

This Preliminary Official Statement and the information contained herein are subject to completion and amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. This Preliminary Official Statement is deemed final by the Borough within the meaning and for the purposes of Rule 15c2-12 of the Securities and Exchange Commission.

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 10, 2018

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel, assuming continuing compliance by the Borough of Clayton, County of Gloucester, New Jersey ("Borough") with certain tax covenants described herein, under existing law, interest on the Bonds (as hereinafter defined) is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as previously amended, and as further amended pursuant to Public Law 115-97 ("Tax Cuts and Jobs Act"), signed into law on December 22, 2017 (as amended, the "Code"), and is not a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals and, for tax years beginning prior to January 1, 2018, corporations pursuant to Section 55 of the Code. In the case of certain corporations that own the Bonds with tax years beginning prior to January 1, 2018, the interest thereon is not excludable in computing the alternative minimum tax as a result of the inclusion of interest on the Bonds in "adjusted current earnings". For tax years beginning on and after January 1, 2018, the Tax Cuts and Jobs Act has repealed the alternative minimum tax for corporations. In addition, interest on the Bonds may be subject to the branch profits tax imposed on certain foreign corporations and to the tax on "excess net passive income" imposed on S corporations. Interest on the Bonds and any gain from the sale thereof is not includable in the gross income of owners thereof under the New Jersey Gross Income Tax Act, as presently executed and construed. See "TAX MATTERS" herein.

\$3,183,000
BOROUGH OF CLAYTON
County of Gloucester, New Jersey
GENERAL OBLIGATION BONDS, SERIES 2018
Consisting of:
\$2,652,000 General Improvement Bonds
\$531,000 Water & Sewer Utility Bonds
(Bank-Qualified) (Non-Callable)

Dated: Date of Delivery

Due: October 1, as shown below

The Borough of Clayton, County of Gloucester, New Jersey ("Borough") is issuing \$3,183,000 aggregate principal amount of its General Obligation Bonds, Series 2018 ("Bonds"). The Bonds shall consist of: (i) \$2,652,000 General Improvements Bonds; and (ii) \$531,000 Water & Sewer Utility Bonds. The Bonds shall be issued in fully registered book-entry-only form without coupons.

The principal of the Bonds shall be paid on the respective maturity dates thereof upon presentation and surrender of the Bonds at the offices of TD Bank, National Association, Cherry Hill, New Jersey. Interest on the Bonds is payable semi-annually on April 1 and October 1 ("Interest Payment Dates"), commencing April 1, 2019, in each year until maturity. The Bonds are not subject to redemption prior to maturity.

Upon initial issuance, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, payments of principal and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the Direct Participants (as hereinafter defined) which will, in turn, remit such payments to the Beneficial Owners (as hereinafter defined) of the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. For so long as any purchaser is a Beneficial Owner of a Bond, such purchaser must maintain an account with a broker or dealer who is, or acts through, a Direct Participant to receive payment of the principal of and interest on such Bond.

The Bonds are authorized to be issued pursuant to: (i) the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Bond Law"); (ii) Bond Ordinances 2011-9, 2011-13, 2012-9, 2012-14, 2013-09, 2013-10, 2014-07, 2014-08, 2014-11, 2015-06, 2015-17, 2015-18, 2015-19, 2016-23, 2016-24, 2017-21, 2017-23, 2018-15 and 2018-16, each duly and finally adopted by the Borough Council and published in accordance with the requirements of the Local Bond Law; (iii) a resolution adopted by the Borough Council on September 13, 2018; and (iv) a Certificate of Determination and Award executed by the Chief Financial Officer of the Borough on October __, 2018.

The Bonds are being issued by the Borough to provide funds which will be used to: (i) permanently finance the costs of various capital improvements and the acquisition of various capital equipment by the repayment at maturity of the principal of certain bond anticipation notes heretofore issued by the Borough; (ii) permanently finance the costs of various capital improvements and the acquisition of various capital equipment for which obligations have been authorized, but not yet issued; and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds.

The full faith and credit of the Borough are irrevocably pledged for the payment of the principal of and interest on the Bonds. The Bonds are general obligations of the Borough payable as to principal and interest from *ad valorem* taxes that shall be levied upon all taxable real property within the Borough without limitation as to rate or amount.

MATURITY SCHEDULE, INTEREST RATE AND YIELDS

General			Water/Sewer			Interest			General			Water/Sewer			Interest					
Year	Improvement	Utility	Combined	Rate	Yield	CUSIP	Year	Improvement	Utility	Combined	Rate	Yield	CUSIP	Year	Improvement	Utility	Combined	Rate	Yield	CUSIP
2019	\$177,000	\$36,000	\$213,000	%	%		2024	\$355,000	\$60,000	\$415,000	%	%		2024	\$355,000	\$60,000	\$415,000	%	%	
2020	180,000	60,000	240,000				2025	355,000	65,000	420,000				2025	355,000	65,000	420,000			
2021	190,000	60,000	250,000				2026	355,000	65,000	420,000				2026	355,000	65,000	420,000			
2022	335,000	60,000	395,000				2027	355,000	65,000	420,000				2027	355,000	65,000	420,000			
2023	350,000	60,000	410,000																	

This cover contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices attached hereto, to obtain information essential to their making of an informed investment decision.

The Bonds are offered when, as and if issued, subject to the prior approval of legality by the law firm of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the Borough, and certain other conditions described herein. Certain legal matters will be passed upon for the Borough by its Solicitor, Timothy D. Scaffidi, Esquire, Woodbury, New Jersey. Phoenix Advisors, LLC, Bordentown, New Jersey, has acted as Municipal Advisor to the Borough in connection with the issuance of the Bonds. It is anticipated that the Bonds in definitive form will be available for delivery, in immediately available funds, through DTC in New York, New York on or about October 31, 2018.

ELECTRONIC SUBMISSIONS FOR THE BONDS WILL BE RECEIVED VIA PARITY
AT 11:00 A.M. ON OCTOBER 17, 2018. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY,
VIEW THE NOTICE OF SALE POSTED AT WWW.MUNIHUB.COM

**BOROUGH OF CLAYTON
COUNTY OF GLOUCESTER, NEW JERSEY**

<u>Name</u>	<u>Title</u>
Thomas Bianco	Mayor
Anthony Saban	Council President
Frank Brown	Council Member
Darlene Vondran	Council Member
Sandra Krauss	Council Member
Christopher Rogers	Council Member
Charles Simon	Council Member

Borough Clerk
Christine Newcomb

Chief Financial Officer
Donna Nestore

Solicitor
Law Offices of Timothy D. Scaffidi, Esquire
Woodbury, New Jersey

Auditor
Petroni & Associates LLC
Glassboro, New Jersey

Bond Counsel
Parker McCay P.A.
Mount Laurel, New Jersey

Municipal Advisor
Phoenix Advisors, LLC
Bordentown, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Borough to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by the Borough. The information contained herein has been provided by the Borough and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation or warranty by any underwriter or, as to information from sources other than itself, by the Borough. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, bond ordinances, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the office of the Borough Clerk during normal business hours.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Borough or any underwriter.

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, will not be listed on any stock or other securities exchange and neither the Securities and Exchange Commission nor any other federal, State, municipal or other governmental entity will have passed upon the accuracy or adequacy of this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
AUTHORIZATION FOR THE BONDS.....	1
PURPOSE OF THE ISSUE	1
DESCRIPTION OF THE BONDS	3
General.....	3
Book-Entry-Only System.....	3
Discontinuance of Book-Entry-Only System	6
SECURITY FOR THE BONDS	6
GENERAL INFORMATION REGARDING THE BOROUGH	6
General.....	6
Financial.....	7
CERTAIN PROVISIONS OF THE LAWS OF THE STATE OF NEW JERSEY AND THE UNITED STATES RELATING TO GENERAL OBLIGATION DEBT	7
Local Bond Law.....	7
Local Fiscal Affairs Law	8
Local Budget Law.....	9
Miscellaneous Revenues.....	10
Real Estate Taxes.....	10
Deferral of Current Expenses.....	11
Budget Transfers.....	11
Capital Budget	11
Related Constitutional and Statutory Provisions	12
The Municipal Finance Commission	12
Limitation of Remedies Under Federal Bankruptcy Code.....	13
TAXATION.....	13
Procedure for Assessment and Collection of Taxes.....	13
Tax Appeals	14
TAX MATTERS.....	14
Federal	14
New Jersey.....	16
Changes in Federal and State Tax Law.....	16
LITIGATION.....	17
RATING	17
PREPARATION OF OFFICIAL STATEMENT	17
UNDERWRITING	18
LEGALITY FOR INVESTMENT.....	18
MUNICIPAL ADVISOR.....	18
NO DEFAULT.....	18
CONTINUING DISCLOSURE.....	18
LEGAL MATTERS.....	19
ADDITIONAL INFORMATION.....	19
APPENDIX A:	CERTAIN ECONOMIC, FINANCIAL AND DEMOGRAPHIC INFORMATION REGARDING THE BOROUGH OF CLAYTON
APPENDIX B:	FINANCIAL STATEMENTS OF THE BOROUGH OF CLAYTON
APPENDIX C:	FORM OF BOND COUNSEL OPINION
APPENDIX D:	FORM OF CONTINUING DISCLOSURE AGREEMENT

\$3,183,000
BOROUGH OF CLAYTON
County of Gloucester, New Jersey
GENERAL OBLIGATION BONDS, SERIES 2018
Consisting of:
\$2,652,000 General Improvement Bonds
\$531,000 Water & Sewer Utility Bonds
(Bank-Qualified) (Non-Callable)

INTRODUCTION

This Official Statement, including the cover page and Appendices hereto, is to provide certain information relating to the issuance by the Borough of Clayton, County of Gloucester, New Jersey ("Borough") of its \$3,183,000 aggregate principal amount of General Obligation Bonds, Series 2018 ("Bonds"). The Bonds shall consist of: (i) \$2,652,000 General Improvements Bonds; and (ii) \$531,000 Water & Sewer Utility Bonds.

AUTHORIZATION FOR THE BONDS

The Bonds are authorized to be issued pursuant to: (i) the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Bond Law"); (ii) bond ordinances 2011-9, 2011-13, 2012-9, 2012-14, 2013-09, 2013-10, 2014-07, 2014-08, 2014-11, 2015-06, 2015-17, 2015-18, 2015-19, 2016-23, 2016-24, 2017-21, 2017-23, 2018-15 and 2018-16 (collectively, the "Bond Ordinances"), each duly and finally adopted by the Borough Council and published in accordance with the requirements of the Local Bond Law; (iii) a resolution adopted by the Borough Council on September 13, 2018; and (iv) a Certificate of Determination and Award executed by the Chief Financial Officer of the Borough on October __, 2018.

PURPOSE OF THE ISSUE

The Bonds are being issued by the Borough to provide funds which will be used to: (i) permanently finance the costs of various capital improvements and the acquisition of various capital equipment by the repayment at maturity of the principal of certain bond anticipation notes heretofore issued by the Borough; (ii) permanently finance the costs of various capital improvements and the acquisition of various capital equipment for which obligations have been authorized, but not yet issued; and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds.

The Improvements to be permanently financed with the proceeds of the Bonds include the following:

General Improvement Bond Ordinances

Ordinance Number	Purpose	Bonds or Notes Authorized	Notes Outstanding	Bonds to be Issued
2011-9	Site Remediation and/or Environmental Investigations	\$76,000	\$68,129	\$68,129
2011-13	Acquisition and Completion of Various Capital Improvements	78,992	57,417	58,409
2012-9	Various Redevelopment Area Improvements	100,000	92,352	92,352
2012-14	Acquisition of Capital Equipment	161,975	136,494	138,469
2013-9	Acquisition of Various Capital Equipment and Completion of Various Capital Improvements	196,650	167,790	174,440
2014-08	Acquisition of Various Capital Equipment and Completion of Various Capital Improvements	242,725	213,333	216,058
2014-11	Cancellation/Reappropriation –Acquisition of Fire Rescue Equipment	735	0	242
2015-06	Acquisition of Fire Truck	522,500	522,446	522,446
2015-17	Various Redevelopment Area Improvements	100,000	75,000	100,000
2015-18	Acquisition of Various Capital Equipment and Completion of Various Capital Improvements	274,455	272,000	274,455
2016-23	Acquisition of Equipment for Public Works Department and Fire Department	57,000	55,720	57,000
2017-23	Acquisition of Various Capital Equipment and Completion of Various Capital Improvements	171,000	169,319	171,000
2018-15	Acquisition of Various Capital Equipment and Completion of Various Capital Improvements	779,000	0	779,000
	TOTAL	\$2,761,032	\$1,830,000	\$2,652,000

Water & Sewer Utility Bond Ordinances

Ordinance Number	Purpose	Bonds or Notes Authorized	Notes Outstanding	Bonds to be Issued
2014-07	Acquisition of Utility Truck	\$37,000	\$31,584	\$31,584
2015-19	Various Water/Sewer Utility Improvements	56,500	56,250	56,250
2016-24	Various Improvements to Water/Sewer Utility System	338,500	338,500	338,500
2017-21	Water & Sewer Utility Truck	35,000	33,666	34,666
2013-10	Restoration of Hagelstein Drive	10,000	0	10,000
2018-16	Improvements to Sewer Mains at Delsea Estates	60,000	0	60,000
	TOTAL	\$537,000	\$460,000	\$531,000

DESCRIPTION OF THE BONDS

General

The Bonds will be issued in the aggregate principal amount of \$3,183,000. The Bonds will be dated their date of delivery and bear interest from that date at the interest rates set forth on the front cover hereof. Interest on the Bonds is payable semi-annually on April 1 and October 1 (each an "Interest Payment Date" and collectively, "Interest Payment Dates"), commencing April 1, 2019, in each year until maturity. The Bonds are not subject to redemption prior to maturity.

Individual purchases of the Bonds may be made in the principal amount of \$5,000, or any integral multiple of \$5,000, and in integral multiples of \$1,000 in excess thereof, or in such amount necessary to issue the principal amount of the Bonds, through book-entries made on the books and the records of DTC (as hereinafter defined) and its participants. See "DESCRIPTION OF THE BONDS--Book-Entry-Only System" below. The Bonds will mature on October 1 in the years and in the principal amounts all as shown on the front cover page of this Official Statement.

The Bonds will be issued in fully registered book-entry only form without coupons. The principal of the Bonds will be payable to the registered owners at maturity upon presentation and surrender of the Bonds at the offices of TD Bank, National Association, Cherry Hill, New Jersey, paying agent to the Borough ("Paying Agent"). Interest on each Bond shall be payable on each Interest Payment Date of such Bond to the registered owner of record thereof appearing on the registration books kept by the Borough for such purpose at the offices of Paying Agent as of the close of business on the fifteenth (15th) day of the calendar month immediately preceding an Interest Payment Date (each a "Record Date").

So long as The Depository Trust Company, New York, New York ("DTC") or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made directly to Cede & Co., as nominee of DTC. Disbursements of such payments to the participants of DTC ("DTC Participants") is the responsibility of DTC and disbursements of such payments to the Beneficial Owners (as hereinafter defined) of the Bonds is the responsibility of the DTC Participants and not the Borough or the Paying Agent.

Book-Entry-Only System¹

The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, and other payments on the Bonds to DTC Participants or Beneficial Owners (as such terms is hereinafter defined), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Borough. Accordingly, the Borough does not make any representations as to the completeness or accuracy of such information.

¹ Source: The Depository Trust Company

The DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all the Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and

Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices, if any, shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Borough or the hereafter designated paying agent, if any, as soon as possible after the applicable Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the applicable Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds, if any, will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borough or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Borough or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Borough or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Borough may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borough believes to be reliable, but neither the Borough nor the Underwriters (as hereinafter defined) take any responsibility for the accuracy thereof.

NEITHER THE BOROUGH NOR THE PAYING AGENT WILL HAVE THE RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, OR THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE HEADING "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Discontinuance of Book-Entry-Only System

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions would apply: (i) the Bonds may be exchanged for an equal principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the offices of the Borough or the Paying Agent; (ii) the transfer of the Bonds may be registered on the books maintained by the Borough or the Paying Agent for such purposes only upon the surrender thereof to the Borough or the Paying Agent together with the duly executed assignment in form satisfactory to the Borough or the Paying Agent; and (iii) for every exchange or registration of transfer of the Bonds, the Borough or the Paying Agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. In such event, interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date, to the registered owners thereof as of the close of business on the Record Date, whether or not a business day.

SECURITY FOR THE BONDS

The full faith and credit of the Borough are irrevocably pledged for the payment of the principal of and interest on the Bonds. The Bonds are general obligations of the Borough payable as to principal and interest from *ad valorem* taxes that shall be levied upon all taxable real property within the Borough without limitation as to rate or amount.

The Borough may pledge only its own credit and taxing power in respect of the Bonds, and has no power to pledge the credit or taxing power of the State or any other political subdivision thereof, nor shall the Bonds be deemed to be obligations of said State or any other political subdivision thereof, nor shall said State or any other political subdivision thereof be liable for the payment of principal of or interest on the Bonds.

GENERAL INFORMATION REGARDING THE BOROUGH

General

General information concerning the Borough, including economic, financial, demographic and other relevant data, is set forth in Appendix "A" to this Official Statement.

Financial

Appendix "B" to this Official Statement contains audited financial statements of the Borough for the years ending December 31, 2017 and December 31, 2016. The financial data was provided by Petroni & Associates, LLC, Glassboro, New Jersey, and is included herein in reliance upon the authority of such firm. Petroni & Associates, LLC, Glassboro, New Jersey, has consented to the inclusion of their report in this Official Statement. Copies of the complete reports of audit may be obtained upon request to the office of the Chief Financial Officer of the Borough.

CERTAIN PROVISIONS OF THE LAWS OF THE STATE OF NEW JERSEY AND THE UNITED STATES RELATING TO GENERAL OBLIGATION DEBT

Local Bond Law

General - The Local Bond Law governs the issuance of bonds and notes by counties and municipalities for the financing of capital improvements. Among its provisions are the following: (i) the power and obligation to pay any and all bonds and notes issued pursuant to the Local Bond Law shall be unlimited; (ii) the county or municipality shall levy *ad valorem* taxes upon all taxable property therein for the payment of the principal of and interest on such bonds and notes without limitation as to rate or amount; (iii) generally, a down payment that is not less than five percent (5%) of the amount of debt obligations authorized must be appropriated in addition to the amount of debt obligations authorized; (iv) all non-special-assessment bonds shall mature within the period of usefulness or average period of usefulness of the improvements being financed; and (v) after issuance, all bonds and notes shall be conclusively presumed to be fully authorized and issued by all of the laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery.

Debt Limits - The authorized bonded indebtedness of the Borough is limited by statute, subject to the exceptions noted below, to an amount equal to three and one-half percent (3.50%) of its equalized valuation basis. The equalized valuation basis of the Borough is set by statute as the average for the last three years of the equalized value of all taxable real property and improvements as annually determined by the New Jersey State Board of Taxation. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

Bonds, notes and long-term loans are included in the computation of debt for the statutory debt limit. The Borough, including the issuance of the Bonds, will not exceed its three and one-half percent (3.50%) debt limit.

Exceptions to Debt Limits – Extensions of Credit - The Borough may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Borough may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential public improvements and services, or make certain other statutory determinations, approval may be granted.

In addition, debt in excess of the statutory limit may be issued by the Borough to fund certain notes, to provide for purposes in an amount not exceeding two-thirds (2/3) of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

Short-Term Financing – When approved by bond ordinance, the Borough may issue bond anticipation notes to temporarily finance capital improvements. Such notes may not be issued in an aggregate amount exceeding that specified by the ordinance. The notes may not be issued for periods of more than one year, renewable with the final maturity occurring no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original note. After the third year, the amount of the Notes that may be renewed annually must be decreased by the minimum amount required for the first year's principal payment for the bond issue in anticipation of which the Notes are issued.

Bonds – Bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-state administered public employee pension system and amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of bonds.

Local Fiscal Affairs Law

The Local Fiscal Affairs Law, Chapter 5 of Title 40A of the New Jersey State Statutes, as amended and supplemented ("Local Fiscal Affairs Law"), governs audits, auditors, public moneys and financial statements of local governmental units, including the Borough.

Each local unit is required to cause an annual audit of its books, accounts and financial transactions to be made and completed within six months after the close of its fiscal year by either a Registered Municipal Accountant or, by agreement with the Director ("Director") of the Division of Local Government Services ("Division") in the Department of Community Affairs, by qualified employees of the Division.

An independent examination of the Borough's books, accounts and financial transactions must be performed annually by a Registered Municipal Accountant who is licensed by the State Board of Public Accountants. The audit, conforming to the Division's "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the report, together with all recommendations made. A Summary of Audit, together with recommendations, must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2017 is on file with the Borough Clerk and is available for review during business hours.

The Local Fiscal Affairs Law also requires that the Chief Financial Officer of the local unit file annually with the Director a verified statement of the financial condition of the local unit as of the close of the fiscal year to be made not later than February 10 for December 31 fiscal year end local units and August 10 for June 30 fiscal year end local units.

Local Budget Law

The Local Budget Law, Chapter 4 of Title 40A of the State states, as amended and supplemented ("Local Budget Law"), governs the budgeting and appropriation of funds by local governmental units.

The Local Budget Law requires local governmental units to adopt a "cash basis" budget in such form that there will be sufficient cash collected to meet all debt service requirements, necessary operations of the local governmental units for the fiscal year and any mandatory payments required to be met during the fiscal year.

No budget shall be adopted unless the Director shall have previously certified their approval thereof.

Each local governmental unit must include in its budget an appropriation for the payment of debt service. The Director is required to examine such appropriation to determine whether it is properly set forth, in addition to determining whether all estimates of revenue contained in the budget are reasonable, accurate and correctly stated.

A statute passed in 1976, as amended (*N.J.S.A. 40A:4-45.1 et seq.*), commonly known as the "Cap Law", imposed limitations on increases in municipal appropriations subject to various exceptions. On August 20, 1990, the Governor signed into law P.L. 1990, c. 89, which revised and made permanent the "Cap Law". Since its inception, the "Cap Law" has been amended and modified several times, most recently on July 13, 2010. While the revised "Cap Law" is more restrictive on the ability of a local unit to increase its overall appropriations, it does not limit the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service on the Bonds. The Cap Law provides that a local unit shall limit any increase of its budget to 2.5% or the index rate, whichever is less, over the previous year's final appropriations subject to certain exceptions. The "index rate" is the rate of annual percentage increase in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services computed by the United States, Department of Commerce. Among the exceptions to the limitations imposed by the Cap Law are capital expenditures; debt service; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law.

Additionally, legislation constituting P.L. 2010, c. 44, was adopted on July 13, 2010 (S-29R1), which, among other things, imposes a two percent (2.00%) cap on the tax levy that municipalities, counties, fire districts and solid waste collection districts may impose, with very limited exceptions and subject to certain adjustments.

Exclusions from the two percent (2.00%) tax levy cap include: (i) increases required to be raised by taxation for capital expenditures, including debt service as defined by law; (ii) increases in pension contributions and accrued liability for pension contributions in excess of 2.00%; (iii) increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 2.00% of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, P.L.1961, c.49 (C.52:14-17.25 *et seq.*), as annually determined by the Division of Pensions and Benefits in the

Department of the Treasury; and (iv) and extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate. The amendments to the tax levy sections of the "Cap Law" (specifically, *N.J.S.A. 40A:4-45-46*) in 2010 no longer permit municipalities, counties, fire districts and solid waste collection districts to request approval from the Local Finance Board for a waiver to increase the amount to be raised by taxation in excess of the two percent (2.00%) cap. However, counties, municipalities, fire districts and solid waste collection districts may request, through a public question submitted to the voters, an increase in the amount to be raised by taxes above the two percent (2.00%) tax levy cap. Such approval must be achieved by an affirmative vote in excess of fifty percent (50%) of those voting on such public question.

Neither the tax levy limitation nor the "Cap Law" limits the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service on its bonds or notes, including the Bonds.

Miscellaneous Revenues

N.J.S.A. 40A:4-26 provides that: "No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the [D]irector shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit." Such determination may be made by the governing body and the chief financial officer in any year during which the local unit is subject to local examination.

No budget or amendment shall be adopted unless the Director has previously certified the approval of such anticipated revenues.

Real Estate Taxes

Receipts from Delinquent Taxes - Revenues are permitted by *N.J.S.A. 40A:4-29* to be anticipated in the annual budget for collection of delinquent taxes of prior years. The maximum amount permitted to be anticipated is determined by applying the collection rate of the prior year's delinquent taxes to the total amount of delinquent taxes outstanding at the beginning of the current year.

Current Year Tax Levy and Reserve for Uncollected Taxes - The current year's taxes to be levied are determined by adding the sums of the cash required from taxes to support the municipal, school, county and special district budgets, if any, together with the amount of an appropriation required to be included in the annual municipal budget entitled "Reserve for Uncollected Taxes", less the total of anticipated revenues. The inclusion of the "Reserve for Uncollected Taxes" appropriation in the current year's budget protects the municipality from taxes currently unpaid. The "Reserve for Uncollected Taxes" is required to be, at a minimum, an amount sufficient to provide for the same percentage of uncollected taxes in the current year as was experienced in the immediately preceding year, the average of the previous three years in accordance with P.L. 2000, c. 126, or the previous year collection percentage after reducing the previous year levy by tax appeal judgments of the county tax board pursuant to R.S.54:3-21

et seq., or the State tax court pursuant to R.S.54:48-1 *et seq.* in accordance with Chapter 56 of P.L. 2010.

N.J.S.A. 40A:4-41 provides with regard to current taxes that: "Receipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year, shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of such preceding fiscal year."

Another provision requires that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required for all current budget appropriations and school and county taxes of the current fiscal year. The reserve requirement is calculated as follows:

$$\frac{\text{Levy Required for Current Budget,} \\ \text{School and County Taxes}}{\text{Prior Year's Percentage of Current} \\ \text{Tax Collections (or Lesser \%)}} = \text{Total Taxes to be Levied}$$

Deferral of Current Expenses

Emergency appropriations (i.e., those made after the adoption of the budget and determination of the tax rate for an unforeseen event or purpose) may be authorized by the governing body of the local governmental units. With minor exceptions, however, such appropriations must be included in full in the following year's budget. When such appropriations exceed three percent (3.00%) of the adopted operating budget, consent of the Director of Local Government Services must be obtained.

The exceptions are certain enumerated projects to cover the cost of the extraordinary expense for the repair, or reconstruction of streets, roads or bridges, or other public property damaged by snow, ice, frost or flood, where such expense was not foreseen at the time of the adoption of the budget, which may be amortized over three years; and tax map preparations, revision of ordinances, revaluations, master plan preparation, studies and planning necessary for the installation and construction of a sanitary sewer system, and payments of accumulated sick and vacation time which may be amortized over five years.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited until the last two months of the year and, although subaccounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

Capital Budget

In accordance with the Local Budget Law, each local unit shall prepare and adopt a capital budget, in conjunction with its annual operating budget, for any year in which it proposes to undertake a capital project. Every local unit which adopts a capital budget must also adopt a three (3) year capital program unless the local unit's population exceeds 10,000 where a six (6) year capital program is required.

Related Constitutional and Statutory Provisions

In the general election of January 2, 1976, as amended by the general election of January 6, 1984, the following Article 8, Section 1, Paragraph 7, with respect to a state income tax, was added to the State Constitution:

No tax shall be levied on personal incomes of individuals, estates and trusts of this State unless the entire net receipts therefrom shall be received into the treasury, placed in a perpetual fund and be annually appropriated, pursuant to formulas established from time to time by the Legislature, to the several counties, municipalities and school districts of this State exclusively for the purpose of reducing or offsetting property taxes. In no event, however, shall a tax so levied on personal income be levied on payments received under the Federal Social Security Act, the Federal Railroad Retirement Act, or any federal law which substantially reenacts the provisions of either of those laws.

A progressive state income tax is currently in effect in the State.

The State Constitution may only be amended after: (i) approval of a proposed amendment by three-fifths (3/5) of all of the members of each house of the State Legislature and approval by a majority vote in a statewide referendum; or (ii) approval in two successive legislative years by a majority of all of the members of each house and approval by a majority vote in a statewide referendum. Amendments failing to receive voter approval may not be resubmitted for voter approval before the third succeeding general election after such disaffirmance.

The Municipal Finance Commission

The Municipal Finance Commission ("Commission") was created in 1931 to assist in the financial rehabilitation of municipalities, which had defaulted in their obligations. The powers of the Commission are exercised today by the Local Finance Board. The previously discussed elements of the local finance system are intended to prevent default on obligations or occurrence of severe fiscal difficulties in any local unit. Should extreme economic conditions adversely affect any local unit, the "Municipal Finance Commission Statutes" are available to assist in restoring the stability of the local unit.

Any holder of bonds or notes which are in default for over sixty (60) days (for payment of principal or interest) may bring action against such municipality in the State's Superior Court. Any municipality may declare itself unable to meet its obligations and bring action in such court. In either case, the court's determination that the municipality is in default or unable to meet its obligations causes the Commission to become operative in that municipality.

The Commission exercises direct supervision over the finances and accounts of any local unit under its jurisdiction. The Commission is authorized to appoint an auditor to examine and approve all claims against the municipality and to serve as comptroller for that community. The Commission is also directed to supervise tax collections and assessments, to approve the funding of

municipal school district indebtedness, the adjustment or composition of the claims of creditors and the readjustment of debts under the Federal Municipal Bankruptcy Act. Such Act permits municipalities to have access to bankruptcy court for protection against suits by bondholders and creditors.

The Local Finance Board also serves as the "Funding Commission" to exercise supervision over the funding or refunding of local government debt. Any county or municipality seeking to adjust its debt service must apply to and receive the approval of such Funding Commission for the proposed reorganization of its debt.

Limitation of Remedies Under Federal Bankruptcy Code

The rights and remedies of the registered owners of the Bonds are subject to the provisions of Chapter 9 of the Federal Bankruptcy Code of the United States ("Bankruptcy Code"). In general, Chapter 9 permits, under prescribed circumstances, but only after an authorization by the applicable state legislature or by a governmental officer or organization empowered by state law to give such authorization, a political subdivision of a state to file a petition for relief in a bankruptcy court of the United States if it is insolvent or unable to meet its debts as they mature and desires to effect a plan to adjust its debts.

The State has authorized the political subdivisions thereof to file such petitions for relief under the Bankruptcy Code pursuant to and subject to Article 8 of the Act. The Act provides that such petitions may not be filed without the prior approval of the Commission and that no plan of readjustment of the local unit's debts may be filed or accepted by the petitioner without express authority from the Commission to do so.

THE ABOVE REFERENCES TO THE BANKRUPTCY CODE ARE NOT TO BE CONSTRUED AS AN INDICATION THAT THE BOROUGH EXPECTS TO RESORT TO THE PROVISIONS OF SUCH BANKRUPTCY CODE OR THAT, IF IT DID, SUCH ACTION WOULD BE APPROVED BY THE COMMISSION, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY OF THE BONDS.

THE SUMMARIES OF AND REFERENCES TO THE STATE CONSTITUTION AND OTHER STATUTORY PROVISIONS ABOVE ARE NOT AND SHOULD NOT BE CONSTRUED AS COMPREHENSIVE OR DEFINITIVE. ALL REFERENCES TO SUCH DOCUMENTS ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PARTICULAR DOCUMENT, THE FULL TEXT OF WHICH MAY CONTAIN QUALIFICATIONS OF AND EXCEPTIONS TO STATEMENTS MADE HEREIN.

TAXATION

Procedure for Assessment and Collection of Taxes

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of maintaining new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures

equitable treatment to like property owners. The last complete revaluation of property within the Borough was in 2013, effective for the 2013 tax year.

Upon the filing of certified adopted budgets by the Borough, the School District and the County of Gloucester ("County"), the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in *N.J.S.A. 54:4-1 et seq.* Special taxing districts are permitted in the State for various special services rendered to the properties located within the special district.

Tax bills are due quarterly on February 1, May 1, August 1 and November 1. Installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18.00% per annum on any amounts in excess of \$1,500.00. These interest penalties are the maximum permitted under New Jersey Statutes. Additionally, a 6.00% penalty is charged on any delinquencies in excess of \$10,000.00 if not paid by the end of each year. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes. Tax liens retained by the Borough are periodically assigned to the Borough Solicitor for "in rem foreclosures" in order to acquire title to these properties.

Tax Appeals

The State Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the New Jersey Board of Taxation ("Tax Board") on or before the first day of April of the current tax year for review. The Tax Board has the authority, after a hearing, to decrease, increase or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the Tax Board, appeal may be made to the State Tax Court. State Tax Court appeals tend to take several years prior to settlement and any losses in tax collection from prior years are charged directly to operations.

TAX MATTERS

Federal

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the Borough, assuming continuing compliance by the Borough with the tax covenants described below, under existing law, interest on the Bonds is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as previously amended, and as further amended pursuant to Public Law 115-97 ("Tax Cuts and Jobs Act"), signed into law on December 22, 2017 (as amended, the "Code"), and is not a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals and, for tax years beginning prior to January 1, 2018, corporations pursuant to Section 55 of the Code.

For tax years beginning on and after January 1, 2018, the Tax Cuts and Jobs Act has repealed the alternative minimum tax for corporations. However, for tax years beginning prior to January 1, 2018, the adjustment for "adjusted current earnings" set forth in Section 56(g) of the Code is required in determining a corporation's alternative minimum taxable income. Alternative minimum taxable income is increased by seventy-five percent (75%) of the excess, if any, of the "adjusted current earnings" of a corporation over the alternative minimum taxable income (determined without regard to this adjustment or the alternative tax net operating loss deduction).

For certain corporations with tax years beginning prior to January 1, 2018, interest on tax-exempt obligations, including the Bonds, is not excludable in calculating "adjusted current earnings" of those corporations. Accordingly, a portion of the interest on the Bonds received or accrued by corporations with tax years beginning prior to January 1, 2018 that own the Bonds is included in computing such corporation's alternative minimum taxable income for such year.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation.

In addition, passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for any S corporation that has Subchapter C earnings and profits at the close of the taxable year, if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

In rendering its opinion, Bond Counsel has relied on the Borough's covenants contained in the Bond Ordinances, and in the Certificate as to Non-Arbitrage and Other Tax Matters, that it will comply with the applicable requirements of the Code, relating to, *inter alia*, the use and investment of proceeds of the Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the Borough to comply with such covenants could result in the interest on the Bonds being subject to federal income tax from the date of issue. Bond Counsel has not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date of issuance of the Bonds that may affect the tax-exempt status of the interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain holders of an interest in a financial asset securitization investment trust, controlled foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals who otherwise qualify for the earned income credit, and to individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the Bonds will constitute disqualified income for this purpose. The Code also provides that the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Bonds is included in determining the modified adjusted gross income of the taxpayer. Section 36B of the Code provides that the amount of the premium assistance credit amount is in part determined by the household income. Section 36B(d) of the Code provides that household income consists of the

"modified adjusted gross income" of the taxpayer and certain other individuals. "Modified adjusted gross income" means adjusted gross income increased by certain amounts, including interest received or accrued by the taxpayer which is exempt from tax, such as the interest on the Bonds.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by Banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code. The Borough has designated the Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(1) of the Code. Eighty percent (80%) of the interest expense deemed incurred by banks, thrift institutions and other financial institutions to purchase or carry "qualified tax-exempt obligations" is deductible.

Owners of the Bonds should consult their own tax advisors as to the applicability and effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on passive investment income of S corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

New Jersey

Bond Counsel is also of the opinion that interest on the Bonds and any gain from the sale thereof is not included in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as presently enacted and construed.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the United States Congress and in the states that, if enacted, could alter or amend the Federal and State tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposals might be enacted or whether, if enacted, it would apply to bonds or notes issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds.

PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING ANY FEDERAL AND STATE INCOME TAX LEGISLATION, WHETHER CURRENTLY PENDING OR PROPOSED, REGULATORY INITIATIVES OR LITIGATION. THE OPINIONS EXPRESSED BY BOND COUNSEL ARE BASED UPON EXISTING LEGISLATION AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY AUTHORITIES AS OF THE DATE OF ISSUANCE AND DELIVERY OF THE BONDS AND BOND COUNSEL HAS EXPRESSED NO OPINION AS OF ANY DATE SUBSEQUENT THERETO OR WITH RESPECT TO ANY PENDING LEGISLATION, REGULATORY INITIATIVES OR LITIGATION.

LITIGATION

To the knowledge of the Borough's Solicitor, Timothy D. Scaffidi, Esquire, Woodbury, New Jersey ("Solicitor"), there is no litigation of any nature now pending, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Borough or the title of any of the present officers. Moreover, to the knowledge of the Solicitor, no litigation is presently pending that, in the opinion of the Solicitor, would have a material adverse impact on the financial condition of the Borough if adversely decided.

RATING

Moody's Investors Service Inc. ("Rating Agency") has assigned a rating of "A1" to the Bonds based upon the creditworthiness of the Borough.

The rating reflects only the views of the Rating Agency. Any desired explanation of the significance of such rating should be obtained directly from the Rating Agency. The Borough furnished to the Rating Agency certain information and materials concerning the Bonds and the Borough. There can be no assurance that the rating will be maintained for any given period of time or that it may not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the marketability or market price of the Bonds.

PREPARATION OF OFFICIAL STATEMENT

The Borough hereby states that the descriptions and statements herein and in the Appendices attached hereto, including financial and statistical statements, are true and correct in all material respects, and it will confirm the same to the purchasers of the Bonds by certificates signed by various officers and officials of the Borough upon issuance and delivery of the Bonds.

All of the information has been obtained from sources which the Borough considers to be reliable and it makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

The Borough compiled Appendix "A" from information obtained from various sources they consider to be reliable and makes no warranty, guaranty or other representation with respect to the accuracy and completeness or fairness of the information contained herein and, accordingly, will express no opinion with respect thereto.

Parker McCay P.A. has not participated in the preparation of this Official Statement, nor has such firm verified the accuracy, completeness or fairness of the information contained herein (except under the heading "TAX MATTERS") and, accordingly, will express no opinion with respect thereto.

UNDERWRITING

The Bonds have been purchased from the Borough at a public sale by _____, as underwriter ("Underwriter"), pursuant to a Certificate of Determination and Award, dated October __, 2018. The Underwriter has purchased the Bonds in accordance with the Notice of Sale prepared in connection with the Bonds. The Bonds are being offered for sale at the yields set forth on the front cover page of this Official Statement. The Underwriter is obligated to purchase all of the Bonds if any of the Bonds are purchased.

The Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the front cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing bonds and notes into investment trusts) at yields higher than the public offering yield set forth on the front cover page of this Official Statement, and such public offering yields may be changed, from time to time, by the Underwriter without prior notice.

LEGALITY FOR INVESTMENT

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutions, building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, money or other funds belonging to them or within their control in any bonds and notes of the Borough, including the Bonds, and such bonds and notes are authorized security for any and all public deposits.

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey, has served as municipal advisor to the Borough with respect to the issuance of the Bonds ("Municipal Advisor"). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

NO DEFAULT

There is no record of default in the payment of the principal of or interest on the bonds or notes of the Borough.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule"), the Borough has undertaken to file notice of certain enumerated events, pursuant to a Continuing Disclosure Agreement, in the form attached as Appendix "D" to this Official Statement.

Within the five years immediately preceding the date of this Official Statement, the Borough previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements, event notices in connection with certain bond insurer rating changes in 2014. Such notices of events have since been filed with the MSRB's Electronic Municipal Market Access Dataport ("EMMA"). The Borough appointed Phoenix Advisors, LLC in October of 2015 to serve as continuing disclosure agent.

LEGAL MATTERS

The legality of the Bonds will be subject to the approving legal opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the Borough ("Bond Counsel"). Such opinion will be printed on or accompany the Bonds and provide, *inter alia*, that the Bonds are valid and binding obligations of the Borough, and the Borough has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the Borough without limitation as to rate or amount for the payment of the Bonds and interest thereon. The enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, or other law affecting creditors' rights or remedies heretofore or hereinafter enacted. Certain legal matters will be passed upon for the Borough by its Solicitor.

Bond Counsel has not verified the accuracy, completeness or fairness of the statements contained in this Official Statement (except to the extent, if any, as specifically stated herein) and will express no opinion relating thereto.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Donna Nestore, Chief Financial Officer, Borough of Clayton, at 856.881.2882, or to the Borough's Municipal Advisor, Phoenix Advisors, LLC, at 609.291.0130.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth merely as opinions and not as representations of fact, and no representation is made that any such statements will be realized. Neither this Official Statement nor any statement, which may have been made verbally or in writing, is to be construed as a contract with, or a covenant for the benefit of, the holders of the Bonds. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borough since the date hereof. The information contained in the Official Statement is not guaranteed as to accuracy or completeness.

All quotations from and summaries and explanations of provisions of laws of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilation thereof.

This Official Statement has been duly executed and delivered by the Chief Financial Officer of the Borough for and on behalf of the Borough.

BOROUGH OF CLAYTON, NEW JERSEY

By: _____
DONNA NESTORE,
Chief Financial Officer

Dated: October __, 2018

APPENDIX A

CERTAIN ECONOMIC, FINANCIAL AND DEMOGRAPHIC INFORMATION REGARDING THE BOROUGH OF CLAYTON

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INFORMATION REGARDING THE BOROUGH¹

The following material presents certain economic and demographic information of the Borough of Clayton (the “Borough”), in the County of Gloucester (the “County”), State of New Jersey (the “State”).

History

Shortly before the American Revolution, Jacob Fisler purchased a tract of land containing 2,800 acres in the area of the Clayton cemetery. He and his son Leonard jointly purchased 3,755 acres extending from the Clayton cemetery to Aura. Between this time and the year 1850, the locality gradually took on the name of Fisler Town. In the year 1850, Fisler Town was a crossroad with five dwellings. In this year, the first glass factory was started here by Jacob Fisler and Benjamin Beckett. The impact of the glass factory greatly increased the population. On June 23, 1852, a post office was established as Fisleville. In 1867, the name of Clayton was adopted by an act of legislation. The post office officially changed its name on July 22, of the same year. By 1876, Clayton contained a population of 1,500. By 1833, the town had grown to a population of 1,900. At a special election in May of 1887, the electorate voted to incorporate to a Borough, and in June elected their first Mayor. Competition with glass works in the Midwest began in the latter part of the 19th century, resulting in the decline and eventual closing of both Clayton glass works.

Location

The Borough is located on the Atlantic Coastal Plain which covers all of the Southern New Jersey and extends upward to Middlesex and Mercer Counties. The Borough occupies a land area of approximately 7.3 square miles and is bound by Glassboro to the north; Franklin Township to the south; Monroe Township to the east; and Elk Township to the west. The Borough is approximately 25 miles from Philadelphia. The Borough is within reasonable commuting distance to employment in that city, as well as the closer job opportunities in the State. The Borough is within the Delaware Valley economic region, a tri-state region composed of eleven counties in the States of New Jersey, Pennsylvania and Delaware. It is a major transportation center, combining one of the largest port facilities in the world with extensive rail, air and interstate highway systems.

The Borough falls within the Philadelphia, PA-NJ Metropolitan Statistical Area (“MSA”), a region, which includes Bucks, Chester, Delaware, Montgomery and Philadelphia counties in Pennsylvania and Burlington, Camden and Gloucester Counties in the State.

Local Government

The Borough is governed by a Mayor and a six-member Borough Council. The Mayor and members of the Borough Council are elected for staggered three-year terms in elections held every year. The Mayor and two members of Council are elected in one election and the next two years, two members of Council are elected each year.

¹ Source: The Borough, unless otherwise indicated.

The Mayor is the Chief Executive Officer of the Borough. The responsibilities of the Mayor include execution and enforcement of laws of the State and ordinances of the Borough, recommending to council such measures deemed necessary or appropriate for the welfare of the Borough.

The responsibilities of the Borough Council, are, among others, to adopt the municipal budget and to enact ordinances to promote the health, safety and welfare of the Borough and its residents.

The Borough Administrator serves the Borough on a full-time basis as its Chief Operating Officer. As the Borough's Chief Operating Officer, the Borough Administrator is responsible for the daily operations of the Borough, staffing, personnel matters, Economic Development coordinator and serves as a liaison between the Borough Council, employees and residents.

The Chief Financial Officer is custodian of all public moneys of the Borough. The Chief Financial Officer ensures the Borough complies with all regulatory requirements pertaining to municipal finances. The Chief Financial Officer oversees all financial activities of the Borough and the primary responsibilities are: developing and executing the municipal budget; authorizing the purchasing of all services, equipment, and supplies; managing all investments and bonding activities; and verifying the accuracy of fiscal transactions and account reconciliations.

The Borough Clerk assists with administering the affairs of the Borough, including attending Borough Council meetings and preparation of minutes therefore; compilation, preservation, indexing and publication of all ordinances and resolutions; and any other duties which Council may assign.

Borough Services

The Division of Local Government Services in the New Jersey Department of Community Affairs supervises the financial administration of all local government units in the State.

A number of services are provided by the Borough and paid for from general revenues. Employees in the Public Works Department maintain Borough streets, roads, storm drains, and provide snow and leaf removal services, oversee Borough parks, playgrounds and recreational facilities and the operations of the water and sewer utility. The Zoning Board of Adjustment oversees all zoning requirements, and the Construction Office is responsible for all building permits and enforcement of uniform construction codes.

The Borough Police force which is supervised by the Chief of Police, provides police protection through the employment of 16 full-time officers.

Fire protection is provided by a volunteer network, separate and distinct from Borough operations. The Borough supports the fire department through annual budget appropriations. Ambulance service is provided through an Interlocal agreement with the County EMS Service.

Trash Collection

Trash, including recyclables, is collected on behalf of the Borough by a private contractor, Gold Medal Environmental of NJ, LLC. The Borough has a one-year contract expiring December 31, 2018 including options for renewals for years 2019 and 2020. Residential trash is directed to Wheelabrator Gloucester County, Westville, New Jersey or Gloucester County Improvement Authority, Woodbury, New Jersey.

At the present time, the cost per ton for disposal is \$82.46/ton. The total contract cost for trash and recyclables for 2018 is \$402,000.

Transportation

An efficient system of highways, railroads, and airlines is readily accessible to those residing and working in the Borough. Interstate 295, the North-South Freeway (Route 42), State Highway 55, and the Atlantic City Expressway all reinforce the New Jersey Turnpike System. The highway system is augmented by its proximity to the Benjamin Franklin and Walt Whitman Bridges, providing access to Philadelphia and the Commodore Barry Bridge, providing access to Delaware. The Philadelphia International Airport is only 20 minutes away by automobile.

The Delaware River Port Authority (“DRPA”), the New Jersey-Pennsylvania bi-state authority that operates the Benjamin Franklin, Walt Whitman, Commodore Barry, and Betsy Ross bridges, also operates a high-speed rail transit system that transports several thousand State residents into Philadelphia each day. The DRPA operates the transit system as the Port Authority Transit Company (“PATCO”). Borough residents who use the PATCO system are able to travel to their destinations in Camden and center city Philadelphia within twenty minutes.

Utilities

Electric power adequate for all industrial needs is provided by the Atlantic City Electric Company and the Public Service Electric and Gas Company. Residents and businesses in the Borough receive gas service from South Jersey Gas and Public Service Electric and Gas. The Raritan Stratum, one of the most prolific aquifers in the United States, is readily tapped to provide for any industrial need. Over 95% of the residents are served by municipally owned water and sewerage facilities. Sewage is treated by the Gloucester County Utilities Authority.

Master Plan

The combined Planning Board last adopted the Borough’s full master plan in 1996 amended through 2018 Master Plan Reexamination Report. In addition, a new Housing Element and a Fair Share Plan for affordable housing were included in the 2018 Master Plan Reexamination Report.

Borough Employees

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Full-time	37	36	36	35	35
Part-time	<u>45</u>	<u>43</u>	<u>39</u>	<u>43</u>	<u>41</u>
	82	79	75	78	76

Employee Collective Bargaining Unit

The Borough maintains collective bargaining relationship with the following organizations:

- (1) The Government Workers Union, with a contract that expired December 31, 2017. The Borough is currently in negotiations to renew the contract.
- (2) The Fraternal Order of Police of New Jersey (Patrolmen), with a contract expiring December 31, 2018.
- (3) The Fraternal Order of Police of New Jersey (Superior Officers), with a contract expiring December 31, 2018.
- (4) The Borough is currently in the process of negotiating their first labor contract with AFSCME District Council 71, Local 3303I (crossing guards).

Retirement Systems

All full-time permanent or qualified Borough employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions, within the New Jersey Department of Treasury (the "Division"), is the administrator of the funds with the benefit and contribution levels set by the State. The Borough is enrolled in the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS").

Pension Information²

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost.

² Source: State of New Jersey Department of Treasury, Division of Pensions and Benefits

Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Borough, the County, and the State:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough</u>				
2017	4,185	3,945	240	5.7%
2016	4,168	3,915	253	6.1%
2015	4,128	3,804	324	7.8%
2014	4,015	3,652	363	9.0%
2013	4,085	3,611	474	11.6%
<u>County</u>				
2017	151,568	144,412	7,156	4.7%
2016	150,906	143,281	7,625	5.1%
2015	149,930	140,845	9,085	6.1%
2014	148,892	137,973	10,919	7.3%
2013	151,160	137,619	13,541	9.0%
2012	151,925	136,453	15,472	10.1%
<u>State</u>				
2017	4,518,838	4,309,708	209,123	4.6%
2016	4,530,800	4,305,515	225,262	5.0%
2015	4,537,231	4,274,685	262,531	5.8%
2014	4,527,177	4,221,277	305,900	6.8%
2013	4,548,569	4,173,815	374,738	8.2%
2012	4,565,300	4,138,500	426,800	9.3%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

Income (as of 2016)

	<u>Borough</u>	<u>County</u>	<u>State</u>
Median Household Income	\$64,825	\$78,592	\$72,093
Median Family Income	79,615	94,315	88,335
Per Capita Income	31,414	34,886	36,582

Source: US Bureau of the Census 2016

Population

The following tables summarize population increases and the decreases for the Borough, the County, and the State.

<u>Year</u>	<u>Borough</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2017 Estimate	8,676	6.08%	292,206	1.36%	8,958,013	1.89%
2010	8,179	14.57	288,288	13.20	8,791,894	4.49
2000	7,139	15.99	254,673	10.69	8,414,350	8.85
1990	6,155	2.36	230,082	15.09	7,730,188	4.96
1980	6,013	15.79	199,917	15.77	7,365,001	2.75

Source: United States Department of Commerce, Bureau of the Census

Largest Taxpayers

The ten largest taxpayers in the Borough and their assessed valuations are listed below:

<u>Taxpayers</u>	<u>2017</u>	<u>% of Total</u>
	<u>Assessed Valuation</u>	<u>Assessed Valuation</u>
Fernmoor Homes at Clayton LLC	\$8,469,300	1.82%
Berk Cohen Assoc. at Rustic Village	8,301,400	1.78%
Aleris Light Gauge Products, Inc.	6,941,900	1.49%
Realmarq Development LLC	3,238,300	0.69%
Silver Lake Assoc.	3,034,600	0.65%
Rite Aide of NJ Inc.	1,263,600	0.27%
Verizon Communications Inc	1,167,008	0.25%
American Stores Company LLC	1,125,200	0.24%
825 Delsea Dr. c/o Robson Goldberg	1,105,000	0.24%
Saiwood Corporation	<u>1,089,700</u>	<u>0.23%</u>
Total	<u>\$35,736,008</u>	<u>7.66%</u>

Source: Comprehensive Annual Financial Report of the School District and Municipal Tax Assessor

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2017	\$17,613,429	\$17,053,741	96.82%
2016	17,386,341	16,889,835	97.14%
2015	16,831,782	16,406,427	97.47%
2014	16,254,564	15,538,318	95.59%
2013	15,721,772	15,071,054	95.86%

Source: Annual Audit Reports of the Borough

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2017	\$92,312	\$483,339	\$575,651	3.27%
2016	63,379	405,048	468,427	2.69%
2015	30,775	362,139	392,914	2.33%
2014	118,131	596,689	714,820	4.40%
2013	235,121	531,960	767,082	4.88%

Source: Annual Audit Reports of the Borough

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2017	\$1,119,500
2016	1,119,500
2015	1,119,500
2014	856,500
2013	377,100

Source: Annual Audit Reports of the Borough

Tax Rates per \$100 of Net Valuations Taxable and Allocations

The table below lists the tax rates for Borough residents for the past five (5) years.

	Local			
<u>Year</u>	<u>Municipal</u>	<u>School</u>	<u>County</u>	<u>Total</u>
2018	\$0.992	\$2.094	\$0.749	\$3.835
2017	0.992	2.055	0.723	3.770
2016	0.992	2.017	0.721	3.730
2015	0.992	1.932	0.696	3.620
2014	0.959	1.850	0.685	3.494

Source: Abstract of Ratables and State of New Jersey – Property Taxes

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2018	\$465,048,700	\$486,452,615	95.60%	\$1,205,507	\$487,658,122
2017	465,225,300	475,885,127	97.76	1,167,008	477,052,135
2016	461,671,300	460,887,791	100.17	1,167,265	462,055,056
2015	461,142,800	459,763,509	100.3	1,159,167	460,922,676
2014	461,506,500	456,575,485	101.08	1,118,939	457,694,424

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

Classification of Ratables

The table below lists the comparative assessed valuation for each classification of real property within the Borough for the past five (5) years.

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2018	\$8,908,200	\$403,176,200	\$1,709,900	\$27,509,000	\$11,261,600	\$12,483,800	\$465,048,700
2017	8,863,900	403,208,600	1,729,000	27,678,400	11,261,600	12,483,800	465,225,300
2016	8,559,900	398,756,200	2,019,500	28,300,100	11,551,800	12,483,800	461,671,300
2015	10,480,800	394,604,900	2,309,000	28,889,300	11,604,100	13,254,700	461,142,800
2014	11,952,300	392,213,400	2,238,600	29,976,300	11,951,200	13,174,700	461,506,500

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

Financial Operations

The following table summarizes the Borough's Current Fund budget for the past five (5) fiscal years ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Fund Balance Utilized	\$814,317	\$846,340	\$761,579	\$1,062,131	\$1,078,044
Miscellaneous Revenues	1,534,438	1,625,918	1,904,026	1,887,309	2,317,965
Receipts from Delinquent Taxes	450,000	515,000	350,000	380,000	435,000
Amount to be Raised by Taxation	<u>4,441,200</u>	<u>4,586,500</u>	<u>4,591,900</u>	<u>4,627,000</u>	<u>4,625,242</u>
Total Revenue:	<u>\$7,239,956</u>	<u>\$7,573,758</u>	<u>\$7,607,505</u>	<u>\$7,956,440</u>	<u>\$8,456,250</u>
<u>Appropriations</u>					
General Appropriations	\$5,886,396	\$6,110,783	\$6,324,317	\$6,488,048	\$6,562,745
Operations (Excluded from CAPS)	314,430	327,838	429,635	364,785	380,714
Deferred Charges and Statutory Expenditures	0	0	3,700	3,700	14,700
Capital Improvement Fund	25,000	50,000	50,000	248,000	655,418
Municipal Debt Service	374,742	343,088	359,575	344,915	271,220
Reserve for Uncollected Taxes	<u>639,388</u>	<u>742,049</u>	<u>440,278</u>	<u>506,992</u>	<u>571,454</u>
Total Appropriations:	<u>\$7,239,956</u>	<u>\$7,573,758</u>	<u>\$7,607,505</u>	<u>\$7,956,440</u>	<u>\$8,456,250</u>

Source: Annual Adopted Budgets of the Borough

Fund Balance

Current Fund

The following table lists the Borough's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

<u>Fund Balance - Current Fund</u>		
	<u>Balance</u>	<u>Utilized in Budget</u>
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2017	\$3,027,063	\$1,078,044
2016	2,947,595	1,062,131
2015	2,621,371	761,579
2014	1,955,830	846,340
2013	1,448,508	814,317

Source: Annual Audit Reports of the Borough

Water and Sewer Utility Operating Fund

The following table lists the Borough's fund balance and the amount utilized in the succeeding year's budget for the Water and Sewer Utility Operating Fund for the past five (5) fiscal years ending December 31.

Water & Sewer Utility Operating Fund		
<u>Year</u>	<u>Balance</u> <u>12/31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2017	\$1,046,841	\$325,000
2016	684,642	344,000
2015	689,995	298,800
2014	643,540	386,585
2013	484,704	255,394

Source: Annual Audit Reports of the Borough

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Borough Indebtedness as of December 31, 2017**General Purpose Debt**

Serial Bonds	\$520,000
Bond Anticipation Notes	1,830,000
Bonds and Notes Authorized but Not Issued	43,493
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$2,393,493

Local School District Debt

Serial Bonds	\$18,122,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$18,122,000

Self-Liquidating Debt

Serial Bonds	\$590,000
Bond Anticipation Notes	460,000
Bonds and Notes Authorized but Not Issued	13,184
Other Bonds, Notes and Loans	<u>4,373,432</u>
Total:	\$5,436,616

TOTAL GROSS DEBT**\$25,952,109**

Less: Statutory Deductions	
General Purpose Debt	\$0
Local School District Debt	18,122,000
Regional School District Debt	0
Self-Liquidating Debt	<u>5,436,616</u>
Total:	\$23,558,616

TOTAL NET DEBT**\$2,393,493**

Source: Annual Debt Statement of the

Overlapping Debt (as of December 31, 2017)³

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Borough Percentage</u>	<u>Borough Share</u>
Local School District	\$18,122,000	100.00%	\$18,122,000
County	387,920,822	1.82%	<u>7,043,346</u>
Net Indirect Debt			\$25,165,346
Net Direct Debt			<u>2,393,493</u>
Total Net Direct and Indirect Debt			<u>\$27,558,839</u>

Debt Limit

Average Equalized Valuation Basis (2015, 2016, 2017)	\$465,512,142
Permitted Debt Limitation (3 1/2%)	16,292,925
Less: Net Debt	<u>2,393,493</u>
Remaining Borrowing Power	<u>\$13,899,432</u>
Percentage of Net Debt to Average Equalized Valuation	0.514%
Gross Debt Per Capita based on 2010 population of 8,179	\$3,173
Net Debt Per Capita based on 2010 population of 8,179	\$293

Source: Annual Debt Statement of the Borough

³ Borough percentage of County debt is based on the Borough's share of total equalized valuation in the County.

