

**BOROUGH OF CLAYTON  
REPORT OF AUDIT  
YEAR ENDED DECEMBER 31, 2017**

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## **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  
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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, 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 \$191,140.57 and \$178,742.09 for 2017 and 2016, 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, 2017 and 2016, 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, 2017, 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 May 14, 2018, 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

May 14, 2018

## **CURRENT FUND**

## EXHIBIT A

## COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

<b>ASSETS</b>	Ref.	Balance Dec. 31, 2017	Balance Dec. 31, 2016
Regular Fund			
Cash - Treasurer	A-4	\$ 4,600,075.36	\$ 4,209,511.65
Cash - Collector	A-5	377,110.77	172,062.08
Change Fund		400.00	400.00
		<u>4,977,586.13</u>	<u>4,381,973.73</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes Receivable	A-7	483,339.11	405,047.61
Tax Title Liens Receivable	A-8	92,311.96	63,379.39
Property Acquired for Taxes - Assessed Valuation	A-9	1,119,500.00	1,119,500.00
Revenue Accounts Receivable	A-10	5,620.34	3,218.95
Miscellaneous Charges Receivable		5,733.51	4,663.48
Clean-up Charges Receivable		9,997.00	9,206.25
Tax Abatement Receivable		2,563.65	1,035.90
Due from Animal Control Trust Fund	B	2,864.82	2,230.77
Due from Tax Sale Premium	B	56.89	76.88
Due from Tax Sale Redemption	B	7.42	9.13
Due from Escrow Trust Fund	B	25.17	18.72
Due from Off-Duty Police	B	1,774.51	4,538.85
Due from Donations - Aberdeen Senior Clubhouse	B	0.02	0.66
Due from Donations - Special Events	B	1.97	2.05
Due from Donations - K9 Unit	B	0.61	0.61
Due Payroll Agency Trust	B	15.09	15.05
Due from General Capital Fund	C	188.83	171.28
		<u>1,724,000.90</u>	<u>1,613,115.58</u>
Deferred Charges			
Special Emergency Authorization	A-17	66,100.00	14,800.00
		<u>6,767,687.03</u>	<u>6,009,889.31</u>
Federal and State Grant Fund			
Cash - Treasurer	A-4	78,073.50	92,822.29
Grants Receivable	A-6	64,918.09	145,792.09
		<u>142,991.59</u>	<u>238,614.38</u>
		<u>\$ 6,910,678.62</u>	<u>\$ 6,248,503.69</u>

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

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

<b>LIABILITIES, RESERVES, AND FUND BALANCE</b>	<b>Ref.</b>	<b>Balance Dec. 31, 2017</b>	<b>Balance Dec. 31, 2016</b>
Regular Fund			
Liabilities:			
Appropriation Reserves	A-3:A-11	\$ 1,057,984.02	\$ 821,358.15
Encumbrances Payable	A-13	131,111.21	56,875.14
Accounts Payable	A-12	17,735.86	8,606.65
Prepaid Taxes		300,524.12	148,846.96
Tax Overpayments			990.53
Prepaid PILOT		13,988.06	2,210.67
Due County for Added & Omitted Taxes	A-7	5,860.75	24,026.77
Due County of Gloucester - PILOT		12,393.59	11,430.57
Local School District Tax Payable	A-15	463,132.53	362,475.53
Due to POAA			2,096.01
Due to Public Defender Trust			3,223.75
Due to Township of Elk		2,487.01	930.00
Reserve for:			
Codification of Ordinance		124.00	124.00
Master Plan		2,900.00	
Security Deposits		350.00	290.00
Due State of New Jersey:			
Construction - DCA Fees		1,799.00	2,675.00
Senior Citizen and Veterans Deductions	A-14	5,907.63	2,843.93
Marriage License Fees & Burial Permits		325.00	175.00
		<hr/>	<hr/>
		2,016,622.78	1,449,178.66
Reserve for Receivables		1,724,000.90	1,613,115.58
Fund Balance	A-1	3,027,063.35	2,947,595.07
		<hr/>	<hr/>
		6,767,687.03	6,009,889.31
Federal and State Grant Fund			
Reserve for Grants - Appropriated	A-16	77,441.33	181,104.63
Encumbrances Payable	A-13	65,550.26	57,509.75
		<hr/>	<hr/>
		142,991.59	238,614.38
		<hr/>	<hr/>
		\$ 6,910,678.62	\$ 6,248,503.69
		<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**

<b>Revenue and Other Income Realized</b>	<b>Ref.</b>	<b>Year 2017</b>	<b>Year 2016</b>
Fund Balance Utilized	A-2	\$ 1,062,130.97	\$ 761,579.19
Miscellaneous Revenue Anticipated	A-2	2,057,442.71	2,051,064.92
Receipts from Delinquent Taxes	A-2	433,032.75	368,742.07
Receipts from Current Taxes	A-2	17,053,741.05	16,889,835.25
Non-Budget Revenue	A-2	345,744.06	351,743.72
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-11	657,100.65	589,925.05
Prior Year Payable Canceled	A-12	700.00	
Encumbrances Payable - Canceled	A-13	11,044.84	1,429.68
Interfund Loan Returned		7,064.00	790.22
Reserve for Grants - Appropriated Canceled	A-16	376.73	1,195.93
<b>Total Income</b>		<b>21,628,377.76</b>	<b>21,016,306.03</b>
<b>Expenditures</b>			
Budget Appropriations Within "CAPS"			
Operations:			
Salaries and Wages	A-3	2,697,625.00	2,616,420.00
Other Expenses	A-3	3,172,034.00	3,084,475.00
Deferred Charges and Statutory:			
Expenditures - Municipal	A-3	662,389.00	623,422.00
Budget Appropriations Excluded from "CAPS"			
Operations:			
Other Expenses	A-3	423,294.87	465,822.46
Capital Improvements	A-3	248,000.00	50,000.00
Debt Service	A-3	344,894.72	359,535.16
Deferred Charges	A-3	3,700.00	3,700.00
County Taxes	A-7	2,955,770.58	2,920,188.75
County Library Taxes	A-7	222,278.07	224,470.43
County Open Space Taxes	A-7	187,035.99	189,395.93
Due County for Added Taxes	A-7	5,860.75	24,026.77
Local District School Tax	A-15	9,588,371.00	9,335,398.00
Prior Year Deductions Disallowed	A-14	644.36	933.80
Grants Receivable Canceled	A-6	376.73	1,195.93
Interfund Advanced			15.05
Prior Year PILOT Funds Due County	A-4	29,503.44	29,503.45
<b>Total Expenditures</b>		<b>20,541,778.51</b>	<b>19,928,502.73</b>

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 2017	Year 2016
Excess in Revenue		<u>1,086,599.25</u>	<u>1,087,803.30</u>
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-3	<u>55,000.00</u>	<u></u>
Statutory Excess to Fund Balance		<u>1,141,599.25</u>	<u>1,087,803.30</u>
<b>Fund Balance</b>			
Balance January 1	A	<u>2,947,595.07</u>	<u>2,621,370.96</u>
		<u>4,089,194.32</u>	<u>3,709,174.26</u>
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>1,062,130.97</u>	<u>761,579.19</u>
Balance December 31	A	<u><u>\$ 3,027,063.35</u></u>	<u><u>\$ 2,947,595.07</u></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	\$ 1,062,130.97		\$ 1,062,130.97	
Miscellaneous Revenues:					
Fees and Permits	A-10	21,000.00		19,529.83	\$ (1,470.17)
Fines and Costs:					
Municipal Court	A-10	70,000.00		66,988.29	(3,011.71)
Interest and Costs on Taxes	A-10	75,000.00		98,193.68	23,193.68
Interest on Investments	A-10	12,800.00		17,893.68	5,093.68
Fire Inspection Fees	A-10	5,300.00		4,062.00	(1,238.00)
Consolidated Municipal					
Property Tax Relief Act					
(NJSA 52:27D-118.34)	A-10	21,609.00		21,609.00	
Energy Receipts Tax	A-10	532,380.00		532,380.00	
Uniform Construction Code	A-10	130,000.00		192,303.00	62,303.00
Click It or Ticket	A-6		\$ 1,100.00	1,100.00	
Drive Sober or Get Pulled Over	A-6		2,860.00	2,860.00	
2017 Distracted Driving Campaign	A-6		1,320.00	1,320.00	
Community Development Block Grant	A-6	50,000.00		50,000.00	
Police Body Armor	A-6		1,785.52	1,785.52	
Bulletproof Vest Partnership	A-6		381.67	381.67	
Environmental Commission Grant	A-6		500.00	500.00	
Clean Communities Program	A-6		17,598.15	17,598.15	
Recycling Tonnage Grant	A-6	10,237.02	12,240.51	22,477.53	
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	
Community Policing Grant	A-6		9,724.00	9,724.00	
Uniform Fire Safety Act	A-10	6,861.23		6,456.13	(405.10)
Payment in Lieu of Taxes	A:A-10	881,000.00		919,158.23	38,158.23
Total Miscellaneous Revenues		1,887,309.25	47,509.85	2,057,442.71	122,623.61
Receipts from Delinquent Taxes	A-2	380,000.00		433,032.75	53,032.75
Subtotal General Revenues		2,267,309.25	47,509.85	2,490,475.46	175,656.36
Amount to be Raised by Taxation	A-2	4,627,000.00		4,601,416.86	(25,583.14)
Budget Totals		7,956,440.22	47,509.85	8,154,023.29	150,073.22
Non-Budget Revenue	A-2			345,744.06	
		\$ 7,956,440.22	\$ 47,509.85	\$ 8,499,767.35	
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		Excess or (Deficit)
	Budget	Amended by NJSA 40A:4-87 Ref.	
Allocation of Current Tax Collections:			
Revenue from Collections		A-7	\$ 17,053,741.05
Allocated to:			
School and County Taxes		A-7	12,959,316.39
Balance for Support of Municipal Budget Appropriation			4,094,424.66
Add: Appropriation "Reserve for Uncollected Taxes"		A-3	506,992.20
Amount for Support of Municipal Budget Appropriation		A-2	\$ 4,601,416.86
Receipts from Delinquent Taxes:			
Delinquent Tax Collection		A-7	\$ 392,270.73
Tax Title Liens		A-8	40,762.02
		A-2	\$ 433,032.75

**Analysis of Non-Budget Revenue**

Miscellaneous Revenue Not Anticipated:			
Revenue Accounts Receivable:			
Franchise Fees	A-10	\$	176,692.62
Administration Fees	A-10		14,150.81
Cat Licenses	A-10		1,241.60
Landlord Registration	A-10		5,180.00
OPRA Records Request Fees	A-10		4.55
Marriage Ceremonies	A-10		600.00
Vacant Property Registration Fee	A-10		36,900.00
Payments in Lieu of Taxes	A-10		63,414.83
Sale of Municipal Assets	A-10		10,818.70
Miscellaneous	A-10		13,336.73
Tax Sale Costs and Other Collectors Fees	A-10		100.00
Miscellaneous and Clean-up Charges	A-10		23,304.22
	A-2	\$	345,744.06

## STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
<b>OPERATIONS WITHIN "CAPS"</b>						
<b>GENERAL GOVERNMENT</b>						
General Administration:						
Salaries & Wages	\$ 69,500.00	\$ 73,000.00	\$ 71,159.98		\$ 1,840.02	
Other Expenses	27,000.00	27,000.00	26,763.91	\$ 59.06	177.03	
Mayor and Council:						
Salaries & Wages	14,500.00	14,500.00	12,298.55		2,201.45	
Other Expenses	1,800.00	1,800.00	780.00		1,020.00	
Borough Clerk:						
Salaries & Wages	42,500.00	42,500.00	40,723.17		1,776.83	
Other Expenses:						
Printing & Legal Advertising	9,000.00	9,000.00	6,447.47	64.80	2,487.73	
Codification of Ordinances	4,000.00	4,000.00	1,195.00	2,805.00		
Miscellaneous Other Expenses	2,700.00	2,700.00	1,952.23	26.28	721.49	
Elections:						
Other Expenses	5,000.00	5,600.00	5,587.52		12.48	
Financial Administration:						
Salaries & Wages	100,000.00	101,000.00	96,998.77		4,001.23	
Other Expenses	72,500.00	72,500.00	61,375.22	362.97	10,761.81	
Audit Services:						
Other Expenses	38,000.00	38,000.00	10,168.50		27,831.50	
Collection of Taxes:						
Salaries & Wages	56,800.00	58,300.00	55,529.44		2,770.56	
Other Expenses:						
Tax Sale Costs	1,500.00	1,500.00	672.00		828.00	
Miscellaneous Other Expenses	4,500.00	4,500.00	2,061.24		2,438.76	
Liquidation of Tax Title Liens:						
Other Expenses	5,000.00	5,000.00			5,000.00	
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	105,000.00	105,000.00	54,261.31		50,738.69	
Labor Council	75,000.00	75,000.00	37,563.35		37,436.65	
Engineering Services and Costs:						
Other Expenses:						
Engineering	56,000.00	56,000.00	35,248.34	1,330.00	19,421.66	
Environmental Engineer	30,000.00	30,000.00	7,741.65	1,508.00	20,750.35	
Economic Development Committee:						
Other Expenses	18,000.00	18,000.00	9,514.84		8,485.16	
Historic Commission:						
Other Expenses	1,000.00	1,000.00	994.81		5.19	
<b>LAND USE ADMINISTRATION</b>						
Municipal Land Use Law (NJSA 40:55D-1)						
Planning Board:						
Salaries and Wages	2,500.00	2,500.00	2,439.09		60.91	
Other Expenses	6,000.00	6,000.00	3,861.38		2,138.62	
Preparation of Master Plan		55,000.00	22,000.00	33,000.00		
Zoning Official:						
Salaries and Wages	6,000.00	6,000.00	5,180.42		819.58	
Other Expenses	250.00	250.00	248.30		1.70	
Council on Affordable Housing:						
Other Expenses	22,000.00	22,000.00	8,114.65		13,885.35	
<b>CODE ENFORCEMENT &amp; ADMINISTRATION</b>						
Code Enforcement Official:						
Salaries and Wages	5,200.00	5,200.00	2,589.82		2,610.18	
Other Expenses	200.00	200.00	70.00		130.00	
Housing Safety:						
Salaries and Wages	1,450.00	1,450.00	1,378.01		71.99	
Other Expenses	300.00	300.00			300.00	
Occupancy:						
Salaries and Wages:						
Administrative	5,500.00	5,500.00	4,805.92		694.08	
Secretarial	3,100.00	3,100.00	3,031.59		68.41	
Other Expenses	300.00	300.00			300.00	

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## STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
<b>INSURANCE</b>						
Liability Insurance	100,000.00	100,000.00	77,541.40	395.00	22,063.60	
Workmen's Compensation	180,309.00	173,709.00	168,207.50		5,501.50	
Group Insurance	1,030,000.00	1,014,000.00	870,774.73		143,225.27	
Miscellaneous Insurance	24,000.00	24,000.00	731.38	5,697.00	17,571.62	
<b>PUBLIC SAFETY FUNCTIONS</b>						
Police:						
Salaries & Wages	1,871,000.00	1,871,000.00	1,674,035.44		196,964.56	
Other Expenses:						
Miscellaneous Other Expenses	59,000.00	59,000.00	47,750.62	9,669.35	1,580.03	
Car Lease Expense	39,000.00	39,000.00	37,891.97		1,108.03	
Office of Emergency Management:						
Salaries & Wages	1,675.00	1,675.00	1,623.64		51.36	
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	7,800.00	7,800.00	4,040.55		3,759.45	
Other Expenses	5,900.00	5,900.00	5,193.47		706.53	
<b>PUBLIC WORKS FUNCTIONS</b>						
Road Repairs & Maintenance:						
Salaries & Wages	355,100.00	355,100.00	299,213.35		55,886.65	
Other Expenses	60,000.00	60,000.00	45,879.93	4,713.14	9,406.93	
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	216,300.00	216,300.00	187,642.65	15,519.00	13,138.35	
Recycling:						
Salaries & Wages	4,100.00	4,100.00			4,100.00	
Other Expenses:						
Contractual	200.00	200.00	195.40		4.60	
Miscellaneous Other Expenses	193,300.00	193,300.00	171,070.80	14,767.80	7,461.40	

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	31,000.00	31,000.00	23,791.50	2,501.00	4,707.50	
Equipment Repair & Maintenance:						
Other Expenses	57,500.00	57,500.00	50,692.10	1,000.00	5,807.90	
<b>HEALTH &amp; HUMAN SERVICES</b>						
Board of Health:						
Other Expenses	1,500.00	1,500.00	400.96		1,099.04	
Registrar of Vital Statistics:						
Salaries & Wages	3,250.00	3,250.00	3,146.62		103.38	
Other Expenses	500.00	500.00	100.00		400.00	
Environmental Committee:						
Other Expenses	950.00	950.00	320.46		629.54	
Administration of Overseer of the Poor:						
Salaries & Wages	6,000.00	6,000.00			6,000.00	
Other Expenses	350.00	350.00			350.00	
<b>PARK &amp; RECREATION FUNCTIONS</b>						
Parks and Playgrounds:						
Salaries & Wages	6,000.00	6,000.00	5,299.66		700.34	
Other Expenses	9,300.00	9,300.00	8,514.36		785.64	
Senior Center:						
Salaries & Wages	15,000.00	15,000.00	6,378.00		8,622.00	
Other Expenses	6,500.00	6,500.00	1,648.95		4,851.05	
Senior Citizen Transportation:						
Salaries & Wages	15,000.00	15,000.00	13,100.11		1,899.89	
Other Expenses	2,000.00	2,000.00	804.72		1,195.28	
Summer Recreation for Individuals with Disabilities:						
Other Expenses	6,500.00	6,500.00	5,493.29		1,006.71	
<b>OTHER COMMON OPERATING FUNCTIONS</b>						
Celebration of Public Event, Anniversary or Holiday:						
Other Expenses	800.00	800.00			800.00	
Special Events	5,000.00	5,000.00	4,973.83		26.17	
Veteran's Committee:						
Other Expenses	750.00	750.00	678.60		71.40	

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STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
<b>UTILITY EXPENSES AND BULK PURCHASES</b>						
Electricity	50,000.00	50,000.00	34,123.50		15,876.50	
Street Lighting	125,000.00	130,000.00	95,368.22	3,199.31	31,432.47	
Telephone	16,000.00	16,000.00	9,587.60		6,412.40	
Fuel Oil	25,000.00	25,000.00	14,405.34	1,144.38	9,450.28	
Gasoline/Diesel Fuel	48,000.00	48,000.00	33,883.72	1,520.55	12,595.73	
<b>LANDFILL/SOLID WASTE DISPOSAL COSTS</b>						
Solid Waste Disposal:						
Tipping Fees	300,000.00	300,000.00	230,436.51		69,563.49	
<b>UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES (NJAC 5:23-4.17)</b>						
State Uniform Construction Code:						
Construction Officials:						
Salaries & Wages	78,000.00	78,000.00	74,111.77		3,888.23	
Other Expenses	3,300.00	3,300.00	2,243.72	874.50	181.78	
Group Insurance	12,000.00	12,000.00	12,000.00			
Sub-Code Official:						
Fire Protection:						
Salaries & Wages	6,650.00	6,650.00	6,500.00		150.00	
Total Operations within "CAPS"	5,825,659.00	5,869,659.00	4,874,552.85	100,157.14	894,949.01	
Detail:						
Salaries and Wages	2,691,625.00	2,697,625.00	2,398,583.90		299,041.10	
Other Expenses	3,134,034.00	3,172,034.00	2,475,968.95	100,157.14	595,907.91	

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

## STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
<b>DEFERRED CHARGES &amp; STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"</b>						
<b>STATUTORY EXPENDITURES</b>						
Contribution to:						
Social Security System (OASI)	220,000.00	220,000.00	184,528.77		35,471.23	
Public Employees' Retirement System	102,090.00	102,090.00	102,088.69		1.31	
Police & Firemen's Retirement of NJ	318,299.00	318,299.00	318,298.23		0.77	
Unemployment Insurance	19,000.00	19,000.00	18,919.72		80.28	
Defined Contribution Retirement Program	3,000.00	3,000.00	88.94		2,911.06	
Total Deferred Charges & Statutory Expenditures within "CAPS"	662,389.00	662,389.00	623,924.35		38,464.65	
Total General Appropriations for Municipal Purposes within "CAPS"	6,488,048.00	6,532,048.00	5,498,477.20	100,157.14	933,413.66	
<b>OPERATIONS EXCLUDED FROM "CAPS"</b>						
<b>PUBLIC SAFETY FUNCTIONS</b>						
Length of Service Award Program	11,000.00	14,000.00			14,000.00	
<b>LANDFILL/SOLID WASTE DISPOSAL COSTS</b>						
Recycling Tax	11,500.00	11,500.00	7,627.48		3,872.52	
<b>SHARED SERVICE AGREEMENTS</b>						
Gloucester County - Fleet Maintenance	62,000.00	70,000.00	48,578.02	7,109.07	14,312.91	
Gloucester County Improvement Authority - Snow Removal	10,000.00	10,000.00	3,235.44		6,764.56	
Township of Elk - Municipal Court	99,370.00	99,370.00	99,367.00		3.00	
<b>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</b>						
Municipal Alliance for Drug & Alcohol Abuse	13,903.00	13,903.00	13,903.00			
Clean Communities		17,598.15	17,598.15			
Recycling Tonnage Grant	10,237.02	22,477.53	22,477.53			
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		1,100.00	1,100.00			
Drive Sober or Get Pulled Over		2,860.00	2,860.00			
2017 Distracted Driving Campaign		1,320.00	1,320.00			

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		1,785.52	1,785.52		
Bulletproof Vest Partnership		381.67	381.67		
Gloucester County Improvement Authority Environmental Commission Grant		500.00	500.00		
Gloucester County Housing & Community Development	50,000.00	50,000.00	50,000.00		
Community Policing Grant		9,724.00	9,724.00		
Total Operations Excluded from "CAPS"	364,785.02	423,294.87	377,232.81	7,109.07	38,952.99
Detail:					
Other Expenses	364,785.02	423,294.87	377,232.81	7,109.07	38,952.99
<b>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</b>					
Capital Improvement Fund	50,000.00	50,000.00	50,000.00		
Purchase of Municipal Equipment	18,000.00	18,000.00	8,753.00		9,247.00
Purchase of Land and Drainage Improvements	180,000.00	180,000.00	79,784.63	23,845.00	76,370.37
Capital Improvements Excluded from "CAPS"	248,000.00	248,000.00	138,537.63	23,845.00	85,617.37
<b>DEBT SERVICE</b>					
Payment of Bond Principal	125,000.00	125,000.00	125,000.00		
Payment of Bond Anticipation Notes	54,725.00	54,725.00	54,721.04		\$ 3.96
Interest on Bonds	28,970.00	28,970.00	28,968.75		1.25
Interest on Notes	42,150.00	42,150.00	42,135.05		14.95
Capital Lease Obligations:					
Principal	65,000.00	65,000.00	65,000.00		
Interest	29,070.00	29,070.00	29,069.88		0.12
Total Debt Service	344,915.00	344,915.00	344,894.72		20.28
<b>DEFERRED CHARGES - MUNICIPAL EXCLUDED FROM "CAPS"</b>					
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"	961,400.02	1,019,909.87	864,365.16	30,954.07	124,570.36	20.28
Subtotal General Appropriations	7,449,448.02	7,551,957.87	6,362,842.36	131,111.21	1,057,984.02	20.28
Reserve for Uncollected Taxes	506,992.20	506,992.20	506,992.20			
Total General Appropriations	<u>\$ 7,956,440.22</u>	<u>\$ 8,058,950.07</u>	<u>\$ 6,869,834.56</u>	<u>\$ 131,111.21</u>	<u>\$ 1,057,984.02</u>	<u>\$ 20.28</u>
Ref.	A-2			A-13	A	
Budget	Ref. A-3	\$ 7,956,440.22				
Special Emergency Authorization	A-17	55,000.00				
Budget Amendments per NJSA 40A:4-87	A-2	47,509.85				
		<u>\$ 8,058,950.07</u>				
Reserve for Uncollected Taxes	Ref. A-2		\$ 506,992.20			
Deferred Charges:						
Special Emergency	A-17		3,700.00			
Reserve for Federal & State Grants - Appropriated	A-16		218,424.87			
Reserve for Master Plan			22,000.00			
Disbursed	A-4		6,118,717.49			
			<u>\$ 6,869,834.56</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, 2017	Dec. 31, 2016
Affordable Housing Trust Fund			
Cash - Treasurer	B-1	\$ 12,843.16	\$ 12,804.69
Animal Control Trust Fund			
Cash - Treasurer	B-1	20,019.82	24,027.77
Change Fund		25.00	25.00
		<u>20,044.82</u>	<u>24,052.77</u>
Developer's Escrow Trust Fund			
Cash - Treasurer	B-1	132,962.29	75,884.59
Escrow Receivable		400.00	400.00
		<u>133,362.29</u>	<u>76,284.59</u>
Disposal of Forfeited Property			
Cash - Treasurer	B-1	29,136.13	29,048.88
Donations - Senior Clubhouse			
Cash - Treasurer	B-1	67.39	2,600.01
Donations - Special Events			
Cash - Treasurer	B-1	6,142.60	7,812.22
Donations - K9 Unit			
Cash - Treasurer	B-1	2,397.61	2,397.61
LOSAP (Unaudited)			
Investment		191,140.57	178,242.09
Uninvested Deposit			500.00
		<u>191,140.57</u>	<u>178,742.09</u>
Outside Employment of Off-Duty Municipal Police Officers			
Cash - Treasurer	B-1	7,545.51	3,358.35
Fees Receivable		1,485.00	2,078.00
		<u>9,030.51</u>	<u>5,436.35</u>
Parking Offense Adjudication Act			
Due from Current			2,096.01
Park and Recreation Trust Fund			
Cash - Treasurer	B-1	101,403.84	101,464.97
Public Defender Trust Fund			
Due from Current			3,223.75
Performance Bond Escrow Trust Fund			
Cash - Treasurer	B-1	20,346.50	19,996.50
Tax Sale Premium			
Cash - Collector	B-2	211,756.89	265,076.88
Tax Sale Redemption			
Cash - Collector	B-2	11,273.88	13,134.86
Unemployment Trust Fund			
Cash - Treasurer	B-1	7,664.65	11,396.39
Payroll Agency Trust			
Cash - Treasurer	B-1	38,538.52	36,789.85
		<u>\$ 795,149.36</u>	<u>\$ 792,358.42</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, 2017	Dec. 31, 2016
Affordable Housing Trust Fund			
Reserve for Affordable Housing		\$ 12,843.16	\$ 12,804.69
Animal Control Trust Fund			
Due Current Fund	A	2,864.82	2,230.77
Reserve for Dog Fund Expenditures	B-3	17,180.00	21,822.00
		20,044.82	24,052.77
Developer's Escrow Trust Fund			
Reserve for Planning Board Escrow Fees		133,337.12	74,961.87
Encumbrances Payable			1,304.00
Due Current Fund	A	25.17	18.72
		133,362.29	76,284.59
Disposal of Forfeited Property			
Reserve for Disposal of Forfeited Property		29,136.13	29,048.88
Donations - Senior Clubhouse			
Due Current Fund	A	0.02	0.66
Encumbrances Payable			1,860.15
Reserve for Donations Senior Clubhouse		67.37	739.20
		67.39	2,600.01
Donations - Special Events			
Due Current Fund	A	1.97	2.05
Encumbrances Payable		24.40	961.77
Reserve for Donations Special Events		6,116.23	6,848.40
		6,142.60	7,812.22
Donations - K9 Unit			
Due Current Fund	A	0.61	0.61
Reserve for Donations K9 Unit		2,397.00	2,397.00
		2,397.61	2,397.61
LOSAP (Unaudited)			
Reserve for LOSAP		191,140.57	178,742.09
Outside Employment of Off-Duty Municipal Police Officers			
Due Current Fund	A	1,774.51	4,538.85
Reserve for Off-Duty Police Fees		7,256.00	897.50
		9,030.51	5,436.35

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

<b>LIABILITIES, RESERVES, AND FUND BALANCE</b>	Ref.	Balance Dec. 31, 2017	Balance Dec. 31, 2016
Parking Offense Adjudication Act			
Reserve for POAA Fees			2,096.01
Park and Recreation Trust Fund			
Reserve for Park & Recreation Escrow		101,403.84	101,464.97
Public Defender Trust Fund			
Due State of New Jersey			2,005.00
Reserve for Public Defender Trust			1,218.75
			3,223.75
Tax Sale Premium			
Reserve for Tax Sale Premiums	B-5	211,700.00	265,000.00
Due Current Fund	A	56.89	76.88
		211,756.89	265,076.88
Tax Sale Redemption			
Due Current Fund	A	7.42	9.13
Reserve for Lien Redemptions	B-4	11,266.46	13,125.73
		11,273.88	13,134.86
Performance Bond Escrow Trust Fund			
Performance Bond Escrow		20,346.50	19,996.50
Unemployment Trust Fund			
Reserve for Unemployment Compensation		7,664.65	11,396.39
Payroll Agency Trust			
Due Current Fund	A	15.09	15.05
Reserve for Agencies		38,523.43	36,774.80
		38,538.52	36,789.85
		<u>\$ 795,149.36</u>	<u>\$ 792,358.42</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

<b>ASSETS</b>	Ref.	Balance	Balance
		Dec. 31, 2017	Dec. 31, 2016
Cash - Treasurer	C-2	\$ 617,242.16	\$ 626,734.49
Deferred Charges to Future Taxation:			
Funded	C-4	520,000.00	645,000.00
Unfunded	C-5	1,873,493.00	1,757,214.00
Amount to be Provided by Capital Lease	C-11	475,000.00	540,000.00
		<u>\$ 3,485,735.16</u>	<u>\$ 3,568,948.49</u>
<b>LIABILITIES, RESERVES, AND FUND BALANCE</b>			
Serial Bonds Payable	C-9	\$ 520,000.00	\$ 645,000.00
Bond Anticipation Notes	C-10	1,830,000.00	1,715,402.00
Improvement Authorizations:			
Funded	C-6	6,936.88	41,212.24
Unfunded	C-6	437,372.22	527,472.62
Encumbrances Payable	C-7	139,577.00	21,030.16
Capital Improvement Fund	C-8	69,632.00	71,632.00
Due Current Fund	A	188.83	171.28
Reserves for Improvements to Roads		2,831.20	2,831.20
Obligations Under Capital Lease	C-11	475,000.00	540,000.00
Fund Balance	C-1	4,197.03	4,196.99
		<u>\$ 3,485,735.16</u>	<u>\$ 3,568,948.49</u>

## EXHIBIT C-1

## STATEMENT OF FUND BALANCE - GENERAL CAPITAL FUND - REGULATORY BASIS

Balance December 31, 2016	Ref. C	\$ 4,196.99
Increased by:		
Adjustment for Funded Authorization	C-2	0.04
Balance December 31, 2017	C	<u>\$ 4,197.03</u>

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

## **WATER AND SEWER UTILITY FUND**

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

<b>ASSETS</b>	Ref.	Balance Dec. 31, 2017	Balance Dec. 31, 2016
Operating Fund			
Cash	D-5	\$ 1,484,172.76	\$ 1,151,936.13
Change Fund		100.00	100.00
Due from Utility Escrow Fund	D	19.36	17.21
Due from Utility Capital Fund	D	140.68	239.57
		<u>1,484,432.80</u>	<u>1,152,292.91</u>
Receivables with Full Reserves			
Consumer Accounts Receivable	D-7	98,134.59	183,611.46
Utility Liens Receivable	D-8	5,825.34	9,849.52
		<u>103,959.93</u>	<u>193,460.98</u>
Total Operating Fund		<u>1,588,392.73</u>	<u>1,345,753.89</u>
Capital Fund			
Cash	D-5	505,496.20	1,324,616.59
Fixed Capital	D-9	16,314,946.77	14,212,232.81
Fixed Capital Authorized and Uncompleted	D-10	436,712.14	2,301,578.53
Loan/Grant Receivable	D-11	206,966.00	12,034.00
Total Capital Fund		<u>17,464,121.11</u>	<u>17,850,461.93</u>
Escrow Fund			
Cash	D-5	98,838.48	73,764.54
		<u>\$ 19,151,352.32</u>	<u>\$ 19,269,980.36</u>

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

EXHIBIT D  
(Continued)

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

LIABILITIES, RESERVES, AND FUND BALANCE	Ref.	Balance Dec. 31, 2017	Balance Dec. 31, 2016
Operating Fund			
Liabilities:			
Appropriation Reserves	D-4:D-12	\$ 383,570.54	\$ 422,441.50
Encumbrances Payable	D-13	33,222.59	20,160.23
Accrued Interest on Bonds, Notes, and Loans	D-14	16,623.51	21,413.89
Utility Rent Overpayments		4,175.27	3,635.50
		<hr/>	<hr/>
		437,591.91	467,651.12
Reserve for Receivables		103,959.93	193,460.98
Fund Balance	D-1	1,046,840.89	684,641.79
		<hr/>	<hr/>
		1,588,392.73	1,345,753.89
Capital Fund			
Serial Bonds Payable	D-17	590,000.00	822,000.00
Bond Anticipation Notes Payable	D-18	460,000.00	2,214,598.00
USDA Loans Payable	D-19	2,364,039.63	576,536.24
NJEIT Loans Payable	D-19	2,009,392.41	2,125,691.66
Improvement Authorizations:			
Funded	D-15	59,254.60	59,254.60
Unfunded	D-15	264,977.13	624,201.64
Encumbrances Payable	D-13	134,312.22	1,031,356.85
Capital Improvement Fund	D-16	251,338.83	96,357.83
Due Utility Operating Fund	D	140.68	239.57
Reserve for Interest Payable	D-5		39,968.10
Reserve for Amortization		11,308,810.35	10,229,152.92
Deferred Reserve for Amortization	D-20	6,232.52	6,232.52
Fund Balance	D-2	15,622.74	24,872.00
		<hr/>	<hr/>
		17,464,121.11	17,850,461.93
Escrow Fund			
Due Utility Operating Fund	D	19.36	17.21
Reserve for Escrow Deposits		98,819.12	73,747.33
		<hr/>	<hr/>
		98,838.48	73,764.54
		<hr/>	<hr/>
		\$ 19,151,352.32	\$ 19,269,980.36

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

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

	Ref.	Year 2017	Year 2016
<b>Revenue and Other Income Realized</b>			
Fund Balance Utilized	D-3	\$ 344,000.00	\$ 298,800.00
Rents	D-3	2,480,583.58	2,379,361.73
Connection Fees	D-3	241,932.09	4,289.48
Miscellaneous	D-3	52,845.09	41,179.54
Reserve for Debt Service	D-3	39,968.10	
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-12	339,324.82	242,254.74
Total Income		<u>3,498,653.68</u>	<u>2,965,885.49</u>
<b>Expenditures</b>			
Operating	D-4	2,034,000.00	1,954,400.00
Capital Improvements	D-4	150,000.00	164,800.00
Debt Service	D-4	509,979.58	463,140.54
Statutory Expenditures	D-4	98,475.00	90,098.00
Total Expenditures		<u>2,792,454.58</u>	<u>2,672,438.54</u>
Statutory Excess to Fund Balance		706,199.10	293,446.95
<b>Fund Balance</b>			
Balance January 1	D	<u>684,641.79</u>	<u>689,994.84</u>
		1,390,840.89	983,441.79
Decreased by:			
Utilization as Anticipated Revenue	D-1	<u>344,000.00</u>	<u>298,800.00</u>
Balance December 31	D	<u><u>\$ 1,046,840.89</u></u>	<u><u>\$ 684,641.79</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, 2016	Ref. D	\$ 24,872.00
Increased by:		
Excess Bond Anticipation Note Receipts	D-5	0.74
		<u>24,872.74</u>
Decreased by:		
Prior Period Adjustment	D-21	9,250.00
Balance December 31, 2017	D	<u>\$ 15,622.74</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	\$ 344,000.00	\$ 344,000.00	
Rents	D-3	2,375,000.00	2,480,583.58	\$ 105,583.58
Connection Fees	D-5	4,200.00	241,932.09	237,732.09
Miscellaneous	D-3	41,206.90	52,845.09	11,638.19
Reserve for Debt Service	D	39,968.10	39,968.10	
		<u>\$ 2,804,375.00</u>	<u>\$ 3,159,328.86</u>	<u>\$ 354,953.86</u>
	Ref.	D-4		

## Analysis of Realized Revenue

Rents:	Ref.	
Consumer Accounts Receivable:		
Collected	D-7	\$ 2,471,958.51
Overpayments Applied	D-7	136.02
Water and Sewer Liens	D-8	8,489.05
	D-3	<u>\$ 2,480,583.58</u>
Miscellaneous:		
Penalties/Tax Sale Costs		\$ 26,339.18
Miscellaneous		1,806.25
Meter Charges		9,251.09
Transfer Fee		5,501.86
Turn On/Off		3,868.74
Interest on Investments		6,077.97
	D-3:D-5	<u>\$ 52,845.09</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	\$ 448,500.00	\$ 448,500.00	\$ 393,415.95		\$ 55,084.05	
Other Expenses	1,585,500.00	1,585,500.00	1,256,611.77	\$ 33,222.59	295,665.64	
Capital Improvements:						
Capital Improvement Fund	35,000.00	35,000.00	35,000.00			
Treatment Plant Electrical Upgrades	10,000.00	10,000.00	7,900.00		2,100.00	
Replacement of Pumps & Controls	40,000.00	40,000.00	20,068.50		19,931.50	
Replacement of Water Meters	65,000.00	65,000.00	59,982.00		5,018.00	
Debt Service:						
Payment of Bond Principal	232,000.00	232,000.00	232,000.00			
Payment of USDA Loan Principal	9,500.00	9,500.00	9,496.61			\$ 3.39
Payment of NJEIT Loan Principal	116,500.00	116,500.00	116,299.25			200.75
Payment of Bond Anticipation Notes	25,850.00	25,850.00	21,764.74			4,085.26
Interest on Bonds	40,500.00	40,500.00	37,431.26			3,068.74
Interest on USDA Loan	23,000.00	23,000.00	21,283.57			1,716.43
Interest on NJEIT Loan	17,550.00	17,550.00	17,221.49			328.51
Interest on Notes	57,000.00	57,000.00	54,482.66			2,517.34
Statutory Expenditures:						
Public Employees' Retirement	54,975.00	54,975.00	54,971.00		4.00	
Social Security System (OASI)	36,000.00	36,000.00	30,263.77		5,736.23	
Unemployment Compensation	7,500.00	7,500.00	7,468.88		31.12	
	<u>\$ 2,804,375.00</u>	<u>\$ 2,804,375.00</u>	<u>\$ 2,375,661.45</u>	<u>\$ 33,222.59</u>	<u>\$ 383,570.54</u>	<u>\$ 11,920.42</u>
Ref.	D-3	D-3		D-13	D	
	Ref.					
Interest on Bonds, Notes, and Loans	D-14		\$ 130,418.98			
Disbursed	D-5		2,245,242.47			
			<u>\$ 2,375,661.45</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, 2017	Balance Dec. 31, 2016
General Fixed Assets:		
Land	\$ 1,389,900.00	\$ 1,389,900.00
Buildings	2,042,771.00	2,042,771.00
Machinery and Equipment	2,416,038.00	2,345,938.00
Licensed Vehicles	3,222,260.00	3,352,073.00
	<u>\$ 9,070,969.00</u>	<u>\$ 9,130,682.00</u>
Investment in General Fixed Assets	<u>\$ 9,070,969.00</u>	<u>\$ 9,130,682.00</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, 2017**

**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, 2017**

**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, 2017**

**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 11<sup>th</sup> day of the 11<sup>th</sup> month in the year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et seq.

**BOROUGH OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

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

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

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

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

**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. 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.

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.

**BOROUGH OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

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

**E. Recent Accounting Pronouncements Not Yet Effective (Continued)**

Statement No. 85, "Omnibus 2017." The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits. This Statement is effective for periods beginning after June 15, 2017. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 86, "Certain Debt Extinguishment Issues." The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement is effective for periods beginning after June 15, 2017. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 87, "Leases." The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement is effective for periods beginning after December 15, 2019. Management does not expect this Statement will have an impact 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.

The Borough amended the budget during the year by the insertion of Special Items of Revenue in the amount of \$47,509.85 as detailed on Exhibit A-2 and a Special Emergency Authorization of \$55,000.00 as detailed on Exhibit A-17.

**BOROUGH OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**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, 2017 and 2016, the carrying amount of the Borough's deposits was \$8,363,633.02 and \$8,257,766.34, respectively. As of December 31, 2017 and 2016, \$0 of the municipality's bank balance of \$8,272,637.28 and \$8,412,091.34, respectively, was exposed to Custodial Credit Risk.

**NOTE 4: INVESTMENTS**

As of December 31, 2017 and 2016, 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.

***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, 2017 and 2016, amounted to \$191,140.57 and \$178,242.09, respectively.

**BOROUGH OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**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	2017	\$ 3,027,063.35	\$ 1,078,043.70
	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
Water & Sewer Operating Fund	2017	1,046,840.89	317,000.00
	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

**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, 2017, the following deferred charges are shown on the balance sheets of the various funds.

	Balance Dec. 31, 2017	2018 Budget Appropriation	Succeeding Years
Current Fund:			
Special Emergency	\$ 66,100.00	\$ 14,700.00	\$ 51,400.00

**BOROUGH OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 7: FIXED ASSETS**

The following is a summary of changes in the General Fixed Assets Account Group for the year ended December 31, 2017:

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
Land	\$ 1,389,900.00			\$ 1,389,900.00
Buildings	2,042,771.00			2,042,771.00
Machinery & Equipment	2,345,938.00	\$ 128,628.00	\$ 58,528.00	2,416,038.00
Vehicles	3,352,073.00	8,000.00	137,813.00	3,222,260.00
	<u>\$ 9,130,682.00</u>	<u>\$ 136,628.00</u>	<u>\$ 196,341.00</u>	<u>\$ 9,070,969.00</u>

**NOTE 8: 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 years ended December 31, 2017 and 2016:

	Balance 12/31/2017	Balance 12/31/2016
Prepaid Taxes - Cash Liability	<u>\$ 300,524.12</u>	<u>\$ 148,846.96</u>

**NOTE 9: SCHOOL TAXES**

Regulations provide for the deferral of not more than 50% of the annual levy of \$9,588,371.00 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 \$4,794,185.50 would be the maximum amount permitted to be deferred as of December 31, 2017, 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 Dec. 31, 2017	Balance Dec. 31, 2016
Balance of Tax	\$ 4,742,241.03	\$ 4,641,584.03
Deferred	4,279,108.50	4,279,108.50
Tax Payable	<u>\$ 463,132.53</u>	<u>\$ 362,475.53</u>

**BOROUGH OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 10: INTERFUND RECEIVABLES AND PAYABLES**

The following schedule reconciles interfund receivables and payables for the year ended December 31, 2017.

	Due From	Due to
Current Fund		
Animal Control Trust	\$ 2,864.82	
Tax Sale Premium	56.89	
Tax Sale Redemption	7.42	
Escrow Trust Fund	25.17	
Off-Duty Police Trust Fund	1,774.51	
Donations - Aberdeen Senior Clubhouse Trust	0.02	
Donations - Special Events - Trust	1.97	
Donations - K9 Unit	0.61	
Payroll Agency Trust	15.09	
General Capital Fund	188.83	
Animal Control Trust Fund		
Current Fund		\$ 2,864.82
Escrow Trust Fund		
Current Fund		25.17
Donations - Aberdeen Senior Clubhouse Trust		
Current Fund		0.02
Donations - K9 Unit		
Current Fund		0.61
Donations - Special Events - Trust		
Current Fund		1.97
Off-Duty Police Trust Fund		
Current Fund		1,774.51
Tax Sale Premium		
Current Fund		56.89
Tax Sale Redemption		
Current Fund		7.42
Payroll Agency Trust:		
Current Fund		15.09
General Capital Fund		
Current Fund		188.83
Water and Sewer Capital Fund		
Water and Sewer Operating Fund		140.68
Water and Sewer Operating Fund		
Water and Sewer Capital Fund	140.68	
Water and Sewer Escrow Fund	19.36	
Water and Sewer Escrow Fund		
Water and Sewer Operating Fund		19.36
	<u>\$ 5,095.37</u>	<u>\$ 5,095.37</u>

The majority of the interfunds are for interest earned in December but not transferred.

**BOROUGH OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**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.

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.

**BOROUGH OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 12: ACCUMULATED ABSENCE BENEFITS (CONTINUED)**

	Value	
	12/31/2017	12/31/2016
FOP Lodge 130	\$ 27,968.61	\$ 26,254.67
AFSCME District 71	134,102.95	140,884.64
Non-Union	58,241.31	43,246.18
	<u>\$ 220,312.87</u>	<u>\$ 210,385.49</u>

**NOTE 13: ECONOMIC DEPENDENCY**

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

**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 expired on December 31, 2017. The Borough was billed \$99,367.00 for the year 2017.

**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 \$5,500.00 and \$9,000.00 for individuals eligible in 2016 and 2015, 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).

**BOROUGH OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 16: NOTES PAYABLE**

The Borough has outstanding at December 31, 2017, a General Capital and Water and Sewer Capital bond anticipation note in the amount of \$1,830,000.00 and \$460,000.00, respectively. This note will mature on November 1, 2018, at an interest rate per annum of 1.65%.

**NOTE 17: LONG-TERM DEBT**

During the calendar year 2017, the following changes occurred in the municipal debt of the Borough:

	Balance Dec. 31, 2016	Issued/ Authorized	Retired/ Reduction	Balance Dec. 31, 2017	Due in One Year
<b>ISSUED:</b>					
General:					
General Serial Bonds	\$ 645,000.00		\$ 125,000.00	\$ 520,000.00	\$ 125,000.00
Bond Anticipation Notes	1,715,402.00	\$ 169,319.00	54,721.00	1,830,000.00	109,084.87
Water and Sewer:					
Serial Bonds	822,000.00		232,000.00	590,000.00	217,000.00
Bond Anticipation Notes	2,214,598.00	33,666.00	1,788,264.00	460,000.00	16,675.61
USDA Loan	576,536.24	1,797,000.00	9,496.61	2,364,039.63	37,018.26
NJEIT	2,125,691.66		116,299.25	2,009,392.41	116,354.25
Net Debt Issued	8,099,227.90	1,999,985.00	2,325,780.86	7,773,432.04	621,132.99
<b>AUTHORIZED BUT NOT ISSUED:</b>					
General:					
Bond Anticipation Notes	41,812.00	171,000.00	169,319.00	43,493.00	
Water and Sewer:					
Bond Anticipation Notes	539,600.00	143,000.00	669,416.00	13,184.00	
Authorized But Not Issued	581,412.00	314,000.00	838,735.00	56,677.00	
Total Debt Issued and Authorized But Not Issued	\$ 8,680,639.90	\$ 2,313,985.00	\$ 3,164,515.86	\$ 7,830,109.04	\$ 621,132.99

**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, 2017, was \$520,000.00.

\$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, 2017, was \$35,000.00.

\$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, 2017, was \$235,000.00.

**BOROUGH OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**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 5.00% per annum. The balance remaining as of December 31, 2017, was \$320,000.00.

\$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, 2017, was \$567,039.63.

\$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, 2017, was \$445,000.00.

\$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, 2017, was \$1,255,118.66.

\$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, 2017, was \$159,172.00.

\$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, 2017, was \$150,101.66.

\$297,000.00 Water & Sewer Utility USDA Loan dated December 11, 2018, payable in semi-annual installments through December 11, 2057. Interest is paid semi-annually at a rate of 1.875% per annum. The balance remaining as of December 31, 2017, was \$297,000.00.

\$1,500,000.00 Water & Sewer Utility USDA Loan dated December 11, 2018, payable in annual installments through December 11, 2057. Interest is paid semi-annually at a rate of 2.5% per annum. The balance remaining as of December 31, 2017, was \$1,500,000.00.

**BOROUGH OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 17: LONG-TERM DEBT (CONTINUED)**

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			
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>\$ 520,000.00</u>	<u>\$ 53,000.00</u>	<u>\$ 573,000.00</u>

Year Ended December	Principal	Interest	Total
Water & Sewer Operating Fund			
2018	\$ 217,000.00	\$ 35,306.88	\$ 252,306.88
2019	213,000.00	20,968.75	233,968.75
2020	80,000.00	6,000.00	86,000.00
2021	80,000.00	2,000.00	82,000.00
	<u>\$ 590,000.00</u>	<u>\$ 64,275.63</u>	<u>\$ 654,275.63</u>

Year Ended December	Principal	Interest	Total
USDA Loan Water & Sewer Operating Fund			
2018	\$ 37,018.26	\$ 59,845.74	\$ 96,864.00
2019	37,967.20	58,896.80	96,864.00
2020	38,940.91	57,923.09	96,864.00
2021	39,940.06	56,923.94	96,864.00
2022	40,965.30	55,898.70	96,864.00
2023-2027	221,168.92	263,151.08	484,320.00
2028-2032	251,135.88	233,184.12	484,320.00
2033-2037	285,244.14	199,075.86	484,320.00
2038-2042	324,075.03	160,244.97	484,320.00
2043-2047	368,293.94	116,026.06	484,320.00
2048-2052	391,574.54	65,864.46	457,439.00
2053-2057	327,715.45	22,994.55	350,710.00
	<u>\$ 2,364,039.63</u>	<u>\$ 1,350,029.37</u>	<u>\$ 3,714,069.00</u>

**BOROUGH OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 17: LONG-TERM DEBT (CONTINUED)**

Year Ended December	Principal	Interest	Total
NJEIT Loan			
Water & Sewer Operating Fund			
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	121,841.25	15,930.54	137,771.79
2023-2027	627,283.25	58,876.64	686,159.89
2028-2032	654,309.25	28,150.74	682,459.99
2033	134,935.66	1,543.16	136,478.82
	<u>\$ 2,009,392.41</u>	<u>\$ 180,567.10</u>	<u>\$ 2,189,959.51</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 .514%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 18,122,000.00	\$ 18,122,000.00	
Water & Sewer Debt	5,436,616.04	5,436,616.04	
General Debt	2,393,493.00		\$ 2,393,493.00
	<u>\$ 25,952,109.04</u>	<u>\$ 23,558,616.04</u>	<u>\$ 2,393,493.00</u>

Net Debt \$2,393,493.00/Equalized Valuation Basis per NJSA 40A:2-12 as amended  
\$465,512,142.33 = .514%.

**Borrowing Power Under NJSA 40:A2-6 As Amended**

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 16,292,924.98
Net Debt	<u>2,393,493.00</u>
Remaining Borrowing Power	<u>\$ 13,899,431.98</u>

**BOROUGH OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**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		\$ 3,119,360.76
Deductions:		
Operating and Maintenance Costs	\$ 2,132,475.00	
Debt Service Per Water & Sewer Account	509,979.58	
		<u>2,642,454.58</u>
Excess in Revenue		<u>\$ 476,906.18</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/financial-reports.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, 2017, 2016, and 2015, were \$88.94, \$1,405.73, and \$0, respectively, equal to the required contributions for each year.

**BOROUGH OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**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, 2017, 2016, and 2015, were \$152,363.00, \$138,849.00, and \$133,908.00, respectively, equal to the required contributions for each year. The Borough's contributions to PFRS for the years ending December 31, 2017, 2016, and 2015, were \$304,415.00, \$305,669.00, and \$310,997.00, 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, 2017**

**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 as 1/7<sup>th</sup> of the required amount, beginning in fiscal years 2012.

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

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

**NOTE 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, 2017**

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

**Public Employee's Retirement System** – At December 31, 2017, the Borough's proportionate share of net pension liability was \$3,605,113. The net pension liability was measured as of June 30, 2017, 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, 2017, the Borough's allocation percentage was 0.0154869444% compared to 0.0171505459% at June 30, 2016.

For the year ended December 31, 2017, the Borough's pension expense would have been \$601,708 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	\$ 46,495	
Changes of Assumptions		\$ 319,572
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	36,010	
Changes in Proportion and Differences Between the Borough's Contributions and Proportionate Share of Contributions		205,684
	<u>\$ 82,505</u>	<u>\$ 525,256</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
2018	\$ (16,785)
2019	28,525
2020	(46,448)
2021	(256,588)
2022	(151,455)
	<u>\$ (442,751)</u>

**BOROUGH OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

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

Additional information – Collective balances at June 30, 2016 and 2017, are as follows:

	June 30, 2016	June 30, 2017
Collective Deferred Outflows of Resources	\$ 7,815,204,785	\$ 5,396,431,901
Collective Deferred Inflows of Resources		602,040
Collective Net Pension Liability	<u>29,617,131,759</u>	<u>23,278,401,588</u>
 Borough's Proportion	 0.0171505459%	 0.0154869444%

**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, 2017, measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% Based on Age
Thereafter	2.65 – 5.15% Based on Age
Investment Rate of Return	7.00%

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 set back 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, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from those assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**BOROUGH OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**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.state.nj.us/treasury/pensions/gasb-notices.shtml>.

**Police and Firemen's Retirement System** - At December 31, 2017, the Borough's proportionate share of net pension liability was \$5,975,384. The net pension liability was measured as of June 30, 2017, 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, 2017, the Borough's proportion was 0.0387055204% compared to 0.0373359309% at June 30, 2016.

For the year ended December 31, 2017, the Borough's pension expense would have been \$690,783 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		\$ 741,975
Differences Between Expected and Actual Experience	\$ 25,954	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	146,283	
Changes in Proportion and Differences Between the Borough's Contributions and Proportionate Share of Contributions	106,064	
	<u>\$ 278,301</u>	<u>\$ 741,975</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:

**BOROUGH OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

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

Year Ended	Amount
2018	\$ (41,632)
2019	88,307
2020	(88,095)
2021	(305,680)
2022	(116,573)
	<u>\$ (463,673)</u>

Additional information – Collective balances at June 30, 2016 and 2017, are as follows:

	June 30, 2016	June 30, 2017
Collective Deferred Outflows of Resources	\$ 3,984,339,036	\$ 2,298,433,198
Collective Deferred Inflows of Resources	125,220,083	2,618,912,538
Collective Net Pension Liability	<u>20,706,699,056</u>	<u>17,167,260,198</u>
 Borough's Proportion	 0.0373359309%	 0.0387055204%

**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, 2017, measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	2.10 – 8.98% Based on Age
Thereafter	3.10 – 9.98% Based on Age
Investment Rate of Return	7.00%

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 three years using the plan actuary's modified 2014 projection scales, and further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service

**BOROUGH OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

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

**Actuarial Assumptions (Continued)**

retirements and beneficiaries were based the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then three years 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, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

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.state.nj.us/treasury/pensions/gasb-notice.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, 2017 and June 30, 2016, special funding situation net pension liability amounts of \$669,293 and \$598,521 are the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The pension expense is deemed to be a State administrative expense due to the special funding situation.

**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.

**BOROUGH OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 20: POST-RETIREMENT BENEFITS**

**Plan Description (Continued)** - 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/hb-employers.shtml>.

**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, 2017, 2016, and 2015, were \$355,385.47, \$343,489.34, and \$352,790.66, respectively, which equaled the required contributions for each year. There were approximately twenty, nineteen and eighteen participants eligible at December 31, 2017, 2016, and 2015, 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 2017.

**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:

**BOROUGH OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 21: RISK MANAGEMENT (CONTINUED)**

**New Jersey Unemployment Compensation Insurance (Continued)**

Year	Interest Earnings	Employee Contributions	Employer Contribution	Amount Reimbursed	Balance December 31
2017	\$ 65.77	\$ 274.07	\$ 26,388.60	\$ 30,428.00	\$ 7,664.65
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

**NOTE 22: CAPITAL LEASE OBLIGATIONS**

The Borough has lease agreements in effect at December 31, 2017, 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
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	85,000.00	8,750.00	2,070.00	93,750.00
2023	90,000.00	4,500.00	2,070.00	94,500.00
	<u>\$ 475,000.00</u>	<u>\$ 86,500.00</u>	<u>\$ 12,420.00</u>	<u>\$ 561,500.00</u>

**NOTE 23: LABOR CONTRACTS**

As of December 31, 2017, 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

The above contracts were still under negotiation as of December 31, 2017.

**BOROUGH OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**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, 2017, the Borough abated property taxes totaling \$804,721. The following agreements were in effect as of December 31, 2017, under the provisions of the aforementioned statutes:

- A 76.31% 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 \$177,786.
- A 37.38% abatement to a developer for construction and operation of a 47 unit age restricted housing project. The abatement amounted to \$153,061.
- A 39.88% abatement to a developer for construction and operation of a 159 unit age restricted housing project. The abatement amounted to \$473,875.

The Borough entered into tax abatement agreements under the provision of NJSA 40A:21-1 et seq. "The Five-Year Exemption and Abatement Law" for the fiscal year ended December 31, 2017, property taxes abated by the Borough under this law totaled \$32,859. The following is a summary of the agreements:

- An abatement of 80% to an entity to construct a commercial structure as defined in the statute. The total of the abatement amounted to \$32,859.

**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, 2017 and May 14, 2018, 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 Four Fiscal Years

	Year Ended			
	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Borough's Proportion of the Net Pension Liability (Asset)	0.0154869444%	0.0171505459%	0.0161502691%	0.0162433701%
Borough's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,605,113	\$ 5,079,500	\$ 3,625,412	\$ 3,041,203
Borough's Covered-Employee Payroll	1,047,159	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	344.28%	461.93%	327.14%	275.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.92%	52.08%
Measurement Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014

Schedule of Borough Contributions - PERS  
Last Four Fiscal Years

	Year Ended			
	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Contractually Required Contribution	\$ 143,470	\$ 152,363	\$ 138,849	\$ 133,908
Contributions in Relation to the Contractually Required Contribution	143,470	152,363	138,849	133,908
Contribution Deficiency (Excess)	None	None	None	None
Borough's Covered-Employee Payroll	\$ 1,047,159	\$ 1,099,615	\$ 1,108,230	\$ 1,102,308
Contributions as a Percentage of Covered-Employee Payroll	13.70%	13.86%	12.53%	12.15%
Measurement Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014

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

	Year Ended			
	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Borough's Proportion of the Net Pension Liability (Asset)	0.0387055204%	0.0373359309%	0.0376045620%	0.0404907597%
Borough's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,975,384	\$ 7,132,118	\$ 6,263,609	\$ 5,093,362
Borough's Covered-Employee Payroll	1,341,321	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	445.49%	553.14%	499.03%	383.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.60%	52.01%	56.30%	62.41%
Measurement Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014

Schedule of Borough Contributions - PFRS  
Last Four Fiscal Years

	Year Ended			
	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Contractually Required Contribution	\$ 342,551	\$ 304,415	\$ 305,669	\$ 310,997
Contributions in Relation to the Contractually Required Contribution	342,551	304,415	305,669	310,997
Contribution Deficiency (Excess)	None	None	None	None
Borough's Covered-Employee Payroll	\$ 1,341,321	\$ 1,289,378	\$ 1,255,168	\$ 1,327,745
Contributions as a Percentage of Covered-Employee Payroll	25.54%	23.61%	24.35%	23.42%
Measurement Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014

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

	Year Ended			
	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Borough's Proportion of the Net Pension Liability (Asset)	0.0387055204%	0.0373359309%	0.0376045620%	0.0404907597%
Borough's Proportionate Share of the Net Pension Liability (Asset)	\$ 669,293	\$ 598,921	\$ 549,298	\$ 548,469
Borough's Covered-Employee Payroll	1,341,321	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	49.90%	46.45%	43.76%	41.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.60%	52.01%	56.30%	62.41%
Measurement Date	6/30/2017	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  
Special Funding Situation  
Last Four Fiscal Years

	Year Ended			
	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Contractually Required Contribution	\$ 81,870	\$ 76,496	\$ 68,517	\$ 69,494
Contributions in Relation to the Contractually Required Contribution	81,870	76,496	68,517	69,494
Contribution Deficiency (Excess)	None	None	None	None
Borough's Covered-Employee Payroll	\$ 1,341,321	\$ 1,289,378	\$ 1,255,168	\$ 1,327,745
Contributions as a Percentage of Covered-Employee Payroll	6.10%	5.93%	5.46%	5.23%
Measurement Date	6/30/2017	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  
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, 2017, 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 May 14, 2018, 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

May 14, 2018

## **CURRENT FUND**

## SCHEDULE OF CURRENT FUND CASH - TREASURER

	Ref.	Current Fund	Grant Fund
Balance December 31, 2016	A	\$ 4,209,511.65	\$ 92,822.29
Increased by Receipts:			
Tax Collector	A-5	17,272,703.38	
Grants Receivable	A-6		259,366.14
Homestead Rebate	A-7	237,644.97	
Revenue Accounts Receivable	A-10	2,099,383.12	
Due State of New Jersey -			
Senior Citizen and Veterans Deductions	A-14	75,803.06	
Due County of Gloucester - PILOT		48,996.61	
Due from Animal Control Trust Fund		2,230.77	
Due from General Capital		171.28	
Due from Developer's Escrow Trust Funds		18.72	
Due from Tax Sale Premium		76.88	
Due from Tax Sale Redemption		9.13	
Due from Off-Duty Trust Fund		4,538.85	
Due from Donations - Senior Clubhouse Trust		0.66	
Due from Donations - Special Events		2.05	
Due from Donations - K-9		0.61	
Due from Agency Fund		15.05	
Due State of New Jersey -			
Construction - DCA Fees		13,067.00	
Marriage Licenses and Burial Permits		1,075.00	
Due to Township of Elk		1,316.50	
Prepaid Tax Abatements		11,777.39	
Election Payable		9,561.52	
Security Deposits		100.00	
Due from Current Fund	A-4		39,556.00
Total Receipts		19,778,492.55	298,922.14
		23,988,004.20	391,744.43

SCHEDULE OF CURRENT FUND CASH - TREASURER

	Ref.	Current Fund	Grant Fund
Decreased by Disbursements:			
Current Year Budget Appropriations	A-3	6,118,717.49	
Appropriation Reserves	A-11	158,052.50	
Accounts Payable	A-12	556.25	
Encumbrances Payable	A-13	41,649.84	57,509.75
Reserve for Grants - Appropriated	A-16		256,161.18
Due State - DCA Fees		13,943.00	
Due State - Marriage License & Burial Permits		925.00	
County Taxes Payable	A-7	2,955,770.58	
County Library Taxes Payable	A-7	222,278.07	
County Open Space Taxes Payable	A-7	187,035.99	
Due County Added & Omitted Taxes		24,026.77	
Due County of Gloucester - PILOT		48,033.59	
Security Deposits		40.00	
Tax Overpayments Refunded		26,385.55	
Reserve for Master Plan		19,100.00	
Prior Year PILOT Funds Due County	A-1	29,503.44	
Due to Township of Elk		5,079.25	
Election Payable		9,561.52	
Local District School Tax	A-15	9,487,714.00	
Due Federal and State Grant Fund	A-4	39,556.00	
		<u>19,387,928.84</u>	<u>313,670.93</u>
Balance December 31, 2017	A	<u>\$ 4,600,075.36</u>	<u>\$ 78,073.50</u>

## SCHEDULE OF CURRENT FUND CASH - COLLECTOR

Balance December 31, 2016	Ref. A		\$ 172,062.08
Increased by Receipts:			
Taxes Receivable	A-7	\$ 16,985,145.60	
Tax Title Liens Receivable	A-8	40,762.02	
Prepaid Taxes		300,524.12	
Tax Overpayments		26,385.55	
Revenue Accounts Receivable	A-10	124,934.78	
			<u>17,477,752.07</u>
			17,649,814.15
Decreased by Disbursements:			
Paid to Treasurer	A-4		<u>17,272,703.38</u>
Balance December 31, 2017	A		<u><u>\$ 377,110.77</u></u>

## SCHEDULE OF GRANTS RECEIVABLE

Grant	Balance Dec. 31, 2016	Budget Revenue Realized	Received	Canceled	Balance Dec. 31, 2017
<b>Federal Grants:</b>					
Drive Sober or Get Pulled Over	\$ 1,200.00	\$ 2,860.00	\$ 2,960.00		\$ 1,100.00
2017 Distracted Driving Campaign		1,320.00	1,320.00		
Community Development Block Grant		50,000.00	49,633.10	\$ 366.90	
Click It or Ticket		1,100.00	1,100.00		
<b>State Grants:</b>					
Hazardous Discharge Site Remediation	52,275.05		27,511.10		24,763.95
New Jersey DOT Trust - Jerry's Avenue	61,925.04		61,925.04		
Police Body Armor		1,785.52	1,785.52		
Environmental Commission Grant		500.00	500.00		
Clean Communities Program		17,598.15	17,598.15		
Recycling Tonnage Grant		22,477.53	22,477.53		
Bulletproof Vest Partnership	1,770.00	381.67	1,433.70		717.97
Safe & Secure	17,500.00	60,000.00	60,000.00		17,500.00
Municipal Alliance on Alcohol and Drug Abuse	11,122.00	11,122.00	11,122.00		11,122.00
Community Policing Grant		9,724.00		9.83	9,714.17
	<u>\$ 145,792.09</u>	<u>\$ 178,868.87</u>	<u>\$ 259,366.14</u>	<u>\$ 376.73</u>	<u>\$ 64,918.09</u>
Ref.	A	A-2	A-4	A-1	A

## SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2016	Levy	Added Taxes	Collected		Overpayments Applied	Canceled	Transferred to Tax Title Liens	Balance
				2016	2017				Dec. 31, 2017
2015	\$ 250.00				\$ 250.00				
2016	404,797.61		\$ 764.66		392,020.73			\$ 13,541.54	
	<u>405,047.61</u>		<u>764.66</u>		<u>392,270.73</u>			<u>13,541.54</u>	
2017		\$ 17,613,428.65		\$ 148,846.96	16,903,903.56	\$ 990.53	\$ 22,247.57	54,100.92	\$ 483,339.11
	<u>\$ 405,047.61</u>	<u>\$ 17,613,428.65</u>	<u>\$ 764.66</u>	<u>\$ 148,846.96</u>	<u>\$ 17,296,174.29</u>	<u>\$ 990.53</u>	<u>\$ 22,247.57</u>	<u>\$ 67,642.46</u>	<u>\$ 483,339.11</u>
Ref.	A			A				A-8	A
		Cash Collector		Ref.	\$ 16,985,145.60				
		Cash - Chief Financial Officer		A-5	237,644.97				
		Due State of New Jersey		A-4	73,383.72				
				A-14	<u>\$ 17,296,174.29</u>				

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Analysis of Property Tax Levy

**Tax Yield:**

General Purpose Tax:			
Business Personalty Tax	\$	43,996.20	
General Property Tax		<u>17,538,993.81</u>	
	\$		17,582,990.01
Added & Omitted Taxes			
(54:4-63.1 and 54:4-63.12 et seq.)			<u>30,438.64</u>
	\$		<u><u>17,613,428.65</u></u>

Ref.

**Tax Levied:**

Local District School Tax (Abstract)	A-15	\$	9,588,371.00	
County Taxes:				
County Tax (Abstract)		\$	2,955,770.58	
County Library (Abstract)			222,278.07	
County Open Space (Abstract)			187,035.99	
Due County for Added & Omitted Taxes				
(54:4-63.1 & 54:4-63.12 et seq.)	A		<u>5,860.75</u>	
Total County Taxes				3,370,945.39
Local Tax for Municipal Purposes	A-2		4,627,000.00	
Add: Additional Taxes Levied			<u>27,112.26</u>	
				<u>4,654,112.26</u>
		\$		<u><u>17,613,428.65</u></u>

## SCHEDULE OF TAX TITLE LIENS RECEIVABLE

	Ref.		
Balance December 31, 2016	A	\$	63,379.39
Increased by:			
Transfers from Taxes Receivable	A-7	\$	67,642.46
Interest and Costs on Sale of September 20, 2017			2,052.13
			<u>69,694.59</u>
			133,073.98
Decreased by:			
Receipts	A-5		<u>40,762.02</u>
Balance December 31, 2017	A	\$	<u><u>92,311.96</u></u>

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES  
(AT ASSESSED VALUATION)

	Ref.		
Balance December 31, 2016	A	\$	<u>1,119,500.00</u>
Balance December 31, 2017	A	\$	<u><u>1,119,500.00</u></u>

## SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2016	Accrued	Collected by		Balance Dec. 31, 2017
			Treasurer	Collector	
<b>Miscellaneous Revenue Anticipated</b>					
Fees and Permits		\$ 19,529.83	\$ 19,529.83		
Fines and Costs:					
Municipal Court	\$ 3,218.95	69,389.68	66,988.29		\$ 5,620.34
Interest and Costs on Taxes		98,193.68		\$ 98,193.68	
Interest on Investments		17,893.68	14,556.80	3,336.88	
Fire Inspection Fees		4,062.00	4,062.00		
Consolidated Municipal Property Tax Relief		21,609.00	21,609.00		
Energy Receipts Tax		532,380.00	532,380.00		
Uniform Construction Code Official		192,303.00	192,303.00		
Uniform Fire Safety Act		6,456.13	6,456.13		
Payment in Lieu of Taxes - The Reserve and Aberdeen		919,158.23	919,158.23		
<b>Miscellaneous Revenue Not Anticipated</b>					
Franchise Fees		176,692.62	176,692.62		
Administration Fees		14,150.81	14,150.81		
Cat Licenses		1,241.60	1,241.60		
Landlord Registration		5,180.00	5,180.00		
OPRA Records Request Fees		4.55	4.55		
Marriage Ceremonies		600.00	600.00		
Vacant Property Registration Fee		36,900.00	36,900.00		
Payments in Lieu of Taxes		63,414.83	63,414.83		
Sale of Municipal Assets		10,818.70	10,818.70		
Miscellaneous		13,336.73	13,336.73		
Tax Sale Costs and Other Collectors Fees		100.00		100.00	
Miscellaneous and Clean-up Charges		23,304.22		23,304.22	
	<u>\$ 3,218.95</u>	<u>\$ 2,226,719.29</u>	<u>\$ 2,099,383.12</u>	<u>\$ 124,934.78</u>	<u>\$ 5,620.34</u>
Ref.	A		A-4	A-5	A

## SCHEDULE OF APPROPRIATION RESERVES

	Balance Dec. 31, 2016	Paid or Charged	Balance Lapsed
Salaries and Wages:			
Police	\$ 77,013.68	\$ 12,518.44	\$ 64,495.24
Other Expenses:			
General Administration	1,270.26	25.04	1,245.22
Borough Clerk:			
Printing & Legal Advertisement	3,087.81	55.83	3,031.98
Codification of Ordinances	2,805.00	2,805.00	
Financial Administration	6,753.35	103.94	6,649.41
Audit Services	26,506.50	26,506.50	
Collection of Taxes	1,597.42	35.00	1,562.42
Legal Services and Costs	84,880.60	53,416.86	31,463.74
Economic Development	1,180.66	122.50	1,058.16
Council on Affordable Housing	4,914.62	2,166.25	2,748.37
Housing Safety	300.00	47.79	252.21
Liability Insurance	50,882.49	725.00	50,157.49
Group Insurance	12,000.00	421.54	11,578.46
Miscellaneous Insurance	110,413.71	4,168.00	106,245.71
Solid Waste Collection	11,700.67	5,244.16	6,456.51
Recycling - Contractual	4,162.20	3,875.00	287.20
Public Buildings and Grounds	10,094.01	1,095.91	8,998.10
Equipment Repair and Maintenance	31,624.17	4,340.28	27,283.89
Parks and Playgrounds	428.65	350.00	78.65
Senior Citizen Transportation	1,800.00	100.00	1,700.00
Street Lighting	12,355.85	8,990.40	3,365.45
Telephone	6,839.19	99.00	6,740.19
Gasoline/Diesel Fuel	22,473.18	547.20	21,925.98
Solid Waste Disposal Tipping Fees	73,519.47	19,011.34	54,508.13
Defined Contribution Retirement Program	1,594.27	11.76	1,582.51
Length of Service Award Program	11,000.00	5,500.00	5,500.00
Recycling Tax	4,409.02	627.48	3,781.54
Purchase of Municipal Equipment	16,073.00	11,347.28	4,725.72
Other Accounts - No Change	229,678.37		229,678.37
	<u>\$ 821,358.15</u>	<u>\$ 164,257.50</u>	<u>\$ 657,100.65</u>

Ref.

A

A-1

Ref.

Payments

A-4

\$ 158,052.50

Transfer to Accounts Payable

A-12

6,205.00

\$ 164,257.50

## SCHEDULE OF ACCOUNTS PAYABLE

Balance December 31, 2016	Ref. A		\$ 8,606.65
Increased by:			
Transfers from Encumbrances Payable	A-13	\$ 4,180.46	
Transfers from Appropriation Reserves	A-11	6,205.00	
			<u>10,385.46</u>
			18,992.11
Decreased by:			
Payments	A-4	556.25	
Canceled	A-1	700.00	
			<u>1,256.25</u>
Balance December 31, 2017	A		<u><u>\$ 17,735.86</u></u>

## SCHEDULE OF ENCUMBRANCES PAYABLE

	Ref.	Current Fund	Grant Fund
Balance December 31, 2016	A	\$ 56,875.14	\$ 57,509.75
Increased by:			
Charges to Current Year Appropriations	A-3	131,111.21	
Charges to Grants Appropriated	A-16		65,550.26
		<u>187,986.35</u>	<u>123,060.01</u>
Decreased by:			
Payments	A-4	41,649.84	57,509.75
Canceled	A-1	11,044.84	
Transfer to Accounts Payable	A-12	4,180.46	
		<u>56,875.14</u>	<u>57,509.75</u>
Balance December 31, 2017	A	<u><u>\$ 131,111.21</u></u>	<u><u>\$ 65,550.26</u></u>

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

Balance December 31, 2016	Ref. A	\$ 2,843.93
Increased by:		
Receipts	A-4	75,803.06
		<u>78,646.99</u>
Decreased by:		
Current Year Deductions Per Tax Duplicate	\$ 75,250.00	
Current Year Deductions Allowed by Collector	1,250.00	
Current Year Deductions Disallowed by Collector	(3,116.28)	
	<u>73,383.72</u>	
Prior Year Deductions Disallowed by Collector	A-1	(644.36)
		<u>72,739.36</u>
Balance December 31, 2017	A	<u><u>\$ 5,907.63</u></u>

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

Balance December 31, 2016:	Ref.		
School Tax Payable	A	\$ 362,475.53	
School Tax Deferred		<u>4,279,108.50</u>	
			\$ 4,641,584.03
Increased by:			
Levy School Year July 1, 2017 to June 30, 2018	A-7	9,588,371.00	
		<u>14,229,955.03</u>	
Decreased by:			
Payments	A-4	9,487,714.00	
Balance December 31, 2017:			
School Tax Payable	A	463,132.53	
School Tax Deferred		<u>4,279,108.50</u>	
			<u><u>\$ 4,742,241.03</u></u>
Tax Liability for Local District School Tax:			
Tax Payable December 31, 2016	A-15	\$ (362,475.53)	
Tax Payable December 31, 2017	A-15	463,132.53	
Tax Paid	A-15	9,487,714.00	
Amount Charged to Operations	A-1	<u><u>\$ 9,588,371.00</u></u>	

## SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

Grant	Balance Dec. 31, 2016	Transferred from Budget Appropriation	Paid	Encumbered	Canceled	Balance Dec. 31, 2017
<b>Federal Grants:</b>						
Community Development Block Grant		\$ 50,000.00	\$ 49,633.10		\$ 366.90	
Click It or Ticket		1,100.00	1,100.00			
Drive Sober or Get Pulled Over	\$ 800.00	2,860.00	2,560.00			\$ 1,100.00
2017 Distracted Driving Campaign		1,320.00	1,320.00			
FEMA Debris Removal	64,095.00		27,400.00			36,695.00
<b>State Grants:</b>						
Municipal Alliance on Alcohol and Drug Abuse	12,061.00	13,903.00	13,903.00			12,061.00
Safe & Secure		96,775.00	96,775.00			
Hazardous Discharge Site Remediation	77,390.05		11,596.89	\$ 65,400.26		392.90
Recycling Tonnage Grant	18,515.35	22,477.53	20,505.39	150.00		20,337.49
Police Body Armor	349.48	1,785.52	349.48			1,785.52
Bulletproof Vest Partnership	336.30	381.67	336.30			381.67
Drunk Driving Enforcement Fund	4,187.11		1,734.42			2,452.69
Clean Communities Program	1,635.28	17,598.15	19,233.43			
Community Watch - 2008	450.00					450.00
Environmental Commission Grant	1,285.06	500.00				1,785.06
Community Policing Grant		9,724.00	9,714.17		9.83	
	<u>\$ 181,104.63</u>	<u>\$ 218,424.87</u>	<u>\$ 256,161.18</u>	<u>\$ 65,550.26</u>	<u>\$ 376.73</u>	<u>\$ 77,441.33</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, 2016	Amount Authorized in 2017	Raised in 2017 Budget	Balance Dec. 31, 2017
05/10/15	Codification of Ordinances	\$ 18,500.00	\$ 3,700.00	\$ 14,800.00		\$ 3,700.00	\$ 11,100.00
9/27/17	Preparation of Master Plan	55,000.00	11,000.00		\$ 55,000.00		55,000.00
				<u>\$ 14,800.00</u>	<u>\$ 55,000.00</u>	<u>\$ 3,700.00</u>	<u>\$ 66,100.00</u>
			Ref.	A	A-3	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, 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
Increased by Receipts:													
Interest Earned		38.47	72.52	307.76	87.25	1.94	24.87	7.18	44.40	3.87		33.59	65.77
Dog License Fees:													
Municipal Share	B-3		5,772.00										
State Share			1,344.00										
Off-Duty Police Fees									52,334.75				
Escrow Deposits				274,774.08							350.00		
Donations							18,278.26						
Park and Recreation Fees										1,801.00			
Unemployment Compensation												26,662.67	
Net Pay													1,763,940.85
Payroll Deductions													2,881,789.52
		38.47	7,188.52	275,081.84	87.25	1.94	18,303.13	7.18	52,379.15	1,804.87	350.00	26,696.26	4,645,796.14
Decreased by Disbursements:													
Expenditures Under RS 4:19-15.11	B-3		7,554.39										
NJ State Department of Health			1,344.00										
Encumbrances Payable				1,304.00		1,860.15	961.77						
Escrow Charges				216,405.83									
Unemployment Compensation												30,428.00	
Off-Duty Police Fees									48,191.99				
Senior Clubhouse						671.83							
Special Events							18,986.03						
Net Pay													1,763,940.85
Payroll Deductions													2,879,907.40
Due General Capital Fund	C-2									1,866.00			
Due Current Fund			2,298.08	294.31		2.58	24.95	7.18					199.22
			11,196.47	218,004.14		2,534.56	19,972.75	7.18	48,191.99	1,866.00		30,428.00	4,644,047.47
Balance December 31, 2017	B	\$ 12,843.16	\$ 20,019.82	\$ 132,962.29	\$ 29,136.13	\$ 67.39	\$ 6,142.60	\$ 2,397.61	\$ 7,545.51	\$ 101,403.84	\$ 20,346.50	\$ 7,664.65	\$ 38,538.52

## EXHIBIT B-2

## SCHEDULE OF TRUST FUND CASH - COLLECTOR

	Ref.	Tax Sale	
		Premium	Redemption
Balance December 31, 2016	B	\$ 265,076.88	\$ 13,134.86
Increased by:			
Deposits for Redemption of Tax Sale Certificate	B-4		339,368.72
Tax Sale Premiums	B-5	67,500.00	
Interest Earned		770.66	85.29
		68,270.66	339,454.01
		333,347.54	352,588.87
Decreased by:			
Redemptions of Tax Sale Certificates	B-4		341,227.99
Tax Sale Premiums	B-5	120,800.00	
Interest Due Current Fund		790.65	87.00
		121,590.65	341,314.99
Balance December 31, 2017	B	\$ 211,756.89	\$ 11,273.88

## EXHIBIT B-3

## SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

Balance December 31, 2016	Ref. B		\$ 21,822.00
Increased by:			
Municipal Share of Dog License Fees	B-1		5,772.00
			27,594.00
Decreased by:			
Expenditures Under R.S.4:19-15.11: Cash	B-1	\$ 7,554.39	
Statutory Excess Due Current		2,859.61	
			10,414.00
Balance December 31, 2017	B		\$ 17,180.00

## License Fees Collected

Year	Amount
2015	\$ 10,918.00
2016	6,262.00
	\$ 17,180.00

## EXHIBIT B-4

## SCHEDULE OF DEPOSITS FOR REDEMPTION OF TAX SALE CERTIFICATES

Balance December 31, 2016	Ref. B	\$ 13,125.73
Increased by:		
Deposits Received	B-2	<u>339,368.72</u>
		352,494.45
Decreased by:		
Refunds - Tax Sale Certificates Redeemed	B-2	<u>341,227.99</u>
Balance December 31, 2017	B	<u><u>\$ 11,266.46</u></u>

## EXHIBIT B-5

## SCHEDULE OF RESERVE FOR TAX SALE PREMIUMS

Balance December 31, 2016	Ref. B	\$ 265,000.00
Increased by:		
Premiums Received	B-2	<u>67,500.00</u>
		332,500.00
Decreased by:		
Premiums Refunded	B-2	<u>120,800.00</u>
Balance December 31, 2017	B	<u><u>\$ 211,700.00</u></u>

## **GENERAL CAPITAL FUND**

## SCHEDULE OF GENERAL CAPITAL CASH - TREASURER

Balance December 31, 2016	Ref. C		\$ 626,734.49
Increased by:			
Interest Earned	C-3	\$ 1,623.61	
Bond Anticipation Notes	C-10	169,319.00	
Budget Appropriation:			
Capital Improvement Fund	C-8	50,000.00	
Due from Park & Recreation Trust	B-1:C-6	1,866.00	
Adjustment for Funded Authorization	C-2	0.04	
			<u>222,808.65</u>
			849,543.14
Decreased by:			
Improvement Authorizations	C-6	209,664.76	
Encumbrance Payable	C-7	21,030.16	
Due Current Fund	C-3	1,606.06	
			<u>232,300.98</u>
Balance December 31, 2017	C		<u><u>\$ 617,242.16</u></u>

## ANALYSIS OF GENERAL CAPITAL FUND CASH

	Balance Dec. 31, 2016	Receipts			Disbursements		Transfers		Balance Dec. 31, 2017
		Budget Appropriation	Bond Anticipation Notes	Miscellaneous	Improvement Authorization	Miscellaneous	From	To	
Fund Balance	\$ 4,196.99			\$ 0.04					\$ 4,197.03
Due Current Fund	171.28			1,623.61		\$ 1,606.06			188.83
Capital Improvement Fund	71,632.00	\$ 50,000.00					\$ 52,000.00		69,632.00
Reserve for Improvements to Municipal Roads	2,831.20								2,831.20
Encumbrances Payable	21,030.16					21,030.16		\$ 139,577.00	139,577.00
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				\$ 1,271.25				33,090.20
2011-13 Acquisition of Capital Equipment									
and the completion of Capital Projects	15,766.00				10,276.99				5,489.01
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	16,921.30				6,189.12				10,732.18
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	66,160.96				47,723.45				18,437.51
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)
2014-18 Police Technology Grant	23,447.70				16,148.96		5,745.00		1,553.74
2015-17 Redevelopment Area Improvements	75,000.00								75,000.00
2015-18 Acquisition of Capital Equipment and the									
Completion of Capital Projects	179,954.78				48,215.59		1,693.00		130,046.19
2016-5 Improvements to Autumn Pasquale Memorial Park	11,465.29				11,465.29				
2016-23 Acquisition of Various Capital Equipment	58,720.00				58,285.00				435.00
2017-15 Improvements to Autumn Pasquale Memorial Park				1,866.00	1,718.99				147.01
2017-19 Drainage Improvements to West Center Street					6,238.12		34,825.00	43,000.00	1,936.88
2017-23 Acquisition of Capital Equipment and the									
Completion of Various Capital Improvements			\$ 169,319.00		2,132.00		97,314.00	9,000.00	78,873.00
	\$ 626,734.49	\$ 50,000.00	\$ 169,319.00	\$ 3,489.65	\$ 209,664.76	\$ 22,636.22	\$ 191,577.00	\$ 191,577.00	\$ 617,242.16
Ref.	C	C-8	C-10	C-2:C-6	C-6	C-2			C

SCHEDULE OF DEFERRED CHARGES TO FUTURE  
TAXATION - FUNDED

Balance December 31, 2016	Ref. C	\$ 645,000.00
Decreased by:		
Payment of Bonds Payable	C-9	125,000.00
Balance December 31, 2017	C	<u>\$ 520,000.00</u>

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## EXHIBIT C-7

## SCHEDULE OF ENCUMBRANCES PAYABLE

Balance December 31, 2016	Ref. C	\$ 21,030.16
Increased by:		
Charged to Improvement Authorizations	C-6	139,577.00
		<hr/> 160,607.16
Decreased by:		
Disbursed	C-2	21,030.16
Balance December 31, 2017	C	<hr/> <hr/> \$ 139,577.00

## EXHIBIT C-8

## SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance December 31, 2016	Ref. C	\$ 71,632.00
Increased by:		
Budget Appropriation	C-2	50,000.00
		<hr/> 121,632.00
Decreased by:		
Financed Improvement Authorizations	C-6	52,000.00
Balance December 31, 2017	C	<hr/> <hr/> \$ 69,632.00

## SCHEDULE OF SERIAL BONDS PAYABLE

Date of Issue	Purpose	Original Issue	Maturities of Bonds Outstanding December 31, 2017		Interest Rate	Balance	Decreased	Balance
			Date	Amount		Dec. 31, 2016		Dec. 31, 2017
04/01/08	General Improvements	\$ 1,715,000.00	4/1/18-19	\$ 125,000.00	5.00%			
			4/1/20-21	135,000.00	5.00%	\$ 645,000.00	\$ 125,000.00	\$ 520,000.00
					Ref.	C	C-4	C

## SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ordinance Number	Purpose	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
2011-13	Acquisition of Capital Equipment and the Completion of Capital Projects	12/22/11	12/12/17	11/1/18	1.6496%	\$ 51,367.00		\$ 4,333.00	\$ 47,034.00
2011-9	Site Remediation and/or Environmental Investigations	12/20/12	12/12/17	11/1/18	1.6496%	70,750.00		2,621.00	68,129.00
2011-13	Acquisition of Capital Equipment and the Completion of Capital Projects	12/20/12	12/12/17	11/1/18	1.6496%	11,250.00		867.00	10,383.00
2012-9	Various Redevelopment Area Improvements	12/20/12	12/12/17	11/1/18	1.6496%	95,800.00		3,448.00	92,352.00
2012-14	Acquisition of Capital Equipment and the Completion of Capital Projects	12/20/12	12/12/17	11/1/18	1.6496%	144,300.00		7,806.00	136,494.00
2013-9	Acquisition of Capital Equipment and the Completion of Capital Projects	12/18/13	12/12/17	11/1/18	1.6496%	176,769.00		8,979.00	167,790.00
2014-8	Acquisition of Capital Equipment and the Completion of Capital Projects	12/16/14	12/12/17	11/1/18	1.6496%	240,000.00		26,667.00	213,333.00
2015-6	Acquisition of a Fire Truck	12/14/15	12/12/17	11/1/18	1.6496%	522,446.00			522,446.00
2015-17	Redevelopment Area Improvements	12/14/15	12/12/17	11/1/18	1.6496%	75,000.00			75,000.00
2015-18	Acquisition of Capital Equipment and the Completion of Capital Projects	12/14/15	12/12/17	11/1/18	1.6496%	272,000.00			272,000.00
2016-23	Acquisition of Various Capital Equipment	12/12/16	12/12/17	11/1/18	1.6496%	55,720.00			55,720.00
2017-23	Acquisition of Capital Equipment and the Completion of Various Capital Improvements	12/12/17	12/12/17	11/1/18	1.6496%		\$ 169,319.00		169,319.00
						<u>\$ 1,715,402.00</u>	<u>\$ 169,319.00</u>	<u>\$ 54,721.00</u>	<u>\$ 1,830,000.00</u>
					Ref.	C	C-2:C-12	C-5	C

## SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASE

Date of Lease	Purpose	Term of Lease	Amount of Original Lease		Interest Rate	Balance Dec. 31, 2016	Decreased	Balance Dec. 31, 2017
01/20/04	Various Capital Improvements	20 years	\$ 1,610,000.00	\$ 608,355.63	1% to 5.99%	\$ 540,000.00	\$ 65,000.00	\$ 475,000.00
					Ref.	C		C

## SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number	Purpose	Balance Dec. 31, 2016	Authorization	Issued	Balance Dec. 31, 2017
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	1,280.00			1,280.00
2017-23	Acquisition of Capital Equipment and the Completion of Various Capital Improvements		\$ 171,000.00	\$ 169,319.00	1,681.00
		<u>\$ 41,812.00</u>	<u>\$ 171,000.00</u>	<u>\$ 169,319.00</u>	<u>\$ 43,493.00</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, 2016	D	<u>\$ 1,151,936.13</u>	<u>\$ 1,324,616.59</u>	<u>\$ 73,764.54</u>
Increased by:				
Consumer Accounts Receivable	D-7	2,471,958.51		
Utility Liens Receivable	D-8	8,489.05		
Connection Fees	D-3	241,932.09		
Miscellaneous Revenues	D-3	50,739.51	1,892.20	213.38
Budget Appropriation:				
Capital Improvement Fund	D-16		35,000.00	
Bond Anticipation Notes	D-18		33,666.00	
Loans Issues	D-19		1,797,000.00	
Loan/Grant Receivable	D-11		401,068.00	
Fund Balance	D-2		0.74	
Utility Rent Overpayments		4,175.27		
Escrow Deposits				32,338.42
Due Utility Escrow Trust Fund	D-5	211.23		
Due Utility Capital Fund	D-5	41,959.19		
		<u>2,819,464.85</u>	<u>2,268,626.94</u>	<u>32,551.80</u>
		<u>3,971,400.98</u>	<u>3,593,243.53</u>	<u>106,316.34</u>
Decreased by:				
Budget Appropriations	D-4	2,245,242.47		
Appropriation Reserves	D-12	83,116.68		
Encumbrances Payable	D-13	20,160.23	982,750.27	
Accrued Interest Paid	D-14	135,209.36		
Improvement Authorizations	D-15		296,537.87	
Bond Anticipation Notes	D-18		1,766,500.00	
Utility Rent Overpayments Refunded		3,499.48		
Escrow Fees				7,266.63
Due Utility Operating Fund	D-5		41,959.19	211.23
		<u>2,487,228.22</u>	<u>3,087,747.33</u>	<u>7,477.86</u>
Balance December 31, 2017	D	<u><u>\$ 1,484,172.76</u></u>	<u><u>\$ 505,496.20</u></u>	<u><u>\$ 98,838.48</u></u>

## ANALYSIS OF WATER AND SEWER UTILITY CAPITAL FUND CASH

		Receipts			Disbursements					
		Balance Dec. 31, 2016	Budget Appropriation	Notes and Loans	Miscellaneous	Improvement Authorizations	Notes	Miscellaneous	Transfers From      To	Balance Dec. 31, 2017
Fund Balance		\$ 24,872.00			\$ 0.74				\$ 9,250.00	\$ 15,622.74
Capital Improvement Fund		96,357.83	\$ 35,000.00						\$ 119,981.00	251,338.83
Encumbrances Payable		1,031,356.85						\$ 982,750.27	20,338.36	134,312.22
Due Utility Operating Fund		239.57			1,892.20			1,991.09		140.68
NJEIT Loan Receivable		(12,034.00)			12,034.00					
USDA Grant Receivable					389,034.00					
Reserve for Interest Payable		39,968.10						39,968.10	596,000.00	(206,966.00)
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	24,464.75		\$ 476,500.00			\$ 476,500.00		20,338.36	44,803.11
2011-14	Various Capital Equipment	52,174.58								52,174.58
2013-10	Restoration of Hagelstein Drive	(10,000.00)								(10,000.00)
2013-11	Construction of an Elevated Water Storage Tank	5,223.00							104,250.00	109,473.00
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	1,376.40								1,376.40
2015-19	Various Water & Sewer Utility Improvements	56,250.00				\$ 1,537.87		31,500.00		23,212.13
2016-6	Various Improvements to Water Towers	(329,836.11)		1,320,500.00			1,290,000.00	95,163.89	394,500.00	
2016-24	Various Improvements to Water and Sewer Utility System	338,500.00				295,000.00		43,500.00		
2017-21	Acquisition of Equipment for the Water and Sewer Utility System			33,666.00				30,569.00		3,097.00
2017-22	Completion of Various Improvement to the Water Utility System							25,292.11	83,000.00	57,707.89
2017-24	Completion of Various Improvement to the Water Utility System								23,500.00	23,500.00
		\$ 1,324,616.59	\$ 35,000.00	\$ 1,830,666.00	\$ 402,960.94	\$ 296,537.87	\$ 1,766,500.00	\$ 1,024,709.46	\$ 851,613.36	\$ 505,496.20
Ref.	D	D-16	D-2:D-18:D-19	D-5	D-15	D-18	D-5			D

## EXHIBIT D-7

## SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

Balance December 31, 2016	Ref. D		\$ 183,611.46
Increased by:			
Utility Rents Levied			2,390,830.90
			<u>2,574,442.36</u>
Decreased by:			
Collections	D-5	\$ 2,471,958.51	
Overpayments Applied		136.02	
Transfer to Liens	D-8	<u>4,213.24</u>	
Canceled			<u>2,476,307.77</u>
Balance December 31, 2017	D		<u><u>\$ 98,134.59</u></u>

## EXHIBIT D-8

## SCHEDULE OF UTILITY LIENS RECEIVABLE

Balance December 31, 2016	Ref. D		\$ 9,849.52
Increased by:			
Transfer from Consumer Accounts Receivable	D-7	\$ 4,213.24	
Interest and Costs on Sale		<u>251.63</u>	
			<u>4,464.87</u>
			14,314.39
Decreased by:			
Collections	D-5		<u>8,489.05</u>
Balance December 31, 2017	D		<u><u>\$ 5,825.34</u></u>

## SCHEDULE OF FIXED CAPITAL

	Balance	Additions by		Balance
	Dec. 31, 2016	Capital Outlay	Ordinance	Dec. 31, 2017
Wells and Tanks	\$ 6,274,159.74		\$ 1,712,866.39	\$ 7,987,026.13
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	258,386.83	\$ 16,536.56		274,923.39
Portable Air Compressor	19,444.92			19,444.92
Chlorinator	26,937.37			26,937.37
Distribution Mains and Accessories	673,702.59		295,000.00	968,702.59
Service Pipes and Stops	521,835.91			521,835.91
Meters and Meter Boxes	743,613.29	59,982.00		803,595.29
Fire Hydrants	38,186.43	8,605.01		46,791.44
Frame Dwellings and General Structures	19,066.35			19,066.35
General Equipment	528,419.97	9,724.00		538,143.97
Organization Expenses	1,000.00			1,000.00
Autos and Trucks	364,431.11			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>\$ 14,212,232.81</u>	<u>\$ 94,847.57</u>	<u>\$ 2,007,866.39</u>	<u>\$ 16,314,946.77</u>
Ref.	D		D-10	D

## SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

Ordinance Number	Purpose	Ordinance		Balance	2017 Authorization	Costs to Fixed Capital	Balance
		Date	Amount	Dec. 31, 2016			Dec. 31, 2017
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	23,598.43			23,598.43
2011-14	Various Capital Equipment	08/11/11	52,274.58	52,274.58			52,274.58
2013-11	Construction of an Elevated Water Storage Tank	09/12/13	2,890,000.00	109,473.00			109,473.00
2015-12	Various Improvements to the Sewer Collection System at the Manhole in the Intersection of Poe Avenue and Bernard Street	08/13/15	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		\$ 1,712,866.39	2,133.61
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	
2017-21	Acquisition of Equipment for the Water and Sewer Utility System	10/12/17	35,000.00		\$ 35,000.00		35,000.00
2017-22	Completion of Various Improvement to the Water Utility System	10/12/17	83,000.00		83,000.00		83,000.00
2017-24	Completion of Various Improvement to the Water Utility System	10/26/17	25,000.00		25,000.00		25,000.00
				<u>\$ 2,301,578.53</u>	<u>\$ 143,000.00</u>	<u>\$ 2,007,866.39</u>	<u>\$ 436,712.14</u>
				Ref. D	D-15	D-9	D

## SCHEDULE OF LOAN/GRANT RECEIVABLE

Balance December 31, 2016	Ref. D	\$ 12,034.00
Increased by:		
Funding of Various Ordinances	D-21	596,000.00
		<hr/> 608,034.00
Decreased by:		
Receipts	D-5	401,068.00
Balance December 31, 2017	D	<hr/> <hr/> \$ 206,966.00

## EXHIBIT D-12

## SCHEDULE OF APPROPRIATION RESERVES

	Balance Dec. 31, 2016	Paid or Charged	Balance Lapsed
<b>Operating:</b>			
Salary & Wages	\$ 46,538.77		\$ 46,538.77
Other Expenses	347,006.45	\$ 74,375.51	272,630.94
Treatment Plant Lift Station Pumps	4,410.00		4,410.00
Treatment Plant Electrical Upgrades	535.00		535.00
Replacement of Pumps and Controls	11,836.21	8,271.17	3,565.04
Loop Water System	5,800.00		5,800.00
Public Employees Retirement System	3,023.00	470.00	2,553.00
Social Security	3,239.97		3,239.97
Unemployment Compensation	52.10		52.10
	<u>\$ 422,441.50</u>	<u>\$ 83,116.68</u>	<u>\$ 339,324.82</u>
Ref.	D	D-5	D-1

## EXHIBIT D-13

## SCHEDULE OF ENCUMBRANCES PAYABLE

	Ref.	Operating Fund	Capital Fund
Balance December 31, 2016	D	\$ 20,160.23	\$ 1,031,356.85
Increased by:			
Charges to:			
Current Appropriations	D-4	33,222.59	
Improvement Authorizations	D-15		106,044.00
		<u>53,382.82</u>	<u>1,137,400.85</u>
Decreased by:			
Payments	D-5	20,160.23	982,750.27
Canceled	D-15		20,338.36
		<u>20,160.23</u>	<u>1,003,088.63</u>
Balance December 31, 2017	D	<u>\$ 33,222.59</u>	<u>\$ 134,312.22</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, 2016	D	\$ 21,413.89	\$ 10,329.69	\$ 1,795.95	\$ 236.93	\$ 9,051.32
Increased by:						
Budget Appropriation for:						
Interest on Bonds and Notes	D-4	130,418.98	37,431.26	54,482.66	17,221.49	21,283.57
		<u>151,832.87</u>	<u>47,760.95</u>	<u>56,278.61</u>	<u>17,458.42</u>	<u>30,334.89</u>
Decreased by:						
Interest Paid	D-5	135,209.36	40,418.76	55,842.03	17,225.39	21,723.18
Balance December 31, 2017	D	<u>\$ 16,623.51</u>	<u>\$ 7,342.19</u>	<u>\$ 436.58</u>	<u>\$ 233.03</u>	<u>\$ 8,611.71</u>

**Analysis of Accrued Interest December 31, 2017**

Principal Outstanding Dec. 31, 2017	Interest Rate	From	To	Period	Amount
<b>Serial Bonds</b>					
\$ 35,000.00	5.000%	10/01/2017	12/31/2017	3 Months	\$ 437.50
235,000.00	5.625%	10/01/2017	12/31/2017	3 Months	3,304.69
320,000.00	4.500%	10/01/2017	12/31/2017	3 Months	3,600.00
<u>\$ 590,000.00</u>					<u>\$ 7,342.19</u>
<b>Notes</b>					
\$ 460,000.00	1.650%	12/11/2017	12/31/2017	21 days	\$ 436.58
<b>USDA Loan</b>					
\$ 567,039.63	3.000%	12/27/2017	12/31/2017	5 days	\$ 233.03
1,500,000.00	2.500%	12/11/2017	12/31/2017	21 days	
297,000.00	1.875%	12/11/2017	12/31/2017	21 days	
<u>\$ 2,364,039.63</u>					<u>\$ 233.03</u>
<b>NJEIT Loans</b>					
\$ 159,172.00	2.941%	8/1/2017	12/31/2017	5 Months	\$ 1,661.19
445,000.00	3.000%	8/1/2017	12/31/2017	5 Months	6,950.52
<u>\$ 604,172.00</u>					<u>\$ 8,611.71</u>

## SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Purpose	Date	Amount	Balance Dec. 31, 2016		2017 Authorization	Paid or Charged	Encumbrance Canceled	Canceled	Balance Dec. 31, 2017	
				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		\$ 24,464.75			\$ 20,338.36			\$ 44,803.11
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
2013-11	Construction of an Elevated Water Storage Tank	09/12/13	2,890,000.00		109,473.00						109,473.00
2015-12	Various Improvements to the Sewer Collection System at the Manhole in the Intersection of Poe Avenue and Bernard Street	08/13/15	33,000.00	313.12						313.12	
2015-16	Replacement Mains - Roosevelt & Thomas	10/08/15	26,000.00	1,376.40						1,376.40	
2015-19	Various Water & Sewer Utility Improvements	10/08/15	56,500.00		56,500.00		\$ 33,037.87				23,462.13
2016-6	Various Improvements to Water Towers	03/10/16	1,715,000.00		95,163.89				\$ 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				
2017-21	Acquisition of Equipment for the Water and Sewer Utility System	10/12/17	35,000.00			\$ 35,000.00	30,569.00				4,431.00
2017-22	Completion of Various Improvement to the Water Utility System	10/12/17	83,000.00			83,000.00	475.00		24,817.11		57,707.89
2017-24	Completion of Various Improvement to the Water Utility System	10/26/17	25,000.00			25,000.00					25,000.00
				<u>\$ 59,254.60</u>	<u>\$ 624,201.64</u>	<u>\$ 143,000.00</u>	<u>\$ 402,581.87</u>	<u>\$ 20,338.36</u>	<u>\$ 119,981.00</u>	<u>\$ 59,254.60</u>	<u>\$ 264,977.13</u>
	Ref.			D	D	D-10		D-13	D-16	D	D
					Disbursed	Ref.	\$ 296,537.87				
					Encumbered	D-5	106,044.00				
						D-13	<u>\$ 402,581.87</u>				

SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance December 31, 2016	Ref. D		\$ 96,357.83
Increased by:			
Budget Appropriation	D-5	\$ 35,000.00	
Authorizations Canceled	D-15	119,981.00	
			<u>154,981.00</u>
Balance December 31, 2017	D		<u><u>\$ 251,338.83</u></u>

## SCHEDULE OF WATER AND SEWER CAPITAL SERIAL BONDS PAYABLE

Date of Issue	Purpose	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2016	Decreased	Balance Dec. 31, 2017
			Date	Amount				
04/01/77	Improvements to In-Town Water Supply	\$ 500,000.00				\$ 15,000.00	\$ 15,000.00	
10/01/79	Improvements to In-Town Water Supply	571,000.00	4/1/18	\$ 17,000.00	5.00%			
			4/1/19	18,000.00	5.00%	52,000.00	17,000.00	\$ 35,000.00
10/01/99	Construction of Wells 3 & 6 and Related Improvements	1,730,000.00	10/1/18	120,000.00	5.625%			
			10/1/19	115,000.00	5.625%	355,000.00	120,000.00	235,000.00
04/01/08	Water and Sewer Improvements	810,000.00	4/1/18-21	80,000.00	5.000%	400,000.00	80,000.00	320,000.00
						<u>\$ 822,000.00</u>	<u>\$ 232,000.00</u>	<u>\$ 590,000.00</u>
					Ref.	D	D-4	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, 2016	Increased	Decreased	Balance Dec. 31, 2017
2010-15	Preliminary Costs for New Water Tower	12/28/10	12/12/16	12/11/17		\$ 294,000.00		\$ 294,000.00	
2010-15	Preliminary Costs for New Water Tower	12/22/11	12/12/16	12/11/17		182,500.00		182,500.00	
2012-13	Acquisition of a Camera for the Sewer Lines	12/20/12	12/12/16	12/11/17		14,351.00		14,351.00	
2013-10	Restoration of Hagelstein Drive	12/18//13	12/12/16	12/11/17		3,302.00		3,302.00	
2014-7	Acquisition of Water and Sewer Utility Truck	12/16/14	12/12/17	11/01/18	1.65%	35,695.00		4,111.00	\$ 31,584.00
2015-19	Various Water & Sewer Utility Improvements	12/14/15	12/12/17	11/01/18	1.65%	56,250.00			56,250.00
2016-6	Various Improvements to Water Towers	12/12/16	12/12/16	12/11/17		1,290,000.00		1,290,000.00	
2016-24	Various Improvements to Water & Sewer Utility System	12/12/16	12/12/17	11/01/18	1.65%	338,500.00			338,500.00
2017-21	Acquisition of Equipment	12/12/17	12/12/17	11/01/18	1.65%		\$ 33,666.00		33,666.00
						<u>\$ 2,214,598.00</u>	<u>\$ 33,666.00</u>	<u>\$ 1,788,264.00</u>	<u>\$ 460,000.00</u>
Ref.						D	D-5:D-21		D
						Paid by Budget	Ref.	\$ 21,764.00	
						Funded by Loans	D-19	1,766,500.00	
								<u>\$ 1,788,264.00</u>	

## SCHEDULE OF LOANS PAYABLE

Ordinance Number	Purpose	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
<b>USDA</b>					
2009-16	Installation of Water System Booster System	\$ 576,536.24		\$ 9,496.61	\$ 567,039.63
Various	Various Improvements to Water Towers		\$ 297,000.00		297,000.00
Various	Various Improvements to Water Towers		1,500,000.00		1,500,000.00
		576,536.24	1,797,000.00	9,496.61	2,364,039.63
<b>NJEIT</b>					
2013-11	Construction of an Elevated Water Storage Tank	465,000.00		20,000.00	445,000.00
2013-11	Construction of an Elevated Water Storage Tank	1,333,563.57		78,444.91	1,255,118.66
2013-11	Construction of an Elevated Water Storage Tank	167,645.00		8,473.00	159,172.00
2013-11	Construction of an Elevated Water Storage Tank	159,483.09		9,381.34	150,101.75
		2,125,691.66		116,299.25	2,009,392.41
		\$ 2,702,227.90	\$ 1,797,000.00	\$ 125,795.86	\$ 4,373,432.04
Ref.		D	D-18:D-21	D-4	D

## SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

Ordinance Number	Purpose	Date of Ordinance	Balance Dec. 31, 2016	Balance Dec. 31, 2017
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, 2016	Authorized	Notes, Loans, and Grants Issued	Canceled	Balance Dec. 31, 2017
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		\$ 95,000.00	\$ 9,250.00	
2015-19	Various Water & Sewer Utility Improvements	250.00				250.00
2016-6	Various Improvements to Water Towers	425,000.00		425,000.00		
2017-21	Acquisition of Equipment		\$ 35,000.00	33,666.00		1,334.00
2017-22	Completion of Various Improvements to the Water Utility System		83,000.00	83,000.00		
2017-24	Completion of Various Improvements to the Water Utility System		25,000.00	23,500.00		1,500.00
		<u>\$ 539,600.00</u>	<u>\$ 143,000.00</u>	<u>\$ 660,166.00</u>	<u>\$ 9,250.00</u>	<u>\$ 13,184.00</u>
	Ref.		D-15	D-11:D-18:D-19	D-2	

**PART II**  
**LETTER OF COMMENTS AND RECOMMENDATIONS**  
**YEAR ENDED DECEMBER 31, 2017**

## 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:

Brush Chipper  
25 Cubic Yard Trailer Mounted Self-Contained Vacuum Debris Collector  
Paver Trailer  
West Center Street Storm Sewer CIPP Lining  
Rehabilitation of Ferrosand Filters at the Treatment Plant  
Two Mowers  
Emergency Generator

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.

The governing body on January 7, 2017, 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

**Collection of Interest on Delinquent Taxes and Assessments (Continued)**

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 20, 2017, 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>
2017	26
2016	20
2015	16

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

	2017	2016	2015	2014
Tax Rate	3.7700	3.7300	3.6200	3.4940
Apportionment of Tax Rate				
Municipal	0.9920	0.9920	0.9920	0.9590
County	0.0634	0.6310	0.6090	0.5960
County Library	0.0480	0.0490	0.0460	0.0470
County Open Space	0.0410	0.0410	0.0410	0.0420
Local School	2.0550	2.0170	1.9320	1.8500
Assessed Valuation	466,392,308	462,838,565	462,301,967	462,625,439

## 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.

	2017	2016	2015	2014
Tax Levy	\$ 17,613,428.65	\$ 17,386,341.28	\$ 16,831,782.35	\$ 16,254,563.76
Cash Collections	17,053,741.05	16,889,835.25	16,406,427.40	15,538,317.60
Percentage of Collections	96.82%	97.14%	97.47%	95.59%

## 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.

	2017	2016	2015	2014
Amount of Tax Title Liens	\$ 92,311.96	\$ 63,379.39	\$ 30,775.47	\$ 118,130.85
Delinquent Taxes	483,339.11	405,047.61	362,138.73	596,689.25
Total Delinquent	\$ 575,651.07	\$ 468,427.00	\$ 392,914.20	\$ 714,820.10
Percentage of Tax Levy	3.27%	2.69%	2.33%	4.40%

## 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:

	2017	2016	2015	2014
Property Acquired for Taxes (Assessed Valuation)	\$ 1,119,500	\$ 1,119,500	\$ 1,119,500	\$ 856,500

## 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	2017	2016	2015	2014
Balance January 1	\$ 193,460.98	\$ 101,553.02	\$ 118,210.30	\$ 126,299.19
Lewy & Interest and Costs	2,391,082.53	2,469,224.71	2,249,783.83	2,192,210.90
Cash Collections	2,480,583.58	2,379,361.73	2,259,207.01	2,198,679.97
Percentage of Collections	95.98%	92.55%	95.41%	94.83%

## 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 2016.

## STATUS OF PRIOR RECOMMENDATIONS

Not Applicable

## 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