of 2007; covered employees that have accumulated more than \$15,000.00 worth of sick leave as of July 1, 2007, or at the end of an existing contract cannot accumulate additional time and dollar values (\$15,000.00) is frozen in place and cannot be increased. In all cases, sick leave days can continue to accumulate. This law only limits the amount of payment upon retirement. The employees accumulate 12 sick days per year.

Non-contracted employees accrue vacation time based on number of years employed by the Borough. These vacation days may not be carried over. Vacation time is paid out at 100% upon retirement or separation. Non-contracted employees are granted 12 sick days per year and can accumulate all unused sick days into a bank at the end of each year. The same restrictions on accumulated leave per Chapter 92 of 2007 apply to non-contracted employees. The Borough also has local ordinance that covers all non-union personnel.

	Value	
	12/31/2016	12/31/2015
FOP Lodge 130	\$ 26,254.67	\$ 42,117.07
AFSCME District 71	140,884.64	185,831.43
Non-Union	43,246.18	65,485.07
	<u>\$ 210,385.49</u>	<u>\$ 293,433.57</u>

NOTE 13: ECONOMIC DEPENDENCY

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

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 14: JOINT VENTURE

On April 6, 2016, the Borough entered into a joint venture agreement with the County of Gloucester for fleet maintenance. This agreement is effective until May 31, 2026. The Borough is billed an annual payment of \$30,000.00 to cover labor and also reimburses the County for parts based on actual costs.

On November 24, 2014, the Borough entered into a joint venture agreement with Gloucester County Improvement Authority for snow removal goods and services. This agreement is effective for ten years. The Borough is billed based on the actual costs.

On October 27, 2011, the Borough entered into a joint agreement with Township of Elk to administer the Municipal Court office effective December 23, 2011. This agreement was renewed on January 1, 2015, and expires on December 31, 2017. The Borough was billed \$99,419.00 for the year 2016.

NOTE 15: LENGTH OF SERVICE AWARD PROGRAM (UNAUDITED)

During the year 2001, the voters of the Borough of Clayton approved the establishment of a Length of Service Awards Program (LOSAP) Deferred Compensation Plan. This plan was approved by voters of the Borough of Clayton by referendum at the general election in November 2001. This plan is made available to all bona fide eligible volunteers who are performing qualified services which are defined as firefighting services pursuant to section 457 of the Internal Revenue Code of 1986, as amended except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP also complies with New Jersey Public Law of 1997, Chapter 338 and the LOSAP document. The balance is subject to the general creditors of the Borough. Contributions by the Borough for qualified participants were \$9,000.00 and \$8,000.00 for individuals eligible in 2015 and 2014, respectively. These payments are made in the subsequent year for participants who met the required qualifications. The assets of the plan are held by an independent administrator, Variable Annual Life Insurance Company (VALIC).

NOTE 16: NOTES PAYABLE

The Borough has outstanding at December 31, 2016, a General Capital and Water and Sewer Capital bond anticipation note in the amount of \$1,715,402.00 and \$2,214,598.00, respectively. This note will mature on December 11, 2017, at an interest rate per annum of 2.5%.

BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 17: LONG-TERM DEBT

During the calendar year 2016, the following changes occurred in the municipal debt of the Borough:

	Balance Dec. 31, 2015	Issued/ Authorized	Retired/ Reduction	Balance Dec. 31, 2016	Due in One Year
ISSUED:					
General:					
General Serial Bonds	\$ 830,000.00		\$ 185,000.00	\$ 645,000.00	\$ 125,000.00
Bond Anticipation Notes	1,691,050.00	\$ 55,720.00	31,368.00	1,715,402.00	54,721.04
Water and Sewer:					
Serial Bonds	1,054,000.00		232,000.00	822,000.00	232,000.00
Bond Anticipation Notes	613,950.00	1,628,500.00	27,852.00	2,214,598.00	25,843.85
USDA Loan	585,754.24		9,218.00	576,536.24	9,496.61
NJEIT	2,579,682.71		453,991.05	2,125,691.66	116,299.25
Net Debt Issued	<u>7,354,436.95</u>	<u>1,684,220.00</u>	<u>939,429.05</u>	<u>8,099,227.90</u>	<u>563,360.75</u>
AUTHORIZED BUT NOT ISSUED:					
General:					
Bond Anticipation Notes	40,532.00	57,000.00	55,720.00	41,812.00	
Water and Sewer:					
Bond Anticipation Notes	114,600.00	2,053,500.00	1,628,500.00	539,600.00	
Authorized But Not Issued	<u>155,132.00</u>	<u>2,110,500.00</u>	<u>1,684,220.00</u>	<u>581,412.00</u>	
Total Debt Issued and Authorized But Not Issued	<u>\$ 7,509,568.95</u>	<u>\$ 3,794,720.00</u>	<u>\$ 2,623,649.05</u>	<u>\$ 8,680,639.90</u>	<u>\$ 563,360.75</u>

Permanently Funded Debt Consisted of the Following:

\$1,715,000.00 General Improvement Bonds dated April 1, 2008, payable in annual installments through April 1, 2021. Interest is paid semi-annually at a rate of 5.00% per annum. The balance remaining as of December 31, 2016, was \$645,000.00.

\$500,000.00 Water Utility Bonds dated April 1, 1977, payable in annual installments through April 1, 2017. Interest is paid semi-annually at a rate of 5.00% per annum. The balance remaining as of December 31, 2016, was \$15,000.00.

\$571,000.00 Water Utility Bonds dated October 1, 1979, payable in annual installments through April 1, 2019. Interest is paid semi-annually at a rate of 5.00% per annum. The balance remaining as of December 31, 2016, was \$52,000.00.

\$1,730,000.00 Water & Sewer Utility Bonds dated October 1, 1999, payable in annual installments through November 1, 2019. Interest is paid semi-annually at a rate of 5.625% per annum. The balance remaining as of December 31, 2016, was \$355,000.00.

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 17: LONG-TERM DEBT (CONTINUED)

Permanently Funded Debt Consisted of the Following (Continued):

\$810,000.00 Water & Sewer Utility Bonds dated April 1, 2008, payable in annual installments through April 1, 2021. Interest is paid semi-annually at a rate of 4.75% - 5.00% per annum. The balance remaining as of December 31, 2016, was \$400,000.00.

\$620,000.00 Water & Sewer Utility USDA Loan dated December 27, 2011, payable in annual installments through December 27, 2051. Interest is paid semi-annually at a rate of 3% per annum. The balance remaining as of December 31, 2016, was \$576,536.24.

\$505,000.00 Department of Environmental Infrastructure Loan (NJEIT) trust loan dated May 21, 2014, payable in semi-annual installments through August 2033. The trust loan interest is paid at a rate of 3%-5% per annum. The balance remaining at December 31, 2016, was \$465,000.00.

\$1,542,750.00 Department of Environmental Infrastructure Loan (NJEIT) fund loan dated May 21, 2014, payable in semi-annual installments through August 2033. The fund loan interest is paid at a rate of 0% per annum. The balance remaining at December 31, 2016, was \$1,333,563.57.

\$184,500.00 Department of Environmental Infrastructure Loan (NJEIT) trust loan dated May 21, 2014, payable in semi-annual installments through August 2033. The trust loan interest is paid at a rate of .2%-3.35% per annum. The balance remaining at December 31, 2016, was \$167,645.00.

\$553,500.00 Department of Environmental Infrastructure Loan (NJEIT) fund loan dated May 21, 2014, payable in semi-annual installments through August 2033. The fund loan interest is paid at a rate of 0% per annum. Water and Sewer funds in the amount of \$337,728.80 were de-obligated from the Fund loan during 2016 due to the realization of ARRA forgiveness. The balance remaining at December 31, 2016, was \$159,483.09.

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

Year Ended December	Principal	Interest	Total
General Serial Bonds			
Current Fund			
2017	\$ 125,000.00	\$ 28,968.75	\$ 153,968.75
2018	125,000.00	22,875.00	147,875.00
2019	125,000.00	16,625.00	141,625.00
2020	135,000.00	10,125.00	145,125.00
2021	135,000.00	3,375.00	138,375.00
	<u>\$ 645,000.00</u>	<u>\$ 81,968.75</u>	<u>\$ 726,968.75</u>

BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 17: LONG-TERM DEBT (CONTINUED)

Year Ended December	Principal	Interest	Total
Water & Sewer Operating Fund			
2017	\$ 232,000.00	\$ 40,418.76	\$ 272,418.76
2018	217,000.00	28,543.76	245,543.76
2019	213,000.00	16,918.76	229,918.76
2020	80,000.00	6,000.00	86,000.00
2021	80,000.00	2,000.00	82,000.00
	<u>\$ 822,000.00</u>	<u>\$ 93,881.28</u>	<u>\$ 915,881.28</u>

Year Ended December	Principal	Interest	Total
USDA Loan Water & Sewer Operating Fund			
2017	\$ 9,496.63	\$ 17,225.39	\$ 26,722.02
2018	9,783.65	16,938.35	26,722.00
2019	10,079.35	16,642.65	26,722.00
2020	10,384.00	16,338.00	26,722.00
2021	10,697.86	16,024.14	26,722.00
2022-2026	58,539.39	75,070.61	133,610.00
2027-2031	67,937.35	65,672.65	133,610.00
2032-2036	78,844.07	54,765.93	133,610.00
2037-2041	91,501.75	42,108.86	133,610.61
2042-2046	106,191.53	27,418.47	133,610.00
2047-2051	123,080.66	10,370.34	133,451.00
	<u>\$ 576,536.24</u>	<u>\$ 358,575.39</u>	<u>\$ 935,111.63</u>

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 17: LONG-TERM DEBT (CONTINUED)

Year Ended December	Principal	Interest	Total
NJEIT Loan			
Water & Sewer Operating Fund			
2017	\$ 116,299.25	\$ 21,723.18	\$ 138,022.43
2018	116,354.25	20,668.10	137,022.35
2019	116,439.25	19,582.82	136,022.07
2020	116,547.25	18,475.14	135,022.39
2021	121,682.25	17,339.96	139,022.21
2022-2026	621,191.25	65,518.02	686,709.27
2027-2031	647,694.25	34,416.14	682,110.39
2032-2033	269,483.91	4,562.92	274,046.83
	<u>\$ 2,125,691.66</u>	<u>\$ 202,286.28</u>	<u>\$ 2,327,977.94</u>

Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .607%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 18,747,000.00	\$ 18,363,023.80	\$ 383,976.20
Water & Sewer Debt	6,597,391.98	6,597,391.98	
General Debt	2,402,214.00		2,402,214.00
	<u>\$ 27,746,605.98</u>	<u>\$ 24,960,415.78</u>	<u>\$ 2,402,214.00</u>

Net Debt \$2,402,214.00/Equalized Valuation Basis per NJSA 40A:2-12 as amended
\$459,075,595.00 = .607%.

Borrowing Power Under NJSA 40:A2-6 As Amended

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 16,067,645.83
Net Debt	2,402,214.00
Remaining Borrowing Power	<u>\$ 13,665,431.83</u>

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 17: LONG-TERM DEBT (CONTINUED)

Calculation of "Self-Liquidating Purpose" Water & Sewer Utility Per NJSA 40:2-45

Cash Receipts From Fees, Rents, or Other Charges		\$ 2,723,630.75
Deductions:		
Operating and Maintenance Costs	\$ 2,044,498.00	
Debt Service Per Water & Sewer Account	463,140.54	
		<u>2,507,638.54</u>
Excess in Revenue		<u>\$ 215,992.21</u>

NOTE 18: PENSION FUNDS

Description of Plans - All eligible employees of the Borough are covered by Public Employees' Retirement System, (PERS), or Police and Firemen's Retirement System, (PFRS), a cost-sharing, multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees' Retirement System. The reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295 or can be accessed on the internet at: <http://www.state.nj.us/treasury/pensions/actuarial-rpts.shtml>.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of NJSA 43:15A to provide retirement, death, disability, and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing, multiple-employer plan. Membership is generally required for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another state-administered retirement system or other state or local jurisdiction.

Police and Firemen's Retirement System (PFRS) - The Police and Firemen's Retirement System was established in July 1944 under the provisions of NJSA 43:16A to provide coverage to substantially all full-time county or municipal police and fire-fighters and State fire-fighters appointed after June 30, 1944. Enrollment is required for permanent, full-time employees appointed to positions in law enforcement or firefighting in the State of New Jersey.

Defined Contribution Retirement Program (DCRP) - The Borough established Defined Contribution Retirement Program by ordinance on July 10, 2008, as required by Chapter 92 of the Laws of 2007 and NJSA 43:15C-1 et seq. DCRP provides for employee contributions of 5.5% of employees' annual base salary. Employers are required to contribute 3% of the employees' base salary. The Borough's contributions to DCRP for the years ending December 31, 2016, 2015, and 2014, were \$1,405.73, \$0, and \$0, respectively, equal to the required contributions for each year.

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 18: PENSION FUNDS (CONTINUED)

Funding Policy - The contribution policy is set by NJSA 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997, and NJSA 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The PERS contribution rate increased to 6.5% of base salary effective with the first payroll to be paid on or after October 1, 2011. Subsequent increases will then be phased in over 7 years (each July 1st) to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. The PFRS contribution rate increased to 10% of base salary effective with the first payroll to be paid on or after October 1, 2011. Employers are required to contribute at an actuarially determined rate in PERS and PFRS. The actuarially determined contribution includes funding for, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The Borough's contributions to PERS for the years ending December 31, 2016, 2015, and 2014, were \$138,849.00, \$133,908.00, and \$115,940.00, respectively, equal to the required contributions for each year. The Borough's contributions to PFRS for the years ending December 31, 2016, 2015, and 2014, were \$305,669.00, \$310,997.00, and \$304,121.00, respectively, equal to the required contributions for each year.

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

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

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

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 18: PENSION FUNDS (CONTINUED)

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

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

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

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

NOTE 19: FINANCIAL INFORMATION RELATED TO GASB 68 & GASB 71 FOR PUBLIC RETIREMENT SYSTEMS

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

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 19: FINANCIAL INFORMATION RELATED TO GASB 68 & GASB 71 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)

Public Employee's Retirement System – At December 31, 2016, the Borough's proportionate share of net pension liability was \$5,079,500. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Borough's allocation percentage was 0.0171505459% compared to 0.0161502691% at June 30, 2015.

For the year ended December 31, 2016, the Borough's pension expense would have been \$629,834 if New Jersey municipalities followed GAAP accounting principles. The Borough's deferred outflows of resources and deferred inflows of resources (which are not recorded) related to PERS are from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 76,139	
Changes of Assumptions	954,817	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	253,569	
Changes in Proportion and Differences Between the Borough's Contributions and Proportionate Share of Contributions	196,456	
	<u>\$ 1,480,981</u>	<u>None</u>

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

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

Year Ended June 30,	Amount
2017	\$ 341,027
2018	341,028
2019	386,338
2020	311,364
2021	101,224
	<u>\$ 1,480,981</u>

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 19: FINANCIAL INFORMATION RELATED TO GASB 68 & GASB 71 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)

Additional information – Collective balances at June 30, 2015 and 2016, are as follows:

	June 30, 2015	June 30, 2016
Collective Deferred Outflows of Resources	\$ 2,946,265,815	\$ 7,815,204,785
Collective Deferred Inflows of Resources	360,920,604	
Collective Net Pension Liability	22,447,996,119	29,617,131,759
Borough's Proportion	0.0161502691%	0.0171505459%

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

Actuarial Assumptions

The total pension liability for the June 30, 2016, measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65 – 4.15% Based on Age
Thereafter	2.65 – 5.15% Based on Age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Tables for male and female active participants. For local employees, mortality tables are setback 2 years for males and 7 years for females. In addition, the table provides for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

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

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 19: FINANCIAL INFORMATION RELATED TO GASB 68 & GASB 71 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)

Police and Firemen's Retirement System - At December 31, 2016, the Borough's proportionate share of net pension liability was \$7,132,118. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Borough's proportion was 0.0373359309% compared to 0.0376045620% at June 30, 2015.

For the year ended December 31, 2016, the Borough's pension expense would have been \$782,958 if New Jersey municipalities followed GAAP accounting principles. The Borough's deferred outflows of resources and deferred inflows of resources (which are not recorded) related to PFRS are from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 700,815	
Differences Between Expected and Actual Experience		\$ 34,826
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	656,926	
Changes in Proportion and Differences Between the Borough's Contributions and Proportionate Share of Contributions		243,487
	<u>\$ 1,357,741</u>	<u>\$ 278,313</u>

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

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

Year Ended	Amount
2017	\$ 252,000
2018	252,000
2019	381,939
2020	205,537
2021	(12,048)
	<u>\$ 1,079,428</u>

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 19: FINANCIAL INFORMATION RELATED TO GASB 68 & GASB 71 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)

Additional information – Collective balances at June 30, 2015 and 2016, are as follows:

	June 30, 2015	June 30, 2016
Collective Deferred Outflows of Resources	\$ 3,075,206,294	\$ 3,984,339,036
Collective Deferred Inflows of Resources	433,559,708	125,220,083
Collective Net Pension Liability	18,117,234,618	20,706,699,056
 Borough's Proportion	 0.0376045620%	 0.0373359309%

Contributions

The contribution policy for PFRS is set by NJSA 43:16A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The Borough's contribution amount was based on an actuarially determined rate which includes the normal cost and unfunded accrued liability.

Actuarial Assumptions

The total pension liability for the June 30, 2016, measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.08%
Salary Increases:	
Through 2026	2.10 – 8.98% Based on Age
Thereafter	3.10 – 9.98% Based on Age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Pre-retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 19: FINANCIAL INFORMATION RELATED TO GASB 68 & GASB 71 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)

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

A special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993, and Chapter 201, P.L. 2001. The June 30, 2016 and June 30, 2015, special funding situation net pension liability amounts of \$598,521 and \$549,298 are the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date.

NOTE 20: POST-RETIREMENT BENEFITS

Plan Description - The Borough of Clayton 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 Pensions and Benefits. SHBP was established in 1961 under NJSA 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. In 2001 the Borough of Clayton authorized participation in the SHBP's post-retirement benefit program through resolution adopted November 26, 2001, effective January 1, 2002. The Borough adopted the prescription drug program in December 2005, effective January 1, 2006. The Borough's policies provide for health insurance and prescription coverage, to eligible retirees and their spouses that participate in the SHBP's post-retirement benefit program with the local unit. The Borough also offers vision and dental coverage to the retirees and their spouses.

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

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 20: POST-RETIREMENT BENEFITS (CONTINUED)

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

Contributions to pay for the health premiums of participating retirees in the SHBP, are billed to the Borough of Clayton on a monthly basis. Plan members receiving benefits are not required to make contributions.

The Borough of Clayton's contributions to SHBP for healthcare of retirees for the years ended December 31, 2016, 2015, and 2014, were \$343,489.34, \$352,790.66, and \$319,840.92, respectively, which equaled the required contributions for each year. There were approximately nineteen, eighteen and seventeen participants eligible at December 31, 2016, 2015, and 2014, respectively.

NOTE 21: RISK MANAGEMENT

The Borough is exposed to various risks or loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Borough maintains commercial insurance coverage for property, liability, and surety bonds.

The Borough of Clayton is a member of the Gloucester, Salem, and Cumberland Counties Municipal Joint Insurance Fund and the Municipal Excess Liability Fund which includes other municipalities throughout the region. The Borough is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Gloucester, Salem, and Cumberland Counties Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. There has been no claims in excess of coverage and no reduction in coverage during the year 2016.

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 year and previous year:

<u>Year</u>	<u>Interest Earnings</u>	<u>Employee Contributions</u>	<u>Employer Contribution</u>	<u>Amount Reimbursed</u>	<u>Balance December 31</u>
2016	\$ 52.76	\$ 2,033.79	\$ 25,381.98	\$ 35,140.00	\$ 11,396.39
2015	63.61	4,274.36	23,200.00	29,525.00	19,067.86
2014	68.93	4,204.46	23,100.00	30,166.54	21,054.89

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 22: CAPITAL LEASE OBLIGATIONS

The Borough has lease agreements in effect at December 31, 2016, for equipment, a fire truck, and municipal building improvements. The lease is funded through Gloucester County Improvement Authority and was approved by the Local Finance Board prior to July 1, 2007. Future minimum lease payments under capital lease agreements are as follows:

Year Ended December	Principal	Interest	Other	Total
2017	\$ 65,000.00	\$ 27,000.00	\$ 2,070.00	\$ 92,000.00
2018	70,000.00	23,750.00	2,070.00	93,750.00
2019	75,000.00	20,250.00	2,070.00	95,250.00
2020	75,000.00	16,500.00	2,070.00	91,500.00
2021	80,000.00	12,750.00	2,070.00	92,750.00
2022-2023	175,000.00	13,250.00	4,140.00	188,250.00
	<u>\$ 540,000.00</u>	<u>\$ 113,500.00</u>	<u>\$ 14,490.00</u>	<u>\$ 653,500.00</u>

NOTE 23: LABOR CONTRACTS

As of December 31, 2016, the Borough's employees are organized in the following collective bargaining units. Contracts are continually being negotiated and the following table shows their current status.

	Category	Term	Covers
AFSCME #71	Public Works, Clerical	1/1/2014-12/31/2016	All Employees in Public Works and Clerical Workers Excluding Supervisors
FOP Lodge #130	Police	1/1/2013-12/31/2016	All Uniformed Police Excluding the Chief

NOTE 24: TAX ABATEMENT PROGRAM

The Borough entered into long-term tax abatement agreements (in excess of 5 year term) under the provisions of the New Jersey statutes as described below to promote and stimulate redevelopment and rehabilitation. The statutes were utilized by the Borough to attract redevelopers.

NJSA 40A:12A-1 et seq., "The Local Redevelopment and Housing Law" (LRHL), which designates "areas in need of redevelopment" as defined in the statute.

NJSA 40A:20-1 et seq., "Long Term Tax Exemption Law," which provides for long term tax exemption for the LRHL designated areas.

For the fiscal year ended December 31, 2016, the Borough abated property taxes totaling \$829,095. The following agreements were in effect as of December 31, 2016, under the provisions of the aforementioned statutes:

- A 75.92% abatement to a developer for construction and operation of a 103 unit affordable housing project for low to moderate income elderly individuals. The abatement amounted to \$174,014.

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 24: TAX ABATEMENT PROGRAM (CONTINUED)

- A 35.07% abatement to a developer for construction and operation of a 47 unit age restricted housing project. The abatement amounted to \$142,081.
- A 43.55% abatement to a developer for construction and operation of a 159 unit age restricted housing project. The abatement amounted to \$512,000.

NOTE 25: LITIGATION

It is the Borough of Clayton Counsel's opinion that there exists no litigation or contingent liability that may be pending against the Borough of Clayton that would have an adverse effect on the financial position in the future.

NOTE 26: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2016 and June 8, 2017, the date that the financial statements were issued, and no additional items have come to their attention that would require disclosure.

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

Schedule of the Borough's Proportionate Share of the Net Pension Liability - PERS
Last Three Fiscal Years

	Year Ended		
	12/31/2016	12/31/2015	12/31/2014
Borough's Proportion of the Net Pension Liability (Asset)	0.0171505459%	0.0161502691%	0.0162433701%
Borough's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,079,500	\$ 3,625,412	\$ 3,041,203
Borough's Covered-Employee Payroll	1,099,615	1,108,230	1,102,308
Borough's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	461.93%	327.14%	275.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.92%	52.08%
Measurement Date	6/30/2016	6/30/2015	6/30/2014

Schedule of Borough Contributions - PERS
Last Three Fiscal Years

	Year Ended		
	12/31/2016	12/31/2015	12/31/2014
Contractually Required Contribution	\$ 152,363	\$ 138,849	\$ 133,908
Contributions in Relation to the Contractually Required Contribution	152,363	138,849	133,908
Contribution Deficiency (Excess)	None	None	None
Borough's Covered-Employee Payroll	\$ 1,099,615	\$ 1,108,230	\$ 1,102,308
Contributions as a Percentage of Covered-Employee Payroll	13.86%	12.53%	12.15%
Measurement Date	6/30/2016	6/30/2015	6/30/2014

Schedule of the Borough's Proportionate Share of the Net Pension Liability - PFRS
Last Three Fiscal Years

	Year Ended		
	12/31/2016	12/31/2015	12/31/2014
Borough's Proportion of the Net Pension Liability (Asset)	0.0373359309%	0.0376045620%	0.0404907597%
Borough's Proportionate Share of the Net Pension Liability (Asset)	\$ 7,132,118	\$ 6,263,609	\$ 5,093,362
Borough's Covered-Employee Payroll	1,289,378	1,255,168	1,327,745
Borough's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	553.14%	499.03%	383.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.01%	56.30%	62.41%
Measurement Date	6/30/2016	6/30/2015	6/30/2014

Schedule of Borough Contributions - PFRS
Last Three Fiscal Years

	Year Ended		
	12/31/2016	12/31/2015	12/31/2014
Contractually Required Contribution	\$ 304,415	\$ 305,669	\$ 310,997
Contributions in Relation to the Contractually Required Contribution	304,415	305,669	310,997
Contribution Deficiency (Excess)	None	None	None
Borough's Covered-Employee Payroll	\$ 1,289,378	\$ 1,255,168	\$ 1,327,745
Contributions as a Percentage of Covered-Employee Payroll	23.61%	24.35%	23.42%
Measurement Date	6/30/2016	6/30/2015	6/30/2014

Schedule of the Borough's Proportionate Share of the Net Pension Liability - PFRS
Last Three Fiscal Years
Special Funding Situation

	Year Ended		
	12/31/2016	12/31/2015	12/31/2014
Borough's Proportion of the Net Pension Liability (Asset)	0.0373359309%	0.0376045620%	0.0404907597%
Borough's Proportionate Share of the Net Pension Liability (Asset)	\$ 598,921	\$ 549,298	\$ 548,469
Borough's Covered-Employee Payroll	1,289,378	1,255,168	1,327,745
Borough's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	46.45%	43.76%	41.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.01%	56.30%	62.41%
Measurement Date	6/30/2016	6/30/2015	6/30/2014

The data in the above schedule represents the allocation of the State of New Jersey's obligation on behalf of the Borough.

The Police & Firemen's Retirement System is a Cost-Sharing, Multi-Employer Defined Benefit Plan with a Special Funding Situation - 100% of the additional costs incurred by local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993, and Chapter 201, P.L. 2001.

Schedule of Borough Contributions - PFRS
Last Three Fiscal Years
Special Funding Situation

	Year Ended		
	12/31/2016	12/31/2015	12/31/2014
Contractually Required Contribution	\$ 76,496	\$ 68,517	\$ 69,494
Contributions in Relation to the Contractually Required Contribution	76,496	68,517	69,494
Contribution Deficiency (Excess)	None	None	None
Borough's Covered-Employee Payroll	\$ 1,289,378	\$ 1,255,168	\$ 1,327,745
Contributions as a Percentage of Covered-Employee Payroll	5.93%	5.46%	5.23%
Measurement Date	6/30/2016	6/30/2015	6/30/2014

SUPPLEMENTARY INFORMATION

PETRONI & ASSOCIATES LLC

Certified Public Accountants • Registered Municipal Accountants
102 West High Street, Suite 100 • P.O. Box 279 • Glassboro, NJ 08028
(856) 881-1600 • Fax (856) 881-6860

MEMBER: AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Nick L. Petroni, CPA, RMA

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

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

Independent Auditor's Report

Honorable Mayor and Members
of the Borough Council
Borough of Clayton
125 North Delsea Drive
Clayton, New Jersey, 08312

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the accompanying balance sheets - regulatory basis of the various funds and account group, the related statement of operations and changes in fund balance - regulatory basis, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Borough of Clayton, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Borough of Clayton's basic financial statements, and have issued our report thereon dated June 8, 2017, which contained an adverse opinion on those financial statements due to being presented in accordance with the New Jersey regulatory basis of accounting. The financial statements of the Length of Service Award Program (LOSAP) have not been audited, and we were not engaged to audit the Length of Service Award Program (LOSAP), financial statements as part of our audit of the Borough of Clayton's financial statements.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

PETRONI & ASSOCIATES LLC



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

June 8, 2017

CURRENT FUND

SCHEDULE OF CURRENT FUND CASH - TREASURER

	Ref.	Current Fund	Payroll & Agency	Grant Fund
Balance December 31, 2015	A	\$ 3,334,709.35	\$ 33,075.56	\$ 114,892.06
Increased by Receipts:				
Tax Collector	A-5	17,171,076.91		
Grants Receivable	A-6			253,195.74
Homestead Rebate	A-7	267,675.40		
Revenue Accounts Receivable	A-10	2,029,937.73		
Due State of New Jersey -				
Senior Citizen and Veterans Deductions	A-14	77,566.20		
Due County of Gloucester - PILOT		46,336.67		
Due from Animal Control Trust Fund		5.66		
Due from General Capital		163.10		
Due to POAA Trust Fund		20.00		
Due from Developer's Escrow Trust Funds		24.38		
Due from Tax Sale Premium		122.98		
Due from Tax Sale Redemption		16.44		
Due from Off-Duty Trust Fund		447.54		
Due from Donations - Senior Clubhouse Trust		2.16		
Due from Donations - Special Events		2.60		
Due from Donations - K-9		2.40		
Due State of New Jersey -				
Construction - DCA Fees		16,087.00		
Marriage Licenses and Burial Permits		1,050.00		
Due to Public Defender Trust		1,780.00		
Election Payable		11,012.50		
Security Deposits		110.00		
Due from Current Fund	A-4			39,556.00
Total Receipts		19,623,439.67		292,751.74
		22,958,149.02	33,075.56	407,643.80

SCHEDULE OF CURRENT FUND CASH - TREASURER

	Ref.	Current Fund	Payroll & Agency	Grant Fund
Decreased by Disbursements:				
Current Year Budget Appropriations	A-3	6,003,038.87		
Appropriation Reserves	A-11	187,700.63		
Accounts Payable	A-12	4,295.56		
Encumbrances Payable	A-13	39,546.18		113,659.57
Reserve for Grants - Appropriated	A-16			201,161.94
Due State - DCA Fees		13,412.00		
Due State - Marriage License & Burial Permits		975.00		
County Taxes Payable	A-7	2,920,188.75		
County Library Taxes Payable	A-7	224,470.43		
County Open Space Taxes Payable	A-7	189,395.93		
Due County Added & Omitted Taxes		19,866.83		
Due County of Gloucester - PILOT		44,668.73		
Security Deposits		100.00		
Tax Overpayments Refunded		21,267.20		
Prepaid Taxes Refunded		3,023.31		
Prior Year PILOT Funds Due County	A-1	29,503.45		
Due to Public Defender Trust		750.00		
Election Payable		11,012.50		
Local District School Tax	A-15	8,995,866.00		
Due Federal and State Grant Fund	A-4	39,556.00		
Transfer to Payroll Agency Trust	B-1		33,075.56	
		<u>18,748,637.37</u>	<u>33,075.56</u>	<u>314,821.51</u>
Balance December 31, 2016	A	<u>\$ 4,209,511.65</u>		<u>\$ 92,822.29</u>

SCHEDULE OF CURRENT FUND CASH - COLLECTOR

Balance December 31, 2015	Ref. A		\$ 282,113.61
Increased by Receipts:			
Taxes Receivable	A-7	\$ 16,782,411.98	
Tax Title Liens Receivable	A-8	11,581.84	
Prepaid Taxes		151,870.27	
Tax Overpayments		22,257.73	
Revenue Accounts Receivable	A-10	92,903.56	
			<u>17,061,025.38</u>
			17,343,138.99
Decreased by Disbursements:			
Paid to Treasurer	A-4		<u>17,171,076.91</u>
Balance December 31, 2016	A		<u><u>\$ 172,062.08</u></u>

SCHEDULE OF GRANTS RECEIVABLE

Grant	Balance Dec. 31, 2015	Budget Revenue Realized	Received	Canceled	Balance Dec. 31, 2016
Federal Grants:					
Drive Sober or Get Pulled Over	\$ 1,100.00	\$ 2,520.00	\$ 2,420.00		\$ 1,200.00
Community Development Block Grant		49,680.00	48,484.07	\$ 1,195.93	
Click It or Ticket		1,400.00	1,400.00		
FEMA Debris Removal		64,095.00	64,095.00		
State Grants:					
Hazardous Discharge Site Remediation	30,432.10	48,367.95	26,525.00		52,275.05
New Jersey DOT Trust - Jerry's Avenue	61,925.04				61,925.04
Drunk Driving Enforcement Fund	440.00		440.00		
Police Body Armor		1,783.18	1,783.18		
Environmental Commission Grant		500.00	500.00		
Clean Communities Program		20,714.36	20,714.36		
Recycling Tonnage Grant		9,393.97	9,393.97		
Bulletproof Vest Partnership	1,318.16	1,770.00	1,318.16		1,770.00
Safe & Secure	15,000.00	60,000.00	57,500.00		17,500.00
Municipal Alliance on Alcohol and Drug Abuse	11,122.00	11,122.00	11,122.00		11,122.00
County of Gloucester - Body Worn Cameras		7,500.00	7,500.00		
	<u>\$ 121,337.30</u>	<u>\$ 278,846.46</u>	<u>\$ 253,195.74</u>	<u>\$ 1,195.93</u>	<u>\$ 145,792.09</u>
Ref.	A	A-2	A-4	A-1	A

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2015	Levy	Added Taxes	Collected		Overpayments Applied	Canceled	Transferred to Tax Title Liens	Balance
				2015	2016				Dec. 31, 2016
2012	\$ 894.39				\$ 894.39				
2013	3,384.38				3,384.38				
2014	8,992.97				8,992.97				
2015	348,866.99		\$ 2,780.00		343,888.49		\$ 181.38	\$ 7,327.12	\$ 250.00
	362,138.73		2,780.00		357,160.23		181.38	7,327.12	250.00
2016		\$ 17,386,341.28		\$ 112,289.72	16,773,374.57	\$ 4,170.96	55,759.07	35,949.35	404,797.61
	<u>\$ 362,138.73</u>	<u>\$ 17,386,341.28</u>	<u>\$ 2,780.00</u>	<u>\$ 112,289.72</u>	<u>\$ 17,130,534.80</u>	<u>\$ 4,170.96</u>	<u>\$ 55,940.45</u>	<u>\$ 43,276.47</u>	<u>\$ 405,047.61</u>
Ref.	A			A				A-8	A
		Cash Collector		Ref.					
		Cash - Chief Financial Officer		A-5	\$ 16,782,411.98				
		Due State of New Jersey		A-4	267,675.40				
				A-14	80,447.42				
					<u>\$ 17,130,534.80</u>				

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Analysis of Property Tax Levy

Tax Yield:

General Purpose Tax:			
Business Personalty Tax	\$	43,538.98	
General Property Tax		17,220,339.49	
		<hr/>	
	\$	17,263,878.47	
Added & Omitted Taxes			
(54:4-63.1 and 54:4-63.12 et seq.)		122,462.81	
		<hr/>	
	\$		17,386,341.28
			<hr/> <hr/>

Tax Levied:

	Ref.		
Local District School Tax (Abstract)	A-15	\$	9,335,398.00
County Taxes:			
County Tax (Abstract)		\$	2,920,188.75
County Library (Abstract)			224,470.43
County Open Space (Abstract)			189,395.93
Due County for Added & Omitted Taxes			
(54:4-63.1 & 54:4-63.12 et seq.)		24,026.77	
		<hr/>	
Total County Taxes			3,358,081.88
Local Tax for Municipal Purposes	A-2	4,591,900.00	
Add: Additional Taxes Levied		100,961.40	
		<hr/>	
			4,692,861.40
			<hr/>
			\$ 17,386,341.28
			<hr/> <hr/>

SCHEDULE OF TAX TITLE LIENS RECEIVABLE

	Ref.		
Balance December 31, 2015	A	\$	30,775.47
Increased by:			
Transfers from Taxes Receivable	A-7	\$	43,276.47
Interest and Costs on Sale			
of September 21, 2016			909.29
			<u>44,185.76</u>
			74,961.23
Decreased by:			
Receipts	A-5		11,581.84
Balance December 31, 2016	A	\$	<u><u>63,379.39</u></u>

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)

	Ref.		
Balance December 31, 2015	A	\$	1,119,500.00
Balance December 31, 2016	A	\$	<u><u>1,119,500.00</u></u>

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2015	Accrued	Collected by		Balance Dec. 31, 2016
			Treasurer	Collector	
Miscellaneous Revenue Anticipated					
Fees and Permits		\$ 21,380.72	\$ 21,380.72		
Fines and Costs:					
Municipal Court	\$ 4,822.91	70,897.22	72,501.18		\$ 3,218.95
Interest and Costs on Taxes		77,657.76		\$ 77,657.76	
Interest on Investments		16,832.85	13,688.21	3,144.64	
Fire Inspection Fees		5,363.68	5,363.68		
Consolidated Municipal Property Tax Relief		24,422.00	24,422.00		
Energy Receipts Tax		529,567.00	529,567.00		
Uniform Construction Code Official		135,686.00	135,686.00		
Uniform Fire Safety Act		7,289.43	7,289.43		
Payment in Lieu of Taxes - The Reserve and Aberdeen		880,396.95	880,396.95		
Miscellaneous Revenue Not Anticipated					
Franchise Fees		170,028.13	170,028.13		
Administration Fees		1,551.32	1,551.32		
Cat Licenses		1,581.80	1,581.80		
Landlord Registration		4,765.00	4,765.00		
OPRA Records Request Fees		50.37	50.37		
Marriage Ceremonies		700.00	700.00		
Debris Processing and Removal		46,830.42	46,830.42		
Vacant Property Registration Fee		28,700.00	28,700.00		
Payments in Lieu of Taxes		55,500.00	55,500.00		
Sale of Municipal Assets		25,693.02	25,693.02		
Miscellaneous		4,242.50	4,242.50		
Tax Sale Costs and Other Collectors Fees		3,881.29		3,881.29	
Miscellaneous and Clean-up Charges		8,219.87		8,219.87	
	<u>\$ 4,822.91</u>	<u>\$ 2,121,237.33</u>	<u>\$ 2,029,937.73</u>	<u>\$ 92,903.56</u>	<u>\$ 3,218.95</u>
Ref.	A		A-4	A-5	A

SCHEDULE OF APPROPRIATION RESERVES

	Balance Dec. 31, 2015	Transfers	Balance After Transfers	Paid or Charged	Balance Lapsed
Salaries and Wages:					
Police	\$ 186,717.70		\$ 186,717.70	\$ 19,726.71	\$ 166,990.99
Construction Officials	8,928.43	\$ 100.00	9,028.43	8,991.30	37.13
Other Expenses:					
Mayor and Council	591.84		591.84	450.00	141.84
Borough Clerk:					
Printing & Legal Advertisement	3,503.66		3,503.66	1,566.34	1,937.32
Audit Services	24,230.00		24,230.00	24,230.00	
Liquidation of Tax Title Liens	6,285.38		6,285.38	3,247.51	3,037.87
Legal Services and Costs	86,472.57		86,472.57	44,978.09	41,494.48
Engineering Services and Costs	15,971.52		15,971.52	15,591.19	380.33
Economic Development	6,518.05		6,518.05	314.50	6,203.55
Planning Board	3,753.55		3,753.55	962.50	2,791.05
Council on Affordable Housing	5,016.16	9,900.00	14,916.16	14,819.69	96.47
Liability Insurance	9,671.70		9,671.70	525.00	9,146.70
Group Insurance	108,605.32		108,605.32	476.68	108,128.64
Miscellaneous Insurance	12,652.79		12,652.79	75.00	12,577.79
Police	13,450.27		13,450.27	1,965.87	11,484.40
Solid Waste Collection	19,910.70		19,910.70	5,944.64	13,966.06
Recycling - Contractual	7,976.29		7,976.29	3,806.25	4,170.04
Recycling - Miscellaneous	200.00		200.00	95.00	105.00
Public Buildings and Grounds	11,486.70		11,486.70	1,189.02	10,297.68
Equipment Repair and Maintenance	31,385.45		31,385.45	1,218.50	30,166.95
Parks and Playgrounds	1,620.00		1,620.00	60.00	1,560.00
Senior Citizen Transportation	1,715.00		1,715.00	100.00	1,615.00
Street Lighting	2,662.78		2,662.78	1,643.88	1,018.90
Telephone	9,390.45		9,390.45	72.48	9,317.97
Fuel Oil	9,200.93		9,200.93	58.31	9,142.62
Gasoline/Diesel Fuel	29,767.28		29,767.28	369.95	29,397.33
Solid Waste Disposal Tipping Fees	47,485.97	(10,000.00)	37,485.97	25,319.33	12,166.64
Construction Officials	803.48		803.48	25.00	778.48
Length of Service Award Program	11,000.00		11,000.00	9,000.00	2,000.00
Recycling Tax	5,314.00		5,314.00	877.89	4,436.11
Other Accounts - No Change	95,337.71		95,337.71		95,337.71
	<u>\$ 777,625.68</u>		<u>\$ 777,625.68</u>	<u>\$ 187,700.63</u>	<u>\$ 589,925.05</u>
Ref.	A			A-4	A-1

SCHEDULE OF ACCOUNTS PAYABLE

Balance December 31, 2015	Ref. A	\$ 620.36
Increased by:		
Transfers from Encumbrances Payable	A-13	12,281.85
		<u>12,902.21</u>
Decreased by:		
Payments	A-4	4,295.56
Balance December 31, 2016	A	<u><u>\$ 8,606.65</u></u>

SCHEDULE OF ENCUMBRANCES PAYABLE

	Ref.	Current Fund	Grant Fund
Balance December 31, 2015	A	\$ 53,257.71	\$ 158,721.87
Increased by:			
Charges to Current Year Appropriations	A-3	56,875.14	
Charges to Grants Appropriated	A-16		12,447.45
		<u>110,132.85</u>	<u>171,169.32</u>
Decreased by:			
Payments	A-4	39,546.18	113,659.57
Canceled	A-1	1,429.68	
Transfer to Accounts Payable	A-12	12,281.85	
		<u>53,257.71</u>	<u>113,659.57</u>
Balance December 31, 2016	A	<u><u>\$ 56,875.14</u></u>	<u><u>\$ 57,509.75</u></u>

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

Balance December 31, 2015	Ref. A	\$ 4,791.35
Increased by:		
Receipts	A-4	<u>77,566.20</u>
		82,357.55
Decreased by:		
Current Year Deductions Per Tax Duplicate	\$ 78,250.00	
Current Year Deductions Allowed by Collector	3,000.00	
Current Year Deductions Disallowed by Collector	<u>(802.58)</u>	
	A-7	80,447.42
Prior Year Deductions Disallowed by Collector	A-1	<u>(933.80)</u>
		79,513.62
Balance December 31, 2016	A	<u><u>\$ 2,843.93</u></u>

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

Balance December 31, 2015:	Ref.		
School Tax Payable	A	\$ 22,943.53	
School Tax Deferred		<u>4,279,108.50</u>	
			\$ 4,302,052.03
Increased by:			
Levy School Year July 1, 2016 to June 30, 2017	A-7	<u>9,335,398.00</u>	
			13,637,450.03
Decreased by:			
Payments	A-4	<u>8,995,866.00</u>	
Balance December 31, 2016:			
School Tax Payable	A	362,475.53	
School Tax Deferred		<u>4,279,108.50</u>	
			<u><u>\$ 4,641,584.03</u></u>
Tax Liability for Local District School Tax:			
Tax Payable December 31, 2015	A-15	\$ (22,943.53)	
Tax Payable December 31, 2016	A-15	362,475.53	
Tax Paid	A-15	<u>8,995,866.00</u>	
Amount Charged to Operations	A-1	<u><u>\$ 9,335,398.00</u></u>	

SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

Grant	Balance Dec. 31, 2015	Transferred from Budget Appropriation	Paid	Encumbered	Canceled	Balance Dec. 31, 2016
Federal Grants:						
Community Development Block Grant		\$ 49,680.00	\$ 48,484.07		\$ 1,195.93	
Click It or Ticket		1,400.00	1,400.00			
Drive Sober or Get Pulled Over	\$ 460.00	2,520.00	2,180.00			\$ 800.00
FEMA Debris Removal		64,095.00				64,095.00
State Grants:						
Municipal Alliance on Alcohol and Drug Abuse	11,461.00	13,903.00	13,303.00			12,061.00
Safe & Secure		96,775.00	96,775.00			
Hazardous Discharge Site Remediation	30,432.10	48,367.95	1,410.00			77,390.05
Recycling Tonnage Grant	14,433.42	9,393.97	5,312.04			18,515.35
Police Body Armor	128.18	1,783.18	1,446.34	\$ 115.54		349.48
Bulletproof Vest Partnership	1,318.16	1,770.00		2,751.86		336.30
Drunk Driving Enforcement Fund	6,578.19		2,391.08			4,187.11
Clean Communities Program	1,881.33	20,714.36	20,960.41			1,635.28
Community Watch - 2008	450.00					450.00
Environmental Commission Grant	785.06	500.00				1,285.06
New Jersey DOT Trust - Jerry's Avenue	9,580.05			9,580.05		
County of Gloucester - Body Worn Cameras		7,500.00	7,500.00			
	<u>\$ 77,507.49</u>	<u>\$ 318,402.46</u>	<u>\$ 201,161.94</u>	<u>\$ 12,447.45</u>	<u>\$ 1,195.93</u>	<u>\$ 181,104.63</u>
Ref.	A	A-3	A-4	A-13	A-1	A

SCHEDULE OF DEFERRED CHARGES
 NJSA 40A:4-55 SPECIAL EMERGENCY - TAX MAP AND REVALUATION PROGRAM

Date Authorized	Purpose	Net Amount Authorized	1/5 of Net Amount Authorized	Balance Dec. 31, 2015	Raised in 2016 Budget	Balance Dec. 31, 2016
05/10/15	Codification of Ordinances	\$ 18,500.00	\$ 3,700.00	\$ 18,500.00	\$ 3,700.00	\$ 14,800.00
			Ref.	A	A-3	A

TRUST FUND

SCHEDULE OF TRUST FUND CASH - TREASURER

	Ref.	Affordable Housing Trust	Animal Control Trust	Developer's Escrow Trust	Disposal of Forfeited Funds	Donations - Senior Clubhouse	Donations - Special Events	Donations - K-9 Unit	Off-Duty Police Employment	Park and Recreation Escrow	Performance Bond Escrow Trust	Unemployment Trust	Payroll Agency Trust
Balance December 31, 2015	B	\$ 12,766.33	\$ 21,717.32	\$ 93,991.43	\$ 28,418.93	\$ 8,483.80	\$ 9,436.98	\$ 2,399.40	\$ 3,862.54	\$ 113,668.08	\$ 19,546.50	\$ 19,067.86	
Increased by Receipts:													
Interest Earned		38.36	72.58	230.05	83.91	14.46	31.55	7.20	11.85			52.76	\$ 191.68
Dog License Fees:													
Municipal Share	B-3		6,262.00										
State Share			1,426.20										
Off-Duty Police Fees									14,266.50				
Escrow Deposits				84,485.81							450.00		
Forfeited Funds					546.04								
Donations						1,100.00	17,008.60						
Park and Recreation Fees										1,296.89			
Unemployment Compensation												27,415.77	
Net Pay													1,810,173.82
Payroll Deductions													2,853,260.53
Transfer from Current	A-4												33,075.56
		38.36	7,760.78	84,715.86	629.95	1,114.46	17,040.15	7.20	14,278.35	1,296.89	450.00	27,468.53	4,696,701.59
Decreased by Disbursements:													
Expenditures Under RS 4:19-15.11	B-3		3,478.12										
NJ State Department of Health			1,426.20										
Encumbrances Payable			474.00	490.00		366.00							
Escrow Charges				102,096.99									
Unemployment Compensation												35,140.00	
Off-Duty Police Fees									14,782.54				
Senior Clubhouse						6,616.29							
Special Events							18,632.81						
Net Pay													1,810,173.82
Payroll Deductions													2,849,549.20
Due General Capital Fund	C-2									13,500.00			
Due Current Fund			72.01	235.71		15.96	32.10	8.99					188.72
		5,450.33	102,822.70			6,998.25	18,664.91	8.99	14,782.54	13,500.00		35,140.00	4,659,911.74
Balance December 31, 2016	B	\$ 12,804.69	\$ 24,027.77	\$ 75,884.59	\$ 29,048.88	\$ 2,600.01	\$ 7,812.22	\$ 2,397.61	\$ 3,358.35	\$ 101,464.97	\$ 19,996.50	\$ 11,396.39	\$ 36,789.85

SCHEDULE OF TRUST FUND CASH - COLLECTOR

	Ref.	Tax Sale	
		Premium	Redemption
Balance December 31, 2015	B	\$ 474,322.98	\$ 73,494.19
Increased by:			
Deposits for Redemption of Tax Sale Certificate	B-4		359,707.98
Tax Sale Premiums	B-5	32,900.00	
Interest Earned		1,046.41	95.07
		33,946.41	359,803.05
		508,269.39	433,297.24
Decreased by:			
Redemptions of Tax Sale Certificates	B-4		420,060.00
Tax Sale Premiums	B-5	242,100.00	
Interest Due Current Fund		1,092.51	102.38
		243,192.51	420,162.38
Balance December 31, 2016	B	\$ 265,076.88	\$ 13,134.86

EXHIBIT B-3

SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

Balance December 31, 2015	Ref. B		\$ 21,262.66
Increased by:			
Municipal Share of Dog License Fees	B-1		6,262.00
			27,524.66
Decreased by:			
Expenditures Under R.S.4:19-15.11: Cash	B-1	\$ 3,478.12	
Statutory Excess Due Current		2,224.54	
			5,702.66
Balance December 31, 2016	B		\$ 21,822.00

License Fees Collected

Year	Amount
2014	\$ 10,904.00
2015	10,918.00
	\$ 21,822.00

EXHIBIT B-4

SCHEDULE OF DEPOSITS FOR REDEMPTION OF TAX SALE CERTIFICATES

Balance December 31, 2015	Ref. B	\$ 73,477.75
Increased by:		
Deposits Received	B-2	<u>359,707.98</u>
		433,185.73
Decreased by:		
Refunds - Tax Sale Certificates Redeemed	B-2	<u>420,060.00</u>
Balance December 31, 2016	B	<u><u>\$ 13,125.73</u></u>

EXHIBIT B-5

SCHEDULE OF RESERVE FOR TAX SALE PREMIUMS

Balance December 31, 2015	Ref. B	\$ 474,200.00
Increased by:		
Premiums Received	B-2	<u>32,900.00</u>
		507,100.00
Decreased by:		
Premiums Refunded	B-2	<u>242,100.00</u>
Balance December 31, 2016	B	<u><u>\$ 265,000.00</u></u>

GENERAL CAPITAL FUND

SCHEDULE OF GENERAL CAPITAL CASH - TREASURER

Balance December 31, 2015	Ref. C		\$ 690,434.15
Increased by:			
Interest Earned	C-3	\$ 1,900.04	
Bond Anticipation Notes	C-10	55,720.00	
Budget Appropriation:			
Capital Improvement Fund	C-8	32,000.00	
Due from Park & Recreation Trust	B-1;C-6	13,500.00	
			<u>103,120.04</u>
			793,554.19
Decreased by:			
Improvement Authorizations	C-6	133,334.79	
Encumbrance Payable	C-7	27,175.05	
Bond Anticipation Notes	C-10	4,418.00	
Due Current Fund	C-3	1,891.86	
			<u>166,819.70</u>
Balance December 31, 2016	C		<u><u>\$ 626,734.49</u></u>

ANALYSIS OF GENERAL CAPITAL FUND CASH

		Receipts			Disbursements			Transfers		Balance
		Balance	Budget	Bond Anticipation	Improvement	Bond Anticipation	Miscellaneous	From	To	Dec. 31, 2016
		Dec. 31, 2015	Appropriation	Notes	Authorization	Notes				
Fund Balance		\$ 4,196.55				\$ (0.44)				\$ 4,196.99
Due Current Fund		163.10					\$ 1,891.86			171.28
Capital Improvement Fund		42,632.00	\$ 32,000.00					\$ 3,000.00		71,632.00
Reserve for Improvements to Municipal Roads		2,831.20								2,831.20
Encumbrances Payable		28,061.80					27,175.05		\$ 20,143.41	21,030.16
Improvement Authorizations:										
Ordinance										
Number										
11-03	Various Capital Improvements									
	Reappropriation of Unexpended									
	Balance of Previous Ordinance									
	Per 40A:2-39 by Resolution									
	for the Purpose of:									
	Engineering Costs	3,299.25								3,299.25
2011-9	Site Remediation and/or									
	Environmental investigations	34,361.45								34,361.45
2011-13	Acquisition of Capital Equipment									
	and the completion of Capital Projects	21,035.34			\$ 5,135.87	133.47				15,766.00
2012-9	Site Remediation and/or Environmental									
	Investigations	49,161.13								49,161.13
2012-14	Acquisition of Capital Equipment and									
	the Completion of Capital Projects	42,193.74			7,412.93			17,859.51		16,921.30
2013-9	Acquisition of Capital Equipment									
	and the Completion of Capital Projects	(340.25)			2,078.78	4,230.97				(6,650.00)
2014-8	Acquisition of Capital Equipment and									
	the Completion of Capital Projects	71,155.48			4,904.62			89.90		66,160.96
2014-11	Reappropriation of Unexpended Balance									
	of Previous Ordinance per 40A:2-39 by									
	Resolution for the Purpose of:									
	Acquisition of Various Pieces of									
	Equipment and the Completion of Various									
	Capital Improvements	2,270.48			3,005.48					(735.00)
2014-18	Police Technology Grant	35,000.00			9,358.30			2,194.00		23,447.70
2015-6	Acquisition of a Fire Truck	54.00				54.00				
2015-17	Redevelopment Area Improvements	75,000.00								75,000.00
2015-18	Acquisition of Capital Equipment and the									
	Completion of Capital Projects	279,358.88			99,404.10					179,954.78
2016-5	Improvements to Autumn Pasquale Memorial Park				2,034.71					11,465.29
2016-23	Acquisition of Various Capital Equipment			\$ 55,720.00					3,000.00	58,720.00
		\$ 690,434.15	\$ 32,000.00	\$ 55,720.00	\$ 15,400.04	\$ 133,334.79	\$ 4,418.00	\$ 29,066.91	\$ 23,143.41	\$ 626,734.49
Ref.	C	C-8	C-10	C-2:C-6	C-6	C-10	C-2			C

SCHEDULE OF DEFERRED CHARGES TO FUTURE
TAXATION - FUNDED

Balance December 31, 2015	Ref. C	\$ 830,000.00
Decreased by:		
Payment of Bonds Payable	C-9	185,000.00
Balance December 31, 2016	C	<u>\$ 645,000.00</u>

94

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Purpose	Date	Amount	Balance Dec. 31, 2015		2016 Authorization	Paid or Charged	Canceled	Balance Dec. 31, 2016	
				Funded	Unfunded				Funded	Unfunded
11-03	Various Capital Improvements Reappropriation of Unexpended Balance of Previous Ordinance Per 40A:2-39 by Resolution for the purpose of:									
	Engineer Costs	05/22/03	\$ 33,000.00	\$ 3,299.25					\$ 3,299.25	
2011-9	Site Remediation and/or Environmental investigations	05/26/11	80,000.00		\$ 34,361.45					\$ 34,361.45
2011-13	Acquisition of Capital Equipment and the Completion of Capital Projects	08/11/11	83,150.00		22,027.34		\$ 5,135.87	\$ 133.47		16,758.00
2012-9	Site Remediation and/or Environmental Investigations	06/14/12	100,000.00		49,161.13					49,161.13
2012-11	Construction of a Club House	09/13/12	40,000.00							
2012-14	Acquisition of Capital Equipment and the Completion of Capital Projects	11/19/12	170,500.00		44,168.74		25,272.44			18,896.30
2013-9	Acquisition of Capital Equipment and the Completion of Capital Projects	08/08/13	207,000.00		6,309.75		2,078.78	4,230.97		
2014-8	Acquisition of Capital Equipment and the Completion of Capital Projects	06/12/14	255,500.00		73,880.48		4,994.52			68,885.96
2014-11	Reappropriation of Unexpended Balance of Previous Ordinance Per 40A:2-39 by Resolution for the purpose of:									
	Acquisition of Various Pieces of Equipment and the Completion of Various Capital Improvements	10/09/14	16,295.48		3,005.48		3,005.48			
2014-18	Police Technology Grant	12/11/14	35,000.00	35,000.00			11,552.30		23,447.70	
2015-6	Acquisition of a Fire Truck	05/18/15	550,000.00		54.00			54.00		
2015-17	Redevelopment Area Improvements	09/24/15	100,000.00		100,000.00					100,000.00
2015-18	Acquisition of Capital Equipment and the Completion of Capital Projects	10/08/15	288,900.00	7,358.88	274,455.00		99,404.10			182,409.78
20016-5	Improvements to Autumn Pasquale Memorial Park	02/25/16	13,500.00			\$ 13,500.00	2,034.71		11,465.29	
2016-23	Acquisition of Various Capital Equipment	11/10/16	60,000.00			60,000.00			3,000.00	57,000.00
				<u>\$ 45,658.13</u>	<u>\$ 607,423.37</u>	<u>\$ 73,500.00</u>	<u>\$ 153,478.20</u>	<u>\$ 4,418.44</u>	<u>\$ 41,212.24</u>	<u>\$ 527,472.62</u>
Ref.				C	C			C:1:C-11	C	C
				Deferred Charges to Future Taxation - Unfunded		Ref.				
				Capital Improvement Fund		C-5	\$ 57,000.00			
				Recreation Trust Fund		C-8	3,000.00			
						B-1	13,500.00			
							<u>\$ 73,500.00</u>			
				Disbursed		C-2	\$ 133,334.79			
				Encumbered		C-7	20,143.41			
							<u>\$ 153,478.20</u>			

EXHIBIT C-7

SCHEDULE OF ENCUMBRANCES PAYABLE

Balance December 31, 2015	Ref. C	\$ 28,061.80
Increased by:		
Charged to Improvement Authorizations	C-6	20,143.41
		<hr/> 48,205.21
Decreased by:		
Disbursed	C-2	27,175.05
		<hr/> \$ 21,030.16
Balance December 31, 2016	C	<hr/> <hr/>

EXHIBIT C-8

SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance December 31, 2015	Ref. C	\$ 42,632.00
Increased by:		
Budget Appropriation	C-2	32,000.00
		<hr/> 74,632.00
Decreased by:		
Financed Improvement Authorizations	C-6	3,000.00
		<hr/> \$ 71,632.00
Balance December 31, 2016	C	<hr/> <hr/>

SCHEDULE OF SERIAL BONDS PAYABLE

Date of Issue	Purpose	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2015	Decreased	Balance Dec. 31, 2016
			Date	Amount				
04/01/08	General Improvements	\$ 1,715,000.00	4/1/17	\$ 125,000.00	5.00%			
			4/1/18-19	125,000.00	5.00%			
			4/1/20-21	135,000.00	5.00%	\$ 830,000.00	\$ 185,000.00	\$ 645,000.00
					Ref.	C	C-4	C

EXHIBIT C-10

SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ordinance Number	Purpose	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
2011-13	Acquisition of Capital Equipment and the Completion of Capital Projects	12/22/11	12/12/16	12/11/17	2.50%	\$ 56,000.00		\$ 4,633.00	\$ 51,367.00
2011-9	Site Remediation and/or Environmental Investigations	12/20/12	12/12/16	12/11/17	2.50%	73,375.00		2,625.00	70,750.00
2011-13	Acquisition of Capital Equipment and the Completion of Capital Projects	12/20/12	12/12/16	12/11/17	2.50%	12,125.00		875.00	11,250.00
2012-9	Various Redevelopment Area Improvements	12/20/12	12/12/16	12/11/17	2.50%	97,900.00		2,100.00	95,800.00
2012-14	Acquisition of Capital Equipment and the Completion of Capital Projects	12/20/12	12/12/16	12/11/17	2.50%	152,150.00		7,850.00	144,300.00
2013-9	Acquisition of Capital Equipment and the Completion of Capital Projects	12/18/13	12/12/16	12/11/17	2.50%	190,000.00		13,231.00	176,769.00
2014-8	Acquisition of Capital Equipment and the Completion of Capital Projects	12/16/14	12/12/16	12/11/17	2.50%	240,000.00			240,000.00
2015-6	Acquisition of a Fire Truck	12/14/15	12/12/16	12/11/17	2.50%	522,500.00		54.00	522,446.00
2015-17	Redevelopment Area Improvements	12/14/15	12/12/16	12/11/17	2.50%	75,000.00			75,000.00
2015-18	Acquisition of Capital Equipment and the Completion of Capital Projects	12/14/15	12/12/16	12/11/17	2.50%	272,000.00			272,000.00
2016-23	Acquisition of Various Capital Equipment	12/12/16	12/12/16	12/11/17	2.50%		\$ 55,720.00		55,720.00
						<u>\$ 1,691,050.00</u>	<u>\$ 55,720.00</u>	<u>\$ 31,368.00</u>	<u>\$ 1,715,402.00</u>
Ref. C						C-2:C-12			C
						Paid by Budget	Ref.		
						Disbursed	C-2	\$ 26,950.00	
								4,418.00	
								<u>\$ 31,368.00</u>	

EXHIBIT C-11

SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASE

Date of Lease	Purpose	Term of Lease	Amount of Original Lease		Interest Rate	Balance Dec. 31, 2015	Decreased	Balance Dec. 31, 2016
01/20/04	Various Capital Improvements	20 years	\$1,610,000.00	\$ 608,355.63	1% to 5.99%	\$ 605,000.00	\$ 65,000.00	\$ 540,000.00
Ref.						C		C

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number	Purpose	Balance Dec. 31, 2015	Authorization	Issued	Balance Dec. 31, 2016
2011-13	Acquisition of Capital Equipment and the Completion of Capital Projects	\$ 992.00			\$ 992.00
2012-14	Acquisition of Capital Equipment and the Completion of Capital Projects	1,975.00			1,975.00
2013-9	Acquisition of Capital Equipment and the Completion of Capital Projects	6,650.00			6,650.00
2014-8	Acquisition of Capital Equipment and the Completion of Capital Projects	2,725.00			2,725.00
2014-11	Reappropriation of Unexpended Balance of Previous Ordinance Per 40A:2-39 by Resolution for the Purpose of: Acquisition of Various Pieces of Equipment and the Completion of Various Capital Improvements	735.00			735.00
2015-17	Redevelopment Area Improvements	25,000.00			25,000.00
2015-18	Acquisition of Capital Equipment and the Completion of Capital Projects	2,455.00			2,455.00
2016-23	Acquisition of Various Capital Equipment		\$ 57,000.00	\$ 55,720.00	1,280.00
		<u>\$ 40,532.00</u>	<u>\$ 57,000.00</u>	<u>\$ 55,720.00</u>	<u>\$ 41,812.00</u>
	Ref.		C-6	C-10	

WATER AND SEWER UTILITY FUND

SCHEDULE OF WATER AND SEWER UTILITY FUND CASH

	Ref.	Operating	Capital	Escrow
Balance December 31, 2015	D	<u>\$ 1,065,123.06</u>	<u>\$ 398,815.60</u>	<u>\$ 71,055.71</u>
Increased by:				
Consumer Accounts Receivable	D-7	2,375,168.76		
Utility Liens Receivable	D-8	715.47		
Connection Fees	D-3	4,289.48		
Miscellaneous Revenues	D-3	40,045.82	931.04	202.68
Budget Appropriation:				
Capital Improvement Fund	D-16		35,000.00	
Bond Anticipation Notes	D-18		1,628,500.00	
NJEIT Loan Receivable	D-11		47,798.00	
Reserve for Interest Payable	D		39,968.10	
Utility Rent Overpayments		5,390.24		
Escrow Deposits				3,337.36
Due Utility Escrow Trust Fund	D-5	203.61		
Due Utility Capital Fund	D-5	792.60		
		<u>2,426,605.98</u>	<u>1,752,197.14</u>	<u>3,540.04</u>
		<u>3,491,729.04</u>	<u>2,151,012.74</u>	<u>74,595.75</u>
Decreased by:				
Budget Appropriations	D-4	2,134,076.52		
Appropriation Reserves	D-12	37,113.81		
Encumbrances Payable	D-13	69,372.76	194,805.00	
Accrued Interest Paid	D-14	97,475.08		
Improvement Authorizations	D-15		612,846.55	
Bond Anticipation Notes	D-18		17,952.00	
Utility Rent Overpayments Refunded		1,754.74		
Escrow Fees				627.60
Due Utility Operating Fund	D-5		792.60	203.61
		<u>2,339,792.91</u>	<u>826,396.15</u>	<u>831.21</u>
Balance December 31, 2016	D	<u><u>\$ 1,151,936.13</u></u>	<u><u>\$ 1,324,616.59</u></u>	<u><u>\$ 73,764.54</u></u>

ANALYSIS OF WATER AND SEWER UTILITY CAPITAL FUND CASH

		Receipts			Disbursements						
		Balance	Budget	Bond		Improvement	Bond		Transfers	Balance	
		Dec. 31, 2015	Appropriation	Anticipation	Miscellaneous	Authorizations	Anticipation	Miscellaneous	From	To	Dec. 31, 2016
Fund Balance		\$ 24,872.91							\$ 0.91		\$ 24,872.00
Capital Improvement Fund		27,012.83	\$ 35,000.00							\$ 34,345.00	96,357.83
Encumbrances Payable		253,354.43						\$ 194,805.00	34,951.00	1,007,758.42	1,031,356.85
Due Utility Operating Fund		101.13			\$ 931.04			792.60			239.57
NJEIT Loan Receivable		(59,832.00)			47,798.00						(12,034.00)
Reserve for Interest Payable					39,968.10						39,968.10
Improvement Authorizations:											
Ordinance											
Number											
17-01	North Delsea Drive Sewer Extension	241.50									241.50
11-05	Brown Lane Pump Station & Well 3	5,149.00									5,149.00
2010-15	Preliminary Costs for New Water Tower	24,465.55				\$ 0.80					24,464.75
2011-14	Various Capital Equipment	52,174.58									52,174.58
2012-13	Acquisition of a Camera for the Sewer Lines	1,048.81					\$ 1,049.00			0.19	
2013-10	Restoration of Hagelstein Drive	5,597.39					15,598.00			0.61	(10,000.00)
2013-11	Construction of an Elevated Water Storage Tank	5,223.00									5,223.00
2014-07	Acquisition of Water and Sewer Utility Truck	2,072.95				768.06	1,305.00			0.11	
2015-12	Various Improvements to the Sewer Collection System at the Manhole in the Intersection of Poe Avenue and Bernard Street	313.12									313.12
2015-16	Replacement Mains - Roosevelt & Thomas	770.40								606.00	1,376.40
2015-19	Various Water & Sewer Utility Improvements	56,250.00									56,250.00
2016-6	Various Improvements to Water Towers			\$ 1,290,000.00		612,077.69			1,007,758.42		(329,836.11)
2016-24	Various Improvements to Water and Sewer Utility System										
				338,500.00							338,500.00
		\$ 398,815.60	\$ 35,000.00	\$ 1,628,500.00	\$ 88,697.14	\$ 612,846.55	\$ 17,952.00	\$ 195,597.60	\$ 1,042,710.33	\$ 1,042,710.33	\$ 1,324,616.59
Ref.		D	D-16	D-18	D-5	D-15	D-18	D-5			D

EXHIBIT D-7

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

Balance December 31, 2015	Ref. D		\$ 101,553.02
Increased by:			
Utility Rents Levied			<u>2,468,075.52</u>
			2,569,628.54
Decreased by:			
Collections	D-5	\$ 2,375,168.76	
Overpayments Applied		3,477.50	
Transfer to Liens	D-8	7,368.51	
Canceled		<u>2.31</u>	
Canceled			<u>2,386,017.08</u>
Balance December 31, 2016	D		<u><u>\$ 183,611.46</u></u>

EXHIBIT D-8

SCHEDULE OF UTILITY LIENS RECEIVABLE

Balance December 31, 2015	Ref. D		\$ 2,047.29
Increased by:			
Transfer from Consumer Accounts Receivable	D-7	\$ 7,368.51	
Interest and Costs on Sale		<u>1,149.19</u>	
			<u>8,517.70</u>
			10,564.99
Decreased by:			
Collections	D-5		<u>715.47</u>
Balance December 31, 2016	D		<u><u>\$ 9,849.52</u></u>

SCHEDULE OF FIXED CAPITAL

	Balance	Additions by		Balance
	Dec. 31, 2015	Capital Outlay	Ordinance	Dec. 31, 2016
Wells and Tanks	\$ 3,017,231.17		\$ 3,256,928.57	\$ 6,274,159.74
Land	94,058.75			94,058.75
Walk and Appurtenance	5,443.68			5,443.68
Collecting Reservoir	1,268.02			1,268.02
Pumping Station Structure	3,721.19			3,721.19
Steam Power Pumping Equipment	9,993.49			9,993.49
Electric Power Pumping Equipment	234,149.63	\$ 24,237.20		258,386.83
Portable Air Compressor	19,444.92			19,444.92
Chlorinator	26,937.37			26,937.37
Distribution Mains and Accessories	673,702.59			673,702.59
Service Pipes and Stops	521,835.91			521,835.91
Meters and Meter Boxes	681,636.29	61,977.00		743,613.29
Fire Hydrants	29,695.57	8,490.86		38,186.43
Frame Dwellings and General Structures	19,066.35			19,066.35
General Equipment	520,012.49	8,407.48		528,419.97
Organization Expenses	1,000.00			1,000.00
Autos and Trucks	363,662.25		768.86	364,431.11
Garage	3,901.73			3,901.73
Office Equipment	7,186.00			7,186.00
Engineering and Legal Fees	79,635.17			79,635.17
Bonded Interest	20,667.81			20,667.81
Industrial Park Water System	230,035.14			230,035.14
Improvements In-Town Water System	1,064,393.89			1,064,393.89
Safety Equipment	2,302.82			2,302.82
Sewer Authority Assets and Dissolution	1,541,038.69			1,541,038.69
Sewer Extensions	1,213,093.37			1,213,093.37
Booster Station	331,924.94			331,924.94
Water Tower Ladders/Roof Vent	119,981.00			119,981.00
Hagelstein Treatment Plant Access	14,402.61			14,402.61
	<u>\$ 10,851,422.84</u>	<u>\$ 103,112.54</u>	<u>\$ 3,257,697.43</u>	<u>\$ 14,212,232.81</u>
Ref.	D		D-10	D

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

Ordinance Number	Purpose	Ordinance		Balance	2016 Authorization	Costs to	Canceled	Balance
		Date	Amount	Dec. 31, 2015		Fixed Capital		Dec. 31, 2016
3-06	Repainting of Interior of Water Storage Tank	01/26/07	\$ 60,000.00	\$ 5,149.00				\$ 5,149.00
2010-15	Preliminary Costs for New Water Tower	09/09/10	500,000.00	500,000.00		\$ 476,401.57		23,598.43
2011-14	Various Capital Equipment	08/11/11	52,274.58	52,274.58				52,274.58
2012-13	Acquisition of a Camera for the Sewer Lines	11/19/12	20,000.00	1,048.81			\$ 1,048.81	
2013-10	Restoration of Hagelstein Drive	08/08/13	30,000.00	15,597.39			15,597.39	
2013-11	Construction of an Elevated Water Storage Tank	09/12/13	2,890,000.00	2,890,000.00		2,780,527.00		109,473.00
2014-7	Acquisition of Water and Sewer Utility Truck	06/12/14	37,000.00	2,073.75		768.86	1,304.89	
2015-12	Various Improvements to the Sewer Collection System at the Manhole in the Intersection of Poe Avenue and Bernard Street	08/13/15	33,000.00	313.12				313.12
2015-16	Replacement Mains - Roosevelt & Thomas	10/08/15	26,000.00	770.40				770.40
2015-19	Various Water & Sewer Utility Improvements	10/08/15	31,500.00	31,500.00				31,500.00
2015-19	Various Water & Sewer Utility Improvements	10/08/15	25,000.00	25,000.00				25,000.00
2016-6	Water Tower Reconditioning	03/10/16	1,715,000.00		\$ 1,715,000.00			1,715,000.00
2016-24	Replace Filter Media Wells 4&6	11/10/16	43,500.00		43,500.00			43,500.00
2016-24	Academy Street Water Main	11/10/16	295,000.00		295,000.00			295,000.00
				<u>\$ 3,523,727.05</u>	<u>\$ 2,053,500.00</u>	<u>\$ 3,257,697.43</u>	<u>\$ 17,951.09</u>	<u>\$ 2,301,578.53</u>
Ref.				D	D-15	D-9	D-15	D

SCHEDULE OF NJEIT LOAN RECEIVABLE

Balance December 31, 2015	Ref. D	\$ 59,832.00
Decreased by:		
Receipts	D-5	47,798.00
Balance December 31, 2016	D	<u>\$ 12,034.00</u>

EXHIBIT D-12

SCHEDULE OF APPROPRIATION RESERVES

	Balance Dec. 31, 2015	Paid or Charged	Balance Lapsed
Operating:			
Salary & Wages	\$ 10,310.16		\$ 10,310.16
Other Expenses	244,997.04	\$ 32,112.49	212,884.55
Replacement of Pumps and Controls	21,148.68	5,001.32	16,147.36
Replacement of Water Meters	45.00		45.00
Public Employees Retirement System	2.00		2.00
Social Security	2,784.88		2,784.88
Unemployment Compensation	80.79		80.79
	<u>\$ 279,368.55</u>	<u>\$ 37,113.81</u>	<u>\$ 242,254.74</u>
Ref.	D	D-5	D-1

EXHIBIT D-13

SCHEDULE OF ENCUMBRANCES PAYABLE

	Ref.	Operating Fund	Capital Fund
Balance December 31, 2015	D	\$ 69,372.76	\$ 253,354.43
Increased by:			
Charges to:			
Current Appropriations	D-4	20,160.23	
Improvement Authorizations	D-15		1,007,758.42
		<u>89,532.99</u>	<u>1,261,112.85</u>
Decreased by:			
Payments	D-5	69,372.76	194,805.00
Canceled	D-15		606.00
Canceled - Preliminary Expenses	D-16		34,345.00
		<u>69,372.76</u>	<u>229,756.00</u>
Balance December 31, 2016	D	<u>\$ 20,160.23</u>	<u>\$ 1,031,356.85</u>

SCHEDULE OF ACCRUED INTEREST ON BONDS, NOTES, AND LOANS
AND ANALYSIS OF BALANCE

	Ref.	Total	Serial Bonds	Notes	USDA Loan	NJEIT Loans
Balance December 31, 2015	D	\$ 23,128.68	\$ 13,317.19	\$ 254.33	\$ 240.72	\$ 9,316.44
Increased by:						
Budget Appropriation for:						
Interest on Bonds and Notes	D-4	95,760.29	49,477.47	6,684.48	17,504.00	22,094.34
		118,888.97	62,794.66	6,938.81	17,744.72	31,410.78
Decreased by:						
Interest Paid	D-5	97,475.08	52,464.97	5,142.86	17,507.79	22,359.46
Balance December 31, 2016	D	\$ 21,413.89	\$ 10,329.69	\$ 1,795.95	\$ 236.93	\$ 9,051.32

Analysis of Accrued Interest December 31, 2016

Principal Outstanding Dec. 31, 2016	Interest Rate	From	To	Period	Amount
Serial Bonds					
\$ 15,000.00	5.000%	10/01/2016	12/31/2016	3 Months	\$ 187.50
52,000.00	5.000%	10/01/2016	12/31/2016	3 Months	650.00
355,000.00	5.625%	10/01/2016	12/31/2016	3 Months	4,992.19
400,000.00	4.500%	10/01/2016	12/31/2016	3 Months	4,500.00
\$ 822,000.00					\$ 10,329.69
Notes					
\$ 2,214,598.00	2.500%	12/12/2016	12/31/2016	20 days	\$ 1,795.95
USDA Loan					
\$ 576,536.24	3.000%	12/27/2016	12/31/2016	5 days	\$ 236.93
NJEIT Loans					
\$ 465,000.00	3%-5%	8/1/2016	12/31/2016	5 Months	\$ 7,367.19
167,645.00	2%-3.35%	8/1/2016	12/31/2016	5 Months	1,684.13
\$ 632,645.00					\$ 9,051.32

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Purpose	Date	Amount	Balance Dec. 31, 2015		2016 Authorization	Paid or Charged	Encumbrance Canceled	Canceled	Balance Dec. 31, 2016	
				Funded	Unfunded					Funded	Unfunded
17-01	North Delsea Drive Sewer Extension	10/11/01	\$ 75,000.00	\$ 241.50						\$ 241.50	
3-06	Repainting of Interior of Water Storage Tank	01/26/07	60,000.00	5,149.00						5,149.00	
2010-15	Preliminary Costs for New Water Tower	09/09/10	500,000.00		\$ 24,465.55		\$ 0.80				\$ 24,464.75
2011-14	Reappropriation of Unexpended Balance of Previous Ordinance Per 40A:2-39 by Resolution for the Purpose of:										
	Various Capital Equipment	08/11/11	52,274.58	52,174.58	100.00					52,174.58	100.00
2012-13	Acquisition of a Camera for the Sewer Lines	11/19/12	20,000.00		1,048.81				\$ 1,048.81		
2013-10	Restoration of Hagelstein Drive	08/08/13	30,000.00		15,597.39				15,597.39		
2013-11	Construction of an Elevated Water Storage Tank	09/12/13	2,890,000.00		109,473.00						109,473.00
2014-7	Acquisition of Water and Sewer Utility Truck	06/12/14	37,000.00		2,072.95		768.06		1,304.89		
2015-12	Various Improvements to the Sewer Collection System at the Manhole in the Intersection of Poe Avenue and Bernard Street	08/13/15	33,000.00	313.12						313.12	
2015-16	Replacement Mains - Roosevelt & Thomas	10/08/15	26,000.00	770.40				\$ 606.00		1,376.40	
2015-19	Various Water & Sewer Utility Improvements	10/08/15	56,500.00		56,500.00						56,500.00
2016-6	Various Improvements to Water Towers	03/10/16	1,715,000.00			\$ 1,715,000.00	1,619,836.11				95,163.89
2016-24	Various Improvements to Water and Sewer Utility System	11/10/16	338,500.00			338,500.00					338,500.00
				<u>\$ 58,648.60</u>	<u>\$ 209,257.70</u>	<u>\$ 2,053,500.00</u>	<u>\$ 1,620,604.97</u>	<u>\$ 606.00</u>	<u>\$ 17,951.09</u>	<u>\$ 59,254.60</u>	<u>\$ 624,201.64</u>
Ref.				D	D	D-10		D-13	D-10	D	D
					Disbursed	Ref.					
					Encumbered	D-5	\$ 612,846.55				
						D-13	1,007,758.42				
							<u>\$ 1,620,604.97</u>				

SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance December 31, 2015	Ref. D		\$ 27,012.83
Increased by:			
Budget Appropriation	D-5	\$ 35,000.00	
Encumbrance Canceled - Preliminary Expenses	D-13	34,345.00	
			<u>69,345.00</u>
Balance December 31, 2016	D		<u>\$ 96,357.83</u>

SCHEDULE OF WATER AND SEWER CAPITAL SERIAL BONDS PAYABLE

Date of Issue	Purpose	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance	Decreased	Balance
			December 31, 2016					
			Date	Amount				
04/01/77	Improvements to In-Town Water Supply	\$ 500,000.00	4/1/17	\$ 15,000.00	5.00%	\$ 30,000.00	\$ 15,000.00	\$ 15,000.00
10/01/79	Improvements to In-Town Water Supply	571,000.00	4/1/17-18	17,000.00	5.00%	69,000.00	17,000.00	52,000.00
			4/1/19	18,000.00	5.00%			
10/01/99	Construction of Wells 3 & 6 and Related Improvements	1,730,000.00	10/1/17-18	120,000.00	5.625%	475,000.00	120,000.00	355,000.00
			10/1/19	115,000.00	5.625%			
04/01/08	Water and Sewer Improvements	810,000.00	4/1/17	80,000.00	4.750%	480,000.00	80,000.00	400,000.00
			4/1/18-21	80,000.00	5.000%			
						\$ 1,054,000.00	\$ 232,000.00	\$ 822,000.00
Ref.						D		D

SCHEDULE OF BOND ANTICIPATION NOTES

Ordinance Number	Purpose	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
2010-15	Preliminary Costs for New Water Tower	12/28/10	12/12/16	12/11/17	2.50%	\$ 298,000.00		\$ 4,000.00	\$ 294,000.00
2010-15	Preliminary Costs for New Water Tower	12/22/11	12/12/16	12/11/17	2.50%	185,000.00		2,500.00	182,500.00
2012-13	Acquisition of a Camera for the Sewer Lines	12/20/12	12/12/16	12/11/17	2.50%	17,700.00		3,349.00	14,351.00
2013-10	Restoration of Hagelstein Drive	12/18//13	12/12/16	12/11/17	2.50%	20,000.00		16,698.00	3,302.00
2014-7	Acquisition of Water and Sewer Utility Truck	12/16/14	12/12/16	12/11/17	2.50%	37,000.00		1,305.00	35,695.00
2015-19	Various Water & Sewer Utility Improvements	12/14/15	12/12/16	12/11/17	2.50%	56,250.00			56,250.00
2016-6	Various Improvements to Water Towers	12/12/16	12/12/16	12/11/17	2.50%		\$ 1,290,000.00		1,290,000.00
2016-24	Various Improvements to Water & Sewer Utility System	12/12/16	12/12/16	12/11/17	2.50%		338,500.00		338,500.00
						<u>\$ 613,950.00</u>	<u>\$ 1,628,500.00</u>	<u>\$ 27,852.00</u>	<u>\$ 2,214,598.00</u>
					Ref.	D	D-5		D
							Ref.		
					Paid by Budget			\$ 9,900.00	
					Disbursed		D-5	17,952.00	
								<u>\$ 27,852.00</u>	

SCHEDULE OF LOANS PAYABLE

Ordinance Number	Purpose	Balance Dec. 31, 2015	Decreased	Balance Dec. 31, 2016
USDA				
2009-14	Rehabilitation of Well #5 and Well #6 and			
2009-16	Installation of Water System Booster System	\$ 585,754.24	\$ 9,218.00	\$ 576,536.24
NJEIT				
2013-11	Construction of an Elevated Water Storage Tank	485,000.00	20,000.00	465,000.00
2013-11	Construction of an Elevated Water Storage Tank	1,412,008.48	78,444.91	1,333,563.57
2013-11	Construction of an Elevated Water Storage Tank	176,081.00	8,436.00	167,645.00
2013-11	Construction of an Elevated Water Storage Tank	506,593.23	347,110.14	159,483.09
		2,579,682.71	453,991.05	2,125,691.66
		<u>\$ 3,165,436.95</u>	<u>\$ 463,209.05</u>	<u>\$ 2,702,227.90</u>
		D		D
		Paid by Budget	\$ 125,480.25	
		ARRA Forgiveness	337,728.80	
			<u>\$ 463,209.05</u>	

SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

Ordinance Number	Purpose	Date of Ordinance	Balance Dec. 31, 2015	Balance Dec. 31, 2016
11-05	Brown Lane Pump Station & Well 3	07/14/06	\$ 5,149.00	\$ 5,149.00
2015-12	Various Improvements to the Sewer Collection System at the Manhole in the Intersection of Poe Avenue and Bernard Street	08/13/15	313.12	313.12
2015-16	Replacement Mains - Roosevelt & Thomas	10/08/15	770.40	770.40
			<u>\$ 6,232.52</u>	<u>\$ 6,232.52</u>
		Ref.	D	D

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number	Purpose	Balance Dec. 31, 2015	Authorized	Notes Issued	Balance Dec. 31, 2016
12-07	Acquisition of Various Pieces of Water and Sewer Utility Equipment for the Borough	\$ 100.00			\$ 100.00
2013-10	Restoration of Hagelstein Drive	10,000.00			10,000.00
2013-11	Construction of an Elevated Water Storage Tank	104,250.00			104,250.00
2015-19	Various Water & Sewer Utility Improvements	250.00			250.00
2016-6	Various Improvements to Water Towers		\$ 1,715,000.00	\$ 1,290,000.00	425,000.00
2016-24	Various Improvements to Water & Sewer Utility System		338,500.00	338,500.00	
		<u>\$ 114,600.00</u>	<u>\$ 2,053,500.00</u>	<u>\$ 1,628,500.00</u>	<u>\$ 539,600.00</u>
	Ref.		D-15	D-18	

PART II
LETTER OF COMMENTS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2016

GENERAL COMMENTS

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

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

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

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

Water Tower Reconditioning Project
Purchase and Installation of a CCTV System
Wireless Automatically Read Water Meters

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

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

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

NJSA 40A:11-6.1 requires that at least two competitive quotations be obtained for all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount.

Collection of Interest on Delinquent Taxes and Assessments

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

Collection of Interest on Delinquent Taxes and Assessments (Continued)

The governing body on January 7, 2016, adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, in accordance with NJSA 54:4-67, a governing body of any municipality may fix the rate of interest to be charged for nonpayment of taxes or assessments on or before the date when they became delinquent; and

WHEREAS, the Borough of Clayton, Council, has ordered the Tax Collector to charge eight (8) percent per annum on the first \$1,500.00 of delinquency, and eighteen (18) percent per annum on any amount in excess of \$1,500.00; and

WHEREAS, the Borough of Clayton, Council, has ordered the Tax Collector to charge a penalty of six (6) percent of the delinquency in excess of \$10,000.00 to a taxpayer who fails to pay the delinquency prior to the end of the calendar year;

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and Council of the Borough of Clayton, Gloucester County, State of New Jersey that if said taxes are deemed to be delinquent for non-payment of taxes, the Tax Collector shall charge eight (8) percent per annum on the first \$1,500.00 for the delinquency, and eighteen (18) percent per annum on any amount in excess of \$1,500.00; and

BE IT FURTHER RESOLVED that the Tax Collector shall charge, in addition to the interest for delinquent taxes, as noted above, a penalty of six (6) percent of the amount of the tax delinquency in taxes in excess of \$10,000.00 to a taxpayer who fails to pay the delinquency prior to the end of the calendar year.

It appears from an examination of the collector's records that interest was collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on September 21, 2016, and was complete except for bankruptcies from prior years not sold.

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

<u>Year</u>	<u>Number of Liens</u>
2016	20
2015	16
2014	13

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

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services. All notices returned were reviewed and no discrepancies were noted. A separate report will be rendered if any irregularities develop after the date of the audit.

PROPERTY TAX INFORMATION

	2016	2015	2014	2013
Tax Rate	3.7300	3.6200	3.4940	3.3700
Apportionment of Tax Rate				
Municipal	0.9920	0.9920	0.9590	0.9250
County	0.6310	0.6090	0.5960	0.5860
County Library	0.0490	0.0460	0.0470	0.0450
County Open Space	0.0410	0.0410	0.0420	0.0430
Local School	2.0170	1.9320	1.8500	1.7710
Assessed Valuation	462,838,565	462,301,967	462,625,439	466,000,228

COMPARISON OF TAX LEVIES AND COLLECTIONS CURRENTLY

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

	2016	2015	2014	2013
Tax Levy	\$ 17,386,341.28	\$ 16,831,782.35	\$ 16,254,563.76	\$ 15,721,772.15
Cash Collections	16,889,835.25	16,406,427.40	15,538,317.60	15,071,054.16
Percentage of Collections	97.14%	97.47%	95.59%	95.86%

COMPARISON DELINQUENT TAXES AND TAX TITLE LIENS

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

	2016	2015	2014	2013
Amount of Tax Title Liens	\$ 63,379.39	\$ 30,775.47	\$ 118,130.85	\$ 235,121.39
Delinquent Taxes	405,047.61	362,138.73	596,689.25	531,960.38
Total Delinquent	\$ 468,427.00	\$ 392,914.20	\$ 714,820.10	\$ 767,081.77
Percentage of Tax Levy	2.69%	2.33%	4.40%	4.88%

COMPARISON PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

	2016	2015	2014	2013
Property Acquired for Taxes (Assessed Valuation)	1,119,500	1,119,500	856,500	377,100

COMPARISON OF WATER & SEWER RENTS

This tabulation includes a comparison, expressed in percentage, of the total of delinquent water and sewer rents and utility liens, in relation to the levy of the last four years.

WATER & SEWER	2016	2015	2014	2013
Balance January 1	\$ 101,553.02	\$ 118,210.30	\$ 126,299.19	\$ 204,475.85
Levy & Interest and Costs	2,469,224.71	2,249,783.83	2,192,210.90	2,057,181.79
Cash Collections	2,379,361.73	2,259,207.01	2,198,679.97	2,135,358.45
Percentage of Collections	92.55%	95.41%	94.83%	94.42%

OTHER COMMENTS

Chief Financial Officer/Treasurer

The records maintained by the Chief Financial Officer and Treasurer were found to be in compliance with requirements prescribed by the Division of Local Government Services, state statutes, and administrative code requirements.

Tax Collector

The records of the Tax Collector were found to be in compliance with requirements prescribed by the Division of Local Government Services.

Corrective Action Plan

A corrective action plan was not required for the year 2015 year.

STATUS OF PRIOR RECOMMENDATIONS

None

RECOMMENDATIONS

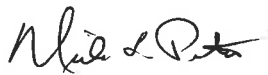
None

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

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

Respectfully submitted,

PETRONI & ASSOCIATES LLC



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