APPENDIX B

FINANCIAL STATEMENTS OF THE BOROUGH OF CLAYTON

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PETRONI & ASSOCIATES LLC

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

PETRONI & ASSOCIATES LLC

Nick L. Petroni

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

June 8, 2017

CURRENT FUND

EXHIBIT A

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

ASSETS	Ref.	Balance Dec. 31, 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>

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

LIABILITIES, RESERVES, AND FUND BALANCE	Ref.	Balance Dec. 31, 2017	Balance Dec. 31, 2016
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/>

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

Revenue and Other Income Realized	Ref.	Year 2017	Year 2016
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
Total Income		21,628,377.76	21,016,306.03
Expenditures			
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
Total Expenditures		20,541,778.51	19,928,502.73

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>
Fund Balance			
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>

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		

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	<u>\$ 4,601,416.86</u>
Receipts from Delinquent Taxes:			
Delinquent Tax Collection		A-7	\$ 392,270.73
Tax Title Liens		A-8	40,762.02
		A-2	<u>\$ 433,032.75</u>

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	<u>\$ 345,744.06</u>

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT						
General Administration:						
Salaries & Wages	\$ 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	

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	
LAND USE ADMINISTRATION						
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	
CODE ENFORCEMENT & ADMINISTRATION						
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	

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
INSURANCE						
Liability Insurance	100,000.00	100,000.00	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	
PUBLIC SAFETY FUNCTIONS						
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	
PUBLIC WORKS FUNCTIONS						
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	

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	
HEALTH & HUMAN SERVICES						
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	
PARK & RECREATION FUNCTIONS						
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	
OTHER COMMON OPERATING FUNCTIONS						
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	

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
UTILITY EXPENSES AND BULK PURCHASES						
Electricity	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	
LANDFILL/SOLID WASTE DISPOSAL COSTS						
Solid Waste Disposal:						
Tipping Fees	300,000.00	300,000.00	230,436.51		69,563.49	
UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES (NJAC 5:23-4.17)						
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	

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
DEFERRED CHARGES & STATUTORY					
EXPENDITURES - MUNICIPAL WITHIN "CAPS"					
STATUTORY EXPENDITURES					
Contribution to:					
Social Security System (OASI)	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
OPERATIONS EXCLUDED FROM "CAPS"					
PUBLIC SAFETY FUNCTIONS					
Length of Service Award Program	11,000.00	14,000.00			14,000.00
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Recycling Tax	11,500.00	11,500.00	7,627.48		3,872.52
SHARED SERVICE AGREEMENTS					
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
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES					
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		

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
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
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
DEBT SERVICE					
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
DEFERRED CHARGES - MUNICIPAL EXCLUDED FROM "CAPS"					
Deferred Charges:					
Special Emergency Authorizations - 5 Years (NJSA 40A:4-55)	3,700.00	3,700.00	3,700.00		
Total Deferred Charges Excluded from "CAPS"	3,700.00	3,700.00	3,700.00		

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>			

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
		20,044.82	24,052.77
Developer's Escrow Trust Fund			
Cash - Treasurer	B-1	132,962.29	75,884.59
Escrow Receivable		400.00	400.00
		133,362.29	76,284.59
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
		191,140.57	178,742.09
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
		9,030.51	5,436.35
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
		\$ 795,149.36	\$ 792,358.42

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

LIABILITIES, RESERVES, AND FUND BALANCE	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>

GENERAL CAPITAL FUND

EXHIBIT C

COMPARATIVE BALANCE SHEET - GENERAL CAPITAL FUND - REGULATORY BASIS

ASSETS	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>
LIABILITIES, RESERVES, AND FUND BALANCE			
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>

WATER AND SEWER UTILITY FUND

EXHIBIT D

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

ASSETS	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>

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

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

	Ref.	Year 2017	Year 2016
Revenue and Other Income Realized			
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>
Expenditures			
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
Fund Balance			
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>

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>			

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>

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

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 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 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

D. Comparative Data

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

E. Recent Accounting Pronouncements Not Yet Effective

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 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.

	<u>Due From</u>	<u>Due to</u>
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
ISSUED:					
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	<u>8,099,227.90</u>	<u>1,999,985.00</u>	<u>2,325,780.86</u>	<u>7,773,432.04</u>	<u>621,132.99</u>
AUTHORIZED BUT NOT ISSUED:					
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	<u>581,412.00</u>	<u>314,000.00</u>	<u>838,735.00</u>	<u>56,677.00</u>	
Total Debt Issued and Authorized But Not Issued	<u>\$ 8,680,639.90</u>	<u>\$ 2,313,985.00</u>	<u>\$ 3,164,515.86</u>	<u>\$ 7,830,109.04</u>	<u>\$ 621,132.99</u>

Permanently Funded Debt Consisted of the Following:

\$1,715,000.00 General Improvement Bonds dated April 1, 2008, payable in annual installments through April 1, 2021. Interest is paid semi-annually at a rate of 5.00% per annum. The balance remaining as of December 31, 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 1/7th of the required amount, beginning in fiscal years 2012.

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

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

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

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

**BOROUGH OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 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-notice.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-notices.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.

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APPENDIX C

FORM OF BOND COUNSEL OPINION

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October 31, 2018

Mayor and Borough Council
of the Borough of Clayton
125 N. Delsea Drive
Clayton, New Jersey

RE: \$3,183,000 BOROUGH OF CLAYTON, COUNTY OF GLOUCESTER, NEW JERSEY, GENERAL OBLIGATION BONDS, SERIES 2018

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, issuance, sale and delivery of the above-referenced obligations ("Bonds") by the Borough of Clayton, County of Gloucester, New Jersey ("Borough"). The Bonds consist of: (i) \$2,652,000 General Improvement Bonds; and (ii) \$531,000 Water & Sewer Utility Bonds.

The Bonds are authorized to be issued pursuant to: (i) the Local Bond Law, constituting Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Bond Law"); (ii) the bond ordinances set forth in the Resolution (hereinafter defined), each duly and finally adopted by the Borough Council and published in accordance with applicable law (collectively, the "Bond Ordinances"); (iii) a resolution adopted by the Borough Council on September 13, 2018 ("Resolution"); and (iv) a Certificate of Determination and Award executed by the Chief Financial Officer of the Borough on October 17, 2018 ("Award Certificate").

The Bonds are dated October 31, 2018, mature on October 1 in each of the years and in the respective principal amounts set opposite each such year in the table below and bear interest at the interest rates per annum below, payable semi-annually on April 1 and October 1 in each year until maturity, commencing on April 1, 2019.

<u>Year</u>	<u>General Improvement</u>	<u>Water/Sewer Utility</u>	<u>Combined</u>	<u>Interest Rate</u>	<u>Year</u>	<u>General Improvement</u>	<u>Water/Sewer Utility</u>	<u>Combined</u>	<u>Interest Rate</u>
2019	\$177,000	\$36,000	\$213,000	%	2024	\$355,000	\$60,000	\$415,000	%
2020	180,000	60,000	240,000		2025	355,000	65,000	420,000	
2021	190,000	60,000	250,000		2026	355,000	65,000	420,000	
2022	335,000	60,000	395,000		2027	355,000	65,000	420,000	
2023	350,000	60,000	410,000						

The Bonds are issued in fully registered book-entry-only form without coupons and are not subject to redemption prior to maturity.

COUNSEL WHEN IT MATTERS.SM

Mount Laurel, New Jersey | Hamilton, New Jersey | Atlantic City, New Jersey

The Bonds are being issued to provide funds which will be used to: (i) permanently finance the cost of various capital improvements by the repayment at maturity of a portion of the principal of certain bond anticipation notes heretofore issued by the Borough; (ii) permanently finance the costs of various capital improvements for which obligations have been authorized, but not issued; and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds.

As the basis for the opinions set forth below, we have examined such matters of law as we have deemed necessary including, inter alia, the Constitution of the State of New Jersey, the Internal Revenue Code of 1986, as previously amended, and as further amended pursuant to Public Law 115-97 ("Tax Cuts and Jobs Act"), signed into law on December 22, 2017 (as amended, the "Code"), and the Local Bond Law. We have also examined such documents, certifications and instruments as we have deemed necessary including, without limitation, the Bond Ordinances, the Resolution, the Award Certificate, the representations and covenants of the Borough given pursuant to the Code as set forth in the Certificate as to Nonarbitrage and Other Tax Matters ("Nonarbitrage Certificate") and the other certifications, instruments, documents and opinions listed in the closing agenda prepared in connection with the settlement of the Bonds.

In rendering the following opinion, we have relied upon the authenticity, truthfulness and completeness of all documents, instruments and certifications examined including, without limiting the generality of the foregoing, the Non-Arbitrage Certificate.

Based upon and subject to the foregoing, we are of the following opinion:

1. The Bonds are legal, valid and binding obligations of the Borough enforceable in accordance with the terms thereof, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency or other laws or equitable principles affecting the enforcement of creditors' rights generally ("Creditors' Rights Limitations").

2. For the payment of principal of and interest on the Bonds, the Borough has the power and is obligated, to the extent payment is not otherwise provided, to levy ad valorem taxes upon all taxable real property within the Borough without limitation as to rate or amount, except to the extent that enforcement thereof may be affected by Creditors' Rights Limitations.

3. Interest on the Bonds will not be includible for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Code and will not constitute a tax preference item for purposes of the alternative minimum tax imposed on individuals and, for tax years beginning prior to January 1, 2018, corporations.

For tax years beginning on and after January 1, 2018, the Tax Cuts and Jobs Act has repealed the alternative minimum tax for corporations. However, for tax years beginning prior to January 1, 2018, the adjustment for "adjusted current earnings" set forth in Section 56(g) of the Code is required in determining a corporation's alternative minimum taxable income. Alternative minimum taxable income is increased by seventy-five percent (75%) of the excess, if any, of the "adjusted current earnings" of a corporation over the alternative minimum taxable income (determined without regard to this adjustment or the alternative tax net operating loss deduction).

For certain corporations with tax years beginning prior to January 1, 2018, interest on tax-exempt obligations, including the Bonds, is not excludable in calculating "adjusted current earnings" of those corporations. Accordingly, a portion of the interest on the Bonds received or accrued by corporations with tax years beginning prior to January 1, 2018 that own the Bonds is included in computing such corporation's alternative minimum taxable income for such year.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation.

In addition, passive "investment" income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for any S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

In rendering this opinion, we have assumed continuing compliance by the Borough that it will comply with the applicable requirements of the Code, including requirements relating to, *inter alia*, the use and investment of proceeds of the Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the Borough to comply with such covenants could result in the interest on the Bonds being subject to federal income tax from the date of issue. We have not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date hereof that may affect the tax-exempt status of the interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain holders of an interest in a financial asset securitization investment trust, property and casualty insurance companies, controlled foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, individuals who otherwise qualify for the earned income credit and to individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the Bonds will constitute disqualified income for this purpose. The Code also provides that the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Bonds is included in determining the modified adjusted gross income of the taxpayer. Section 36B of the Code provides that the amount of the premium assistance credit amount is in part determined by household income. Section 36B(d) of the Code provides that household income consists of the "modified adjusted gross income" of the taxpayer and certain other individuals. "Modified adjusted gross income" means adjusted gross income increased by certain amounts, including interest received or accrued by the taxpayer which is exempt from tax, such as the interest on the Bonds.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in Section

265(b)(3) of the Code. The Borough has designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Eighty percent (80%) of the interest expense deemed incurred by banks, thrift institutions and other financial institutions to purchase or carry "qualified tax-exempt obligations" is deductible.

Owners of the Bonds should consult their own tax advisers as to the applicability and effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on passive investment income of S corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

4. Interest on the Bonds and any gain from the sale thereof is not included in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof.

We express no opinion as to any matter not set forth in the numbered paragraphs above including, without limitation, any financial or other information which has been or may be supplied to purchasers of the Bonds.

The opinions expressed in the numbered paragraphs above are being rendered on the basis of federal law and the laws of the State of New Jersey, as presently enacted and construed, and we assume no responsibility to advise any party as to any changes in law or fact subsequent to the date hereof.

This is only an opinion letter and not a warranty or guaranty of the matters discussed above.

This letter is being provided solely for the benefit of the Borough and may not be relied upon by any other person, party, firm or organization without our prior written consent.

Very truly yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT ("Disclosure Agreement") is made on this 31st day of October, 2018 between the Borough of Clayton, County of Gloucester, New Jersey ("Borough") and the Dissemination Agent (hereinafter defined). This Disclosure Agreement is entered into in connection with the issuance and sale by the Borough of its General Obligation Bonds, Series 2018, in the aggregate principal amount of \$3,183,000 ("Bonds").

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered for the benefit of the holders and beneficial owners of the Bonds (collectively, the "Bondholders") and in compliance with the provisions of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission ("Commission") pursuant to the Securities Exchange Act of 1934, as it may be amended from time to time, including administrative or judicial interpretations thereof, as it applies to the Bonds ("Rule").

SECTION 2. Definitions. Capitalized terms, not otherwise defined herein, shall, for purposes of this Disclosure Agreement, have the following meanings:

"Annual Report" shall mean, the Borough's Annual Report provided pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Commission" shall have the meaning set forth in Section 1 of this Disclosure Agreement

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which the Borough or the Dissemination Agent is authorized by law or contract to remain closed.

"Continuing Disclosure Information" shall mean: (i) the Annual Report; (ii) any notice required to be filed with the National Repository pursuant to Section 5 hereof; and (iii) any notice of an event required to be filed with the National Repository pursuant to Section 3(c) hereof.

"Dissemination Agent" shall mean Phoenix Advisors LLC, Bordentown, New Jersey, or any successor Dissemination Agent designated in writing by the Borough and which has filed with the Borough a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access System, an internet based filing system created and maintained by the MSRB in accordance with Release No. 34-59062 of the Commission, dated December 5, 2008, pursuant to which issuers of tax-exempt bonds, including the Bonds, and other filers on behalf of such issuers shall upload Continuing Disclosure Information to assist underwriters in complying with the Rule and to provide the general public with access to such Continuing Disclosure Information.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"National Repository" shall mean the MSRB, through the internet facilities of EMMA, or any other public or private repository or entity that shall hereafter be designated by the Commission as a repository for purposes of the Rule.

"Official Statement" shall mean the Official Statement of the Borough, dated October __, 2018, relating to the Bonds.

"Opinion of Counsel" shall mean a written opinion of counsel expert in federal securities law acceptable to the Borough.

"Rule" shall have the meaning set forth in Section 1 of this Disclosure Agreement.

SECTION 3. Provision of Annual Report.

(a) The Borough shall not later than two hundred seventy (270) days after the end of its fiscal year (currently December 31) for each fiscal year until termination of the Borough's reporting obligations under this Disclosure Agreement pursuant to the provisions of Section 6 hereof provide to the Dissemination Agent the Annual Report prepared for the preceding fiscal year of the Borough (commencing for the fiscal year ending December 31, 2018). Each Annual Report provided to the Dissemination Agent by the Borough shall comply with the requirements of Section 4 of this Disclosure Agreement but may be submitted as a single document or as separate documents comprising a package and may cross-reference other information submitted to the National Repository. Any and all items that must be included in the Annual Report may be incorporated by reference from other information that is available to the public on EMMA, or that has been filed with the Commission.

(b) The Dissemination Agent, promptly (within fifteen (15) Business Days) after receiving the Annual Report from the Borough, shall submit each Annual Report received by it to the National Repository and thereafter shall file a written report with the Borough certifying that the Annual Report has been provided pursuant to this Disclosure Agreement to the National Repository and stating the date it was provided to the National Repository.

(c) If the Borough fails to provide the Annual Report to the Dissemination Agent by the date required in subsection (a) of this Section 3, the Dissemination Agent shall send a notice to the Borough advising of such failure. Whether or not such notice is given or received, if the Borough thereafter fails to submit the Annual Report to the Dissemination Agent within fifteen (15) Business Days after the Annual Report was due pursuant to the provisions of subsection (a) of this Section 3, the Dissemination Agent shall promptly send a notice (with a copy of said notice to the Borough) to the National Repository in substantially the form attached as EXHIBIT "A" hereto.

SECTION 4. Contents of Annual Report. Annual Report shall mean: (i) the Borough's annual financial statements, substantially in the form set forth in Appendix B to the Official Statement, audited by an independent certified public accountant, provided that the annual audited financial statements of the Borough may be submitted separately from the balance of the Annual Report and later than the date required in Section 3(a) hereof for the filing of the Annual Report if the annual audited financial statements are not available by that date, but only if the unaudited financial statements of the Borough are included in the Annual Report; and (ii) certain financial information and operating data of the Borough consisting of Borough indebtedness, property valuation information, and tax rate, levy and collection data. Each annual audited financial statements will conform to generally accepted accounting principles applicable to governmental units or will be prepared in accordance with the standards of the Governmental Accounting Standards Board and requirements of the Division of Local Government Services in the New Jersey Department of Community Affairs as such principles, standards and requirements exist at the time of the filing of the particular annual audited financial statements.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following listed events ("Listed Events"):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to the rights of Bondholders, if material;
- (8) Bond calls (excluding mandatory sinking fund redemptions), if material, or tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Borough shall within ten (10) Business Days of the occurrence of any of the Listed Events, notify the Dissemination Agent in writing to report the event pursuant to subsection (c) of this Section 5. In determining the materiality of a Listed Event specified clauses (2), (7), (8), (10), (13) or (14) of subsection (a) of this Section 5, the Borough may, but shall not be required to, rely conclusively on an Opinion of Counsel.

(c) If the Dissemination Agent has been instructed by the Borough to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the National Repository within five (5) Business Days of the receipt of such instruction, with a copy of such notice provided by the Dissemination Agent to the Borough.

SECTION 6. Termination of Reporting Obligations. The reporting obligations of the Borough under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the Borough is no longer an Obligated Person (as defined in the Rule) with respect to the Bonds.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Borough may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an Opinion of Counsel to the effect that such amendment or waiver will not, in and of itself, cause the undertakings herein to violate the Rule. No amendment to this Disclosure Agreement shall change or modify the rights or obligations of the Dissemination Agent without its written assent thereto. The Borough shall give notice of such amendment or waiver to this Disclosure Agreement to the Dissemination Agent and the Dissemination Agent shall file such notice with the National Repository.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Borough from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Borough chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, it shall not have any obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default and Remedies. In the event of a failure of the Borough to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of the Bondholders of at least twenty-five percent (25%) in aggregate principal amount of the outstanding Bonds and provision of indemnity and security for expenses satisfactory to it, shall), or any beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Borough to comply with its obligations under this Disclosure Agreement. A failure of the Borough to comply with any provision of this Disclosure Agreement shall not be deemed to be a default under the Bonds. The sole remedy under this Disclosure Agreement in the event of any failure of the Borough to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 10. Notices. All notices and other communications required or permitted under this Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

- (i) If to the Borough:

Borough of Clayton
125 N. Delsea Drive
Clayton, New Jersey 08312
Attention: Chief Financial Officer

- (ii) If to the Dissemination Agent:

Phoenix Advisors, LLC
625 Farnsworth Avenue
Bordentown, New Jersey 08505
Attention: Sherry L. Tracey, Senior Managing Director

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provision of this Section 10 for the giving of notice.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Borough, the Dissemination Agent and the Bondholders and nothing herein contained shall confer any right upon any other person.

SECTION 12. Submission of Information to MSRB. Any Continuing Disclosure Information filed with the MSRB in accordance with this Disclosure Agreement shall be in electronic format as shall be prescribed by the MSRB or such other format as the Rule may require or permit, and shall be accompanied by such identifying information as shall be prescribed by the MSRB or as may otherwise be required by the Rule.

SECTION 13. Compensation. The Borough shall pay the Dissemination Agent from time to time reasonable compensation for all services rendered under this Disclosure Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under this Disclosure Agreement.

SECTION 14. Successors and Assigns. All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the Borough or by or on behalf of the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 15. Headings for Convenience Only. The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

SECTION 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 17. Severability. If any provision of this Disclosure Agreement, or the application of any such provision in any jurisdiction or to any person or circumstance, shall be held invalid or unenforceable, the remaining provisions of this Disclosure Agreement, or the application of such provision as is held invalid or unenforceable in jurisdictions or to persons or circumstances other than those in or as to which it is held invalid or unenforceable, shall not be affected thereby.

SECTION 18. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey.

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IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

BOROUGH OF CLAYTON, NEW JERSEY

By: _____
DONNA NESTORE, Chief Financial Officer

PHOENIX ADVISORS, LLC,
as Dissemination Agent

By: _____
SHERRY L. TRACEY, Senior Managing Director

EXHIBIT A

NOTICE TO NATIONAL REPOSITORY OF FAILURE TO FILE AN ANNUAL REPORT

Name of Issuer: Borough of Clayton, County of Gloucester, New Jersey

Name of Bond Issues Affected: General Obligation Bonds, Series 2018

Date of Issuance of the Affected
Bond Issue: October 31, 2018

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above named Bond issue as required by Section 3 of the Continuing Disclosure Agreement, dated October 31, 2018, between the Borough and the Dissemination Agent. [TO BE INCLUDED ONLY IF THE DISSEMINATION AGENT HAS BEEN ADVISED OF THE EXPECTED FILING DATE - The Issuer anticipates that such Annual Report will be filed by _____.]

Dated: _____

PHOENIX ADVISORS, LLC,
as Dissemination Agent

cc: Borough of Clayton, New Jersey

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