

Report of Audit

on the

Financial Statements

of the

Borough of Stockton

in the

County of Hunterdon
New Jersey

for the

Year Ended
December 31, 2012

BOROUGH OF STOCKTON

I N D E X

PART I

Independent Auditor's Report 1-3

EXHIBITS

Financial Statements - Statutory Basis

Current Fund:

Balance Sheets - Regulatory Basis	"A"
Statements of Operations and Change in Fund Balance - Regulatory Basis for the Year Ended December 31, 2012	"A-1"
Statement of Revenues - Regulatory Basis for the Year Ended December 31, 2012	"A-2"
Statement of Expenditures - Regulatory Basis for the Year Ended December 31, 2012	"A-3"

Trust Fund:

Balance Sheets - Regulatory Basis	"B"
-----------------------------------	-----

General Capital Fund:

Balance Sheets - Regulatory Basis	"C"
Statement of Fund Balance - Regulatory Basis	"C-1"

Water Utility Fund:

Balance Sheets - Regulatory Basis	"D"
Statements of Operations and Change in Fund Balance - Operating Fund - Regulatory Basis for the Year Ended December 31, 2012	"D-1"
Statement of Revenues - Operating Fund - Regulatory Basis for the Year Ended December 31, 2012	"D-2"
Statement of Expenditures - Operating Fund - Regulatory Basis for the Year Ended December 31, 2012	"D-3"

Sewer Utility Fund:

Balance Sheets - Regulatory Basis	"E"
Statements of Operations and Change in Fund Balance - Regulatory Basis for the Year Ended December 31, 2012	"E-1"
Statement of Fund Balance - Capital Fund - Regulatory Basis	"E-2"
Statement of Revenues - Operating Fund - Regulatory Basis for the Year Ended December 31, 2012	"E-3"
Statement of Expenditures - Operating Fund - Regulatory Basis for the Year Ended December 31, 2012	"E-4"

PAGES

Notes to Financial Statements	4-20
-------------------------------	------

BOROUGH OF STOCKTON

I N D E X (CONTINUED)

EXHIBITS

Supplementary Schedules - All Funds

Current Fund:

Schedule of Cash-Treasurer	"A-4"
Schedule of Cash-Collector	"A-5"
Schedule of Deferred Charges	"A-6"
Schedule of Taxes Receivable and Analysis of Property Tax Levy	"A-7"
Schedule of Due State of New Jersey Per Chapter 20, P.L. 1971	"A-8"
Schedule of Revenue Accounts Receivable	"A-9"
Schedule of Interfunds	"A-10"
Schedule of Reserve for Encumbrances - Grant Fund	"A-11"
Schedule of Reserve for Grants - Unappropriated - Grant Fund	"A-12"
Schedule of 2011 Appropriation Reserves	"A-13"
Schedule of County Taxes Payable	"A-14"
Schedule of Local District School Tax	"A-15"
Schedule of Regional High School Tax	"A-16"
Schedule of Prepaid Taxes	"A-17"
Schedule of Tax Overpayments	"A-18"
Schedule of Grants Receivable - Grant Fund	"A-19"
Schedule of Reserve for Grants Appropriated - Grant Fund	"A-20"
Schedule of Reserve for Miscellaneous Reserves	"A-21"
Schedule of Encumbrances Payable	"A-22"
Schedule of Due Current Fund - Grant Fund	"A-23"

Trust Fund:

Schedule of Cash-Treasurer	"B-1"
Schedule of Reserve for Animal Control Trust Fund Expenditures	"B-2"
Schedule of Due State of New Jersey - Animal Control Fund	"B-3"
Schedule of Various Reserves and Deposits	"B-4"
Schedule of Due Current Fund	"B-5"

General Capital Fund:

Schedule of Cash-Treasurer	"C-2"
Analysis of Cash	"C-3"
Schedule of Reserve for Miscellaneous Deposits	"C-4"
Schedule of Deferred Charges to Future Taxation-Unfunded	"C-5"
Schedule of Grants Receivable	"C-6"
Schedule of Improvement Authorizations	"C-7"
Schedule of Bond Anticipation Notes	"C-8"
Schedule of Capital Improvement Fund	"C-9"
Schedule of Interfunds	"C-10"
Schedule of Deferred Charges to Future Taxation Funded	"C-11"
Schedule of Green Trust Loans Payable	"C-12"
Schedule of New Jersey Environmental Infrastructure Trust Loans Payable	"C-13"
Schedule of New Jersey Environmental Infrastructure Trust Loans Receivable	"C-14"
Schedule of Contracts Payable	"C-15"
Schedule of Bonds and Notes Authorized But Not Issued	"C-16"

BOROUGH OF STOCKTON

I N D E X (CONTINUED)

EXHIBITS

Water Utility Fund:

Schedule of Cash-Treasurer for the Year Ended December 31, 2012	"D-4"
Schedule of Encumbrances Payable- Operating Fund	"D-5"
Schedule of Consumer Accounts Receivable- Operating Fund	"D-6"
Schedule of Overpayments-Operating Fund	"D-7"
Schedule of Fixed Capital Authorized and Uncompleted- Capital Fund	"D-8"
Schedule of 2011 Appropriation Reserves-Operating Fund	"D-9"
Schedule of Improvement Authorizations-Capital Fund	"D-10"
Schedule of Reserve for Deferred Amortization-Capital Fund	"D-11"
Schedule of Capital Improvement Fund-Capital Fund	"D-12"
Schedule of Reserve for Amortization-Capital Fund	"D-13"
Schedule of Fixed Capital-Capital Fund	"D-14"
Schedule of Interfunds-Operating Fund	"D-15"
Schedule of Interfunds-Capital Fund	"D-16"
Schedule of Bond Anticipation Notes-Capital Fund	"D-17"
Schedule of Bonds and Notes Authorized But Not Issued-Capital Fund	"D-18"

Sewer Utility Fund:

Schedule of Cash-Treasurer for the Year Ended December 31, 2012	"E-5"
Schedule of Accrued Interest-Operating Fund	"E-6"
Schedule of Consumer Accounts Receivable-Operating Fund	"E-7"
Schedule of Interfunds-Operating Fund	"E-8"
Schedule of Encumbrances Payable- Operating Fund	"E-9"
Schedule of 2011 Appropriation Reserves- Operating Fund	"E-10"
Schedule of New Jersey Environmental Infrastructure Loan Receivable-Capital Fund	"E-11"
Schedule of Capital Improvement Fund-Capital Fund	"E-12"
Schedule of Fixed Capital Authorized and Uncompleted-Capital Fund	"E-13"
Schedule of Interfunds-Capital Fund	"E-14"
Schedule of Improvement Authorization-Capital Fund	"E-15"
Schedule of Fixed Capital-Capital Fund	"E-16"
Schedule of Reserve for Amortization-Capital Fund	"E-17"
Schedule of Reserve for Deferred Amortization-Capital Fund	"E-18"
Schedule of Reserve for Capital Improvements-Capital Fund	"E-19"
Schedule of Bonds Payable-Capital Fund	"E-20"
Schedule of New Jersey Environmental Infrastructure Trust Loan Payable-Capital Fund	"E-21"
Schedule of Bonds and Notes Authorized But Not Issued-Capital Fund	"E-22"

BOROUGH OF STOCKTON

I N D E X (CONTINUED)

	<u>PAGES</u>
<u>PART II</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	21-22
Schedule of Expenditures of State Financial Assistance - Year Ended December 31, 2012	23
Notes to the Schedule of Expenditures of State Financial Assistance - Year Ended December 31, 2012	24-25
 <u>PART III</u>	
Statistical Data	26-31
Officials in Office and Surety Bonds	32
General Comments and Recommendations	33-36

BOROUGH OF STOCKTON

PART I

INDEPENDENT AUDITOR'S REPORT ON
AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES AND DATA

FINANCIAL STATEMENTS - REGULATORY BASIS - ALL FUNDS

NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS

SUPPLEMENTARY SCHEDULES - ALL FUNDS

YEAR ENDED DECEMBER 31, 2012 AND 2011



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of Stockton
County of Hunterdon
Stockton, New Jersey 08559

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various individual funds of the Borough of Stockton, as of December 31, 2012 and 2011, 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 individual funds for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Borough's regulatory 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 regulatory 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 regulatory 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.

SUPLEE, CLOONEY & COMPANY

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the regulatory 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 regulatory 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 regulatory financial statements, except for the omission of Statement of General Fixed Assets, the regulatory financial statements are prepared by the Borough of Stockton 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 the various individual funds and account group of the Borough of Stockton as of December 31, 2012 and 2011, or the results of its operations and changes in fund balance for the years then ended of the revenues or expenditures for the year ended December 31, 2012.

Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of such adjustments, as described in the sixth paragraph, if any, that might have been determined to be necessary had we been able to audit the Statement of General Fixed Assets, the regulatory financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets of the various individual funds as of December 31, 2012 and 2011, the regulatory basis statement of operations and changes in fund balance for the years then ended and the regulatory basis statement of revenues and expenditures and changes in fund balance for the year ended December 31, 2012 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.

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Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Stockton's regulatory financial statements. The supplementary information and data and schedule of state financial assistance listed in the table of contents as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey are presented for purposes of additional analysis and are not a required part of the regulatory financial statements.

The supplemental information and schedules listed above and also listed in the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the regulatory financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory financial statements or to the regulatory 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 and data listed in the table of contents, schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the regulatory financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2013 on our consideration of the Borough of Stockton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Stockton's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS


REGISTERED MUNICIPAL ACCOUNTANT NO. 50

August 16, 2013

CURRENT FUND

BOROUGH OF STOCKTON

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

<u>ASSETS</u>	<u>REF.</u>	BALANCE DECEMBER <u>31, 2012</u>	BALANCE DECEMBER <u>31, 2011</u>
Cash-Treasurer	A-4	\$ 413,287.48	\$ 382,177.42
Petty Cash		225.00	225.00
Due State of New Jersey-Chapter 20, PL 1971	A-8	2,779.76	2,529.76
		<u>\$ 416,292.24</u>	<u>\$ 384,932.18</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	\$ 15,780.04	\$ 25,543.30
Revenue Accounts Receivable	A-9	231.56	
Interfunds Receivable	A-10	6,215.17	10,929.57
	A	<u>\$ 22,226.77</u>	<u>\$ 36,472.87</u>
Deferred Charges:			
Special Emergency Authorization	A-6	\$	\$ 30,000.00
Overexpenditure of Appropriations	A-6		615.93
Overexpenditure of Appropriation Reserves	A-6		2,365.82
		<u>\$</u>	<u>\$ 32,981.75</u>
		<u>\$ 438,519.01</u>	<u>\$ 454,386.80</u>
Grant Fund:			
Grants Receivable	A-19	\$	\$ 3,000.00
Due Current Fund	A-23	8,667.28	45,330.82
		<u>\$ 8,667.28</u>	<u>\$ 48,330.82</u>
		<u>\$ 447,186.29</u>	<u>\$ 502,717.62</u>

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

BOROUGH OF STOCKTON

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2012</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2011</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Liabilities:			
Appropriation Reserves	A-3:A-13	\$ 4,922.26	\$ 51,322.68
Encumbrances Payable	A-22	15,814.50	2,019.46
Prepaid Taxes	A-17	1,432.27	2,235.89
Tax Overpayments	A-18	18,510.58	20,168.15
Interfunds Payable	A-10	37,816.58	66,593.08
County Taxes-Payable	A-14	504.33	
Miscellaneous Reserves	A-21		2,929.20
		<u>\$ 79,000.52</u>	<u>\$ 145,268.46</u>
Reserve for Receivables and Other Assets	A	22,226.77	36,472.87
Fund Balance	A-1	337,291.72	272,645.47
		<u>\$ 438,519.01</u>	<u>\$ 454,386.80</u>
Grant Fund:			
Encumbrances Payable	A-11	\$	\$ 3,000.00
Reserve for Grants Appropriated	A-20	4,129.94	41,200.88
Reserve for Grants Unappropriated	A-12	4,537.34	4,129.94
		<u>\$ 8,667.28</u>	<u>\$ 48,330.82</u>
		<u>\$ 447,186.29</u>	<u>\$ 502,717.62</u>

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

BOROUGH OF STOCKTON

CURRENT FUND

STATEMENTS OF OPERATIONS
AND CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>REF.</u>	<u>YEAR 2012</u>	<u>YEAR 2011</u>
<u>REVENUE AND OTHER INCOME</u>			
Fund Balance Utilized	A-1:A-2	\$ 124,084.67	\$ 83,444.00
Miscellaneous Revenue Anticipated	A-2	121,442.09	138,544.21
Receipts From Delinquent Taxes	A-2	25,537.85	129,940.58
Receipts From Current Taxes	A-2	1,930,080.20	1,828,388.06
Non-Budget Revenue	A-2	11,936.59	13,361.33
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-13	44,324.19	38,476.14
Tax Overpayments Canceled	A-18	2,347.74	
County Tax Canceled			20.00
Local District School Tax Canceled			3.00
Regional High School Tax Canceled			5.19
Miscellaneous Reserves Canceled	A-21	2,929.20	
Grants Canceled	A-20	41,200.88	
Interfunds Returned		4,714.40	
<u>Total Income</u>		<u>\$ 2,308,597.81</u>	<u>\$ 2,232,182.51</u>
<u>EXPENDITURES</u>			
Budget Appropriations:			
Operations Within "CAPS":			
Operating	A-3	\$ 329,097.00	\$ 385,204.48
Deferred Charges and Statutory Expenditures	A-3	24,204.75	21,715.02
Operations Excluded From "CAPS":			
Operating	A-3	22,631.94	21,427.51
Capital Improvements	A-3	23,459.00	34,500.00
Municipal Debt Service	A-3	46,781.19	47,228.15
Deferred Charges	A-3	30,000.00	
County Taxes	A-14	327,090.57	322,523.76
County Share of Added Taxes	A-14	504.33	
Local District School Tax	A-15	664,284.00	648,821.00
Regional High School Tax	A-16	628,494.89	568,919.61
Refund of Prior Year Revenue	A-4	23,319.22	2.26
Interfunds Advanced			4,146.46
<u>Total Expenditures</u>		<u>\$ 2,119,866.89</u>	<u>\$ 2,054,488.25</u>
Excess in Revenue		\$ 188,730.92	\$ 177,694.26
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to the Budget of the Succeeding Year			30,615.93
Statutory Excess to Fund Balance		\$ 188,730.92	\$ 208,310.19
<u>Fund Balance</u>			
Balance, January 1	A	272,645.47	147,779.28
		\$ 461,376.39	\$ 356,089.47
Decreased by:			
Utilization as Anticipated Revenue	A-1:A-2	124,084.67	83,444.00
Fund Balance, December 31	A	<u>\$ 337,291.72</u>	<u>\$ 272,645.47</u>

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

BOROUGH OF STOCKTON

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

		<u>ANTICIPATED</u>		<u>EXCESS OR (DEFICIT)</u>
	<u>REF.</u>	<u>BUDGET</u>	<u>REALIZED</u>	
Fund Balance Anticipated	A-1	\$ <u>124,084.67</u>	\$ <u>124,084.67</u>	\$ _____
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	A-9	3,824.00	3,824.00	
Fines:				
Municipal Court	A-9	2,000.00	2,716.47	716.47
Interest and Costs on Taxes	A-9	13,500.00	6,646.53	(6,853.47)
Garden State Preservation Trust Fund	A-9	6,150.00	6,150.00	
Consolidated Municipal Property Tax Relief Act	A-9	2,414.00	2,414.00	
Energy Receipts Tax	A-9	43,157.00	43,157.00	
Cell Tower Rental	A-9	27,000.00	26,400.00	(600.00)
Hotel and Motel Tax	A-9	21,000.00	26,004.15	5,004.15
Recycling Tonnage Grant	A-19	129.94	129.94	
Clean Communities Program	A-19	4,000.00	4,000.00	
	A-1	<u>123,174.94</u>	<u>121,442.09</u>	<u>(1,732.85)</u>
Receipts From Delinquent Taxes	A-7	<u>25,000.00</u>	<u>25,537.85</u>	<u>537.85</u>
Amount to be Raised by Taxation for Support of Municipal Budget:				
Local Tax for Municipal Purposes	A-2:A-7	<u>330,657.72</u>	<u>434,706.41</u>	<u>104,048.69</u>
<u>Budget Totals</u>		\$ <u>602,917.33</u>	\$ <u>705,771.02</u>	\$ <u>102,853.69</u>
Non-Budget Revenue	A-1:A-2	<u>_____</u>	<u>11,936.59</u>	<u>11,936.59</u>
		\$ <u>602,917.33</u>	\$ <u>717,707.61</u>	\$ <u>114,790.28</u>
	<u>REF.</u>	<u>A-3</u>		

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

BOROUGH OF STOCKTON

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>REF.</u>		
Allocation of Current Tax Collections:			
Collections Realized on a Cash Basis	A-1:A-7	\$	1,930,080.20
Allocated to:			
School and County Taxes			<u>1,620,373.79</u>
Balance for Support of Municipal Budget Appropriations			309,706.41
Add: Appropriation-"Reserve for Uncollected Taxes"	A-3		<u>125,000.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	\$	<u><u>434,706.41</u></u>

Analysis of Non-Budget Revenues

Miscellaneous Revenue Not Anticipated:

Treasurer:			
Borough Clerk		\$	5,896.74
Interest on Investments			282.53
Cable TV Franchise Fee			5,269.79
Reimbursement of Costs			6,140.35
Excess Animal Control Fees			193.60
Miscellaneous			38.40
Administrative Fee - Senior Citizen and Veterans			<u>135.00</u>
	A-4		17,956.41
Tax Collector	A-5		<u>20.00</u>
			17,976.41
Refunds	A-4		<u>6,039.82</u>
	A-2	\$	<u><u>11,936.59</u></u>

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

BOROUGH OF STOCKTON

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	APPROPRIATIONS				CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>OPERATIONS WITHIN "CAPS"</u>					
<u>GENERAL GOVERNMENT</u>					
Governing Body:					
Salaries and Wages	\$ 8,035.00	\$ 8,359.00	\$ 8,358.27	\$ 0.73	\$
Other Expenses	900.00	1,088.00	1,088.00		
Municipal Clerk (Admin and Executive):					
Salaries and Wages	36,657.00	35,789.00	35,788.44	0.56	
Other Expenses	6,100.00	4,000.00	3,999.20	0.80	
Elections:					
Other Expenses	400.00				
Financial Administration:					
Salaries and Wages	16,646.00	16,647.00	16,646.40	0.60	
Other Expenses	6,500.00	4,758.00	4,757.94	0.06	
Computer Support	2,500.00				
Administration:					
Salaries and Wages	6,855.00	7,097.00	7,096.16	0.84	
Audit Services	10,000.00	10,000.00	10,000.00		
Tax Assessment Administration:					
Salaries and Wages	5,306.00	5,306.00	5,305.90	0.10	
Other Expenses	1,600.00	78.00	77.04	0.96	
Revenue Administration:					
Salaries and Wages	7,720.00	7,720.00	7,650.77	69.23	
Other Expenses	1,240.00	2,630.00	2,629.24	0.76	
Legal Services:					
Other Expenses	8,000.00	9,322.00	9,321.50	0.50	
Engineering Services:					
Other Expenses	9,000.00	12,782.00	12,781.40	0.60	
Municipal Land Use Law (NJSA 40:550-1)					
Planning Board:					
Salaries and Wages	4,390.00	4,390.00	4,384.80	5.20	
Other Expenses	750.00	977.00	976.50	0.50	
Legal Fees	2,000.00	2,000.00	1,085.00	915.00	
Planner Fees	200.00	1,346.00	1,346.00		
Engineering Fees	1,000.00				
Zoning Board:					
Salaries and Wages	875.00	1,174.00	1,173.46	0.54	
Insurance (NJSA 40A:4-45.3(00)):					
Liability Insurance	14,460.00	14,460.00	13,914.00	546.00	
Worker Compensation Insurance	14,137.00	14,420.00	14,420.00		
Flood Insurance	3,935.00	2,854.00	2,854.00		
Employee Bonds	1,100.00	1,100.00	999.00	101.00	
<u>PUBLIC SAFETY</u>					
Police:					
Salaries and Wages	4,661.00	4,661.00	4,569.00	92.00	
Other Expenses	75.00	75.00		75.00	
Aid to Volunteer Fire Company	17,000.00	17,000.00	17,000.00		
Municipal Prosecutor:					
Salaries and Wages	1,143.00	1,143.00	857.50	285.50	

BOROUGH OF STOCKTON

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	APPROPRIATIONS				CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>PUBLIC WORKS</u>					
Street and Road Maintenance:					
Other Expenses	\$ 11,000.00	\$ 14,306.00	\$ 14,305.88	\$ 0.12	\$
Snow Removal:					
Other Expenses	14,700.00	7,025.00	7,025.00		
Solid Waste Collection:					
Other Expenses	67,000.00	60,073.00	60,072.02	0.98	
Building and Grounds:					
Other Expenses	8,250.00	11,162.00	11,161.77	0.23	
Recycling:					
Other Expenses	12,500.00	12,500.00	11,900.18	599.82	
Environmental Commission:					
Salaries and Wages	311.00	311.00		311.00	
Other Expenses	360.00	360.00	280.00	80.00	
<u>HEALTH AND HUMAN SERVICES</u>					
Board of Health:					
Other Expenses	1,700.00	1,700.00	1,200.00	500.00	
Animal Control Services:					
Salaries and Wages	586.00	782.00	781.32	0.68	
Other Expenses	300.00	300.00		300.00	
<u>PARKS AND RECREATION</u>					
Recreation:					
Other Expenses	2,500.00	37.00	37.00		
<u>MUNICIPAL COURT</u>					
Municipal Court:					
Salaries and Wages	6,430.00	6,430.00	6,430.00		
Other Expenses	4,388.00	3,330.00	3,329.60	0.40	
Public Defender (P.L. 1997, c.256):					
Other Expenses	200.00	200.00		200.00	
<u>STATE UNIFORM CONSTRUCTION CODE</u> <u>(N.J.S.A.52:270-120 ET. SEQ.)</u>					
Building Inspector:					
Salaries and Wages	1,846.00	1,847.00	1,846.20	0.80	
Other Expenses	200.00	200.00		200.00	
<u>UNCLASSIFIED</u>					
Electricity	2,210.00	610.00	608.61	1.39	
Street Lighting	14,000.00	12,500.00	12,493.43	6.57	
Telephone	3,100.00	3,282.00	3,281.59	0.41	
Natural Gas	3,500.00	966.00	923.88	42.12	
<u>TOTAL OPERATIONS WITHIN "CAPS"</u>	<u>\$ 348,266.00</u>	<u>\$ 329,097.00</u>	<u>\$ 324,756.00</u>	<u>\$ 4,341.00</u>	<u>\$</u>

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

BOROUGH OF STOCKTON

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	APPROPRIATIONS				CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES-</u> <u>MUNICIPAL WITHIN "CAPS"</u>					
Overexpenditure of Appropriations	\$ 615.93	\$ 615.93	\$ 615.93	\$	\$
Overexpenditure of Appropriations Reserves	2,365.82	2,365.82	2,365.82		
Statutory Expenditures:					
Contribution to:					
Public Employee's Retirement System	12,859.00	12,859.00	12,859.00		
Social Security System	7,756.00	7,864.00	7,863.93	0.07	
Unemployment Insurance	500.00	500.00	119.82	380.18	
<u>TOTAL DEFERRED CHARGES AND STATUTORY</u> <u>EXPENDITURES-MUNICIPAL WITHIN "CAPS"</u>	<u>\$ 24,096.75</u>	<u>\$ 24,204.75</u>	<u>\$ 23,824.50</u>	<u>\$ 380.25</u>	<u>\$</u>
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL</u> <u>PURPOSES WITHIN "CAPS"</u>	<u>\$ 372,362.75</u>	<u>\$ 353,301.75</u>	<u>\$ 348,580.50</u>	<u>\$ 4,721.25</u>	<u>\$</u>
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>					
Length of Service Award Program	\$ 12,600.00	\$ 18,302.00	\$ 18,301.35	\$ 0.65	\$
Council on Affordable Housing	200.00	200.00		200.00	
<u>TOTAL OTHER OPERATIONS - EXCLUDED FROM "CAPS"</u>	<u>\$ 12,800.00</u>	<u>\$ 18,502.00</u>	<u>\$ 18,301.35</u>	<u>\$ 200.65</u>	<u>\$</u>
<u>STATE AND FEDERAL PROGRAMS OFF-SET BY REVENUES</u>					
Clean Communities Program	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$	\$
Recycling Tonnage Grant	129.94	129.94	129.94		
<u>TOTAL PUBLIC AND PRIVATE PROGRAMS</u>	<u>\$ 4,129.94</u>	<u>\$ 4,129.94</u>	<u>\$ 4,129.94</u>	<u>\$</u>	<u>\$</u>
<u>TOTAL OPERATIONS - EXCLUDED FROM "CAPS"</u>	<u>\$ 16,929.94</u>	<u>\$ 22,631.94</u>	<u>\$ 22,431.29</u>	<u>\$ 200.65</u>	<u>\$</u>
<u>CAPITAL IMPROVEMENTS-EXCLUDED FROM "CAPS"</u>					
Capital Improvement Fund	\$ 100.00	\$ 100.00	\$ 100.00	\$	\$
Capital Improvement Fund - Lambertville Sewerage Authority	10,000.00	23,359.00	23,358.64	0.36	
<u>TOTAL CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"</u>	<u>\$ 10,100.00</u>	<u>\$ 23,459.00</u>	<u>\$ 23,458.64</u>	<u>\$ 0.36</u>	<u>\$</u>
<u>MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"</u>					
Interest on Notes	\$ 1,036.00	\$ 1,036.00	\$ 1,033.12	\$	\$ 2.88
Loan Repayments for Principal & Interest-Green Trust	12,436.64	12,436.64	12,436.64		
Loan Repayments for Principal & Interest-NJ Environmental	35,052.00	35,052.00	33,311.43		1,740.57
<u>TOTAL MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"</u>	<u>\$ 48,524.64</u>	<u>\$ 48,524.64</u>	<u>\$ 46,781.19</u>	<u>\$</u>	<u>\$ 1,743.45</u>

BOROUGH OF STOCKTON

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	APPROPRIATIONS				
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	CANCELLED
<u>DEFERRED CHARGES-MUNICIPAL EXCLUDED FROM "CAPS"</u>					
Emergency Authorization: Hurricane Irene	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$	\$
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	\$ 105,554.58	\$ 124,615.58	\$ 122,671.12	\$ 201.01	\$ 1,743.45
SUB-TOTAL GENERAL APPROPRIATIONS	\$ 477,917.33	\$ 477,917.33	\$ 471,251.62	\$ 4,922.26	\$ 1,743.45
RESERVE FOR UNCOLLECTED TAXES	125,000.00	125,000.00	125,000.00		
<u>TOTAL GENERAL APPROPRIATIONS</u>	<u>\$ 602,917.33</u>	<u>\$ 602,917.33</u>	<u>\$ 596,251.62</u>	<u>\$ 4,922.26</u>	<u>\$ 1,743.45</u>
REF.	A-2		A-1	A:A-1	
Encumbrances Payable	A-22		\$ 15,814.50		
Reserve for Uncollected Taxes	A-2		125,000.00		
Special Emergency 40A.4-53	A-6		30,000.00		
Deferred Charges	A-6		2,981.75		
Reserve for Grants Appropriated	A-20		4,129.94		
Cash Disbursements	A-4		<u>418,325.43</u>		
			\$ <u>596,251.62</u>		

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

TRUST FUND

BOROUGH OF STOCKTON
TRUST FUND
BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	BALANCE DECEMBER <u>31, 2012</u>	BALANCE DECEMBER <u>31, 2011</u>
<u>ASSETS</u>			
Animal Control Trust Fund:		\$ <u>1,827.68</u>	\$ <u>1,722.95</u>
Other Funds:			
Cash	B-1	<u>27,351.79</u>	<u>27,931.08</u>
		\$ <u><u>29,179.47</u></u>	\$ <u><u>29,654.03</u></u>
<u>LIABILITIES, RESERVES AND FUND BALANCES</u>			
Animal Control Trust Fund:			
Due Current Fund	B-5	\$ 193.28	\$ 409.95
Due State of New Jersey	B-3	44.60	44.60
Reserve for Animal Control Fund Expenditures	B-2	<u>1,589.80</u>	<u>1,268.40</u>
		<u>1,827.68</u>	<u>1,722.95</u>
Other Funds:			
Due Current Fund	B-5	4,235.19	3,739.84
Reserve For:			
Various Reserves and Deposits	B-4	<u>23,116.60</u>	<u>24,191.24</u>
		<u>27,351.79</u>	<u>27,931.08</u>
		\$ <u><u>29,179.47</u></u>	\$ <u><u>29,654.03</u></u>

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

GENERAL CAPITAL FUND

BOROUGH OF STOCKTON

GENERAL CAPITAL FUND

BALANCE SHEETS - STATUTORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2012</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2011</u>
<u>ASSETS</u>			
Cash	C-2	\$ 625,398.94	\$ 19,238.68
Deferred Charges to Future Taxation - Funded	C-11	599,455.60	632,549.18
Deferred Charges to Future Taxation - Unfunded	C-5	745,000.00	320,000.00
Interfunds Receivable	C-10	29,149.30	21,262.26
N.J. Environmental Trust Loans Receivable	C-14	104,798.06	159,614.50
Grants Receivable	C-6	13,536.67	280,690.77
		<u>\$ 2,117,338.57</u>	<u>\$ 1,433,355.39</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes	C-8	\$ 320,000.00	\$ 40,000.00
Contracts Payable	C-15	11,569.00	11,958.40
Interfunds Payable	C-10	152,170.04	
Green Acres Loan Payable	C-12	136,946.99	146,501.14
N.J. Environmental Trust Loans Payable	C-13	462,508.61	486,048.04
Improvement Authorizations:			
Funded	C-7		228,080.38
Unfunded	C-7	559,407.09	280,449.41
Capital Improvement Fund	C-9	140,007.95	136,073.00
Reserve for:			
Miscellaneous Reserves	C-4	202,461.88	103,783.52
Fund Balance	C-1	132,267.01	461.50
		<u>\$ 2,117,338.57</u>	<u>\$ 1,433,355.39</u>

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

BOROUGH OF STOCKTON

GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>		
Balance, December 31, 2011	C	\$	461.50
Increased by:			
Improvement Authorizations Canceled	C-7	\$	112,986.94
Cancellation of Various Reserves	C-4		<u>18,818.57</u>
			<u>131,805.51</u>
Balance, December 31, 2012	C	\$	<u><u>132,267.01</u></u>

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

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WATER UTILITY FUND

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BOROUGH OF STOCKTON

WATER UTILITY FUND

BALANCE SHEETS - REGULATORY BASIS

<u>ASSETS</u>	<u>REF.</u>	BALANCE DECEMBER 31, 2012	BALANCE DECEMBER 31, 2011
Operating Fund:			
Cash - Treasurer	D-4	\$ 52,442.77	\$ 153,317.19
Interfunds Receivable	D-15	88,718.57	4,449.49
		<u>\$ 141,161.34</u>	<u>\$ 157,766.68</u>
Receivables and Inventories with Full Reserves:			
Consumer Accounts Receivable	D-6	\$ 3,627.02	\$ 5,271.39
	D	<u>\$ 3,627.02</u>	<u>\$ 5,271.39</u>
<u>Total Operating Fund</u>		<u>\$ 144,788.36</u>	<u>\$ 163,038.07</u>
Capital Fund:			
Fixed Capital	D-14	\$ 402,376.93	\$ 321,915.00
Fixed Capital Authorized and Uncompleted	D-8	230,000.00	138,200.00
Interfunds Receivable	D-16	<u>152,170.04</u>	<u>47,225.37</u>
<u>Total Capital Fund</u>		<u>\$ 784,546.97</u>	<u>\$ 507,340.37</u>
		<u>\$ 929,335.33</u>	<u>\$ 670,378.44</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Liabilities:			
Appropriation Reserves	D-3:D-9	\$ 24,726.70	\$ 20,751.58
Encumbrances Payable	D-5	765.43	256.56
Overpayments	D-7	-	353.84
Interfunds Payable	D-15	<u>2,116.14</u>	<u>48,152.64</u>
		<u>\$ 27,608.27</u>	<u>\$ 69,514.62</u>
Reserve for Receivables and Inventory	D	3,627.02	5,271.39
Fund Balance	D-1	<u>113,553.07</u>	<u>88,252.06</u>
<u>Total Operating Fund</u>		<u>\$ 144,788.36</u>	<u>\$ 163,038.07</u>
Capital Fund:			
Improvement Authorizations:			
Funded	D-10	\$ 23,997.30	\$ 26,735.37
Unfunded	D-10	28,971.10	17,745.00
Capital Improvement Fund	D-12	15,483.07	12,745.00
Bond Anticipation Notes	D-17	175,000.00	-
Interfunds Payable	D-16	88,718.57	-
Reserve for:			
Amortization	D-13	402,376.93	321,915.00
Deferred Amortization	D-11	35,000.00	118,200.00
Capital Outlay	D-4	<u>15,000.00</u>	<u>10,000.00</u>
<u>Total Capital Fund</u>		<u>\$ 784,546.97</u>	<u>\$ 507,340.37</u>
		<u>\$ 929,335.33</u>	<u>\$ 670,378.44</u>

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

BOROUGH OF STOCKTON

WATER UTILITY OPERATING FUND

STATEMENTS OF OPERATIONS
AND CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>REF.</u>	<u>YEAR ENDED DECEMBER 31, 2012</u>	<u>YEAR ENDED DECEMBER 31, 2011</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Rents	D-2	\$ 83,281.41	\$ 109,791.39
Other Credits to Income:			
Miscellaneous Revenue Not Anticipated	D-2	800.87	1,357.19
Overpayments Canceled	D-7	353.84	
Unexpended Balance of Appropriation Reserves	D-9	<u>19,864.89</u>	<u>21,589.70</u>
<u>TOTAL INCOME</u>		<u>\$ 104,301.01</u>	<u>\$ 132,738.28</u>
<u>EXPENDITURES</u>			
Operating	D-3	\$ 72,300.00	\$ 72,300.00
Statutory Expenditures and Deferred Charges	D-3	1,700.00	1,700.00
Capital Improvements	D-3	<u>5,000.00</u>	<u>5,000.00</u>
<u>TOTAL EXPENDITURES</u>		<u>\$ 79,000.00</u>	<u>\$ 79,000.00</u>
Excess in Revenue		\$ 25,301.01	\$ 53,738.28
<u>Fund Balance</u>			
Balance, January 1	D	<u>88,252.06</u>	<u>34,513.78</u>
Balance, December 31	D	<u>\$ 113,553.07</u>	<u>\$ 88,252.06</u>

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

BOROUGH OF STOCKTON

WATER UTILITY OPERATING FUND

STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>REF.</u>	<u>ANTICIPATED</u>	<u>REALIZED</u>	<u>EXCESS OR (DEFICIT)</u>
Water Use Charges	D-1:D-6	\$ 79,000.00	\$ 83,281.41	\$ 4,281.41
Miscellaneous Revenue Not Anticipated	D-1:D-2		<u>800.87</u>	<u>800.87</u>
	D-3	<u>\$ 79,000.00</u>	<u>\$ 84,082.28</u>	<u>\$ 5,082.28</u>

ANALYSIS OF REALIZED REVENUE

Water Use Charges:

Consumer Accounts Receivable:

Collected

D-6 \$ 83,281.41

D-3 \$ 83,281.41

Miscellaneous-Collector

\$ 188.61

Interest on Delinquent Accounts

612.26

D-2:D-4 \$ 800.87

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

BOROUGH OF STOCKTON

WATER UTILITY OPERATING FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	APPROPRIATIONS		EXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED
Operating:				
Salaries and Wages	\$ 23,460.00	\$ 23,460.00	\$ 15,560.04	\$ 7,899.96
Other Expenses	<u>48,840.00</u>	<u>48,840.00</u>	<u>32,522.76</u>	<u>16,317.24</u>
<u>Total Operating</u>	<u>\$ 72,300.00</u>	<u>\$ 72,300.00</u>	<u>\$ 48,082.80</u>	<u>\$ 24,217.20</u>
Capital Improvements:				
Capital Outlay	\$ 5,000.00	\$ 5,000.00	5,000.00	\$
<u>Total Capital Improvements</u>	<u>\$ 5,000.00</u>	<u>\$ 5,000.00</u>	<u>\$ 5,000.00</u>	<u>\$</u>
Statutory Expenditures:				
Contributions to:				
Social Security System (O.A.S.I.)	\$ 1,700.00	\$ 1,700.00	\$ 1,190.50	\$ 509.50
<u>Total Statutory Expenditures</u>	<u>\$ 1,700.00</u>	<u>\$ 1,700.00</u>	<u>\$ 1,190.50</u>	<u>\$ 509.50</u>
	<u>\$ 79,000.00</u>	<u>\$ 79,000.00</u>	<u>\$ 54,273.30</u>	<u>\$ 24,726.70</u>
	REF.	D-2	D-1	D:D-1
Cash Disbursements	D-4		\$ 53,507.87	
Encumbrances Payable	D-5		<u>765.43</u>	
			<u>\$ 54,273.30</u>	

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

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SEWER UTILITY FUND

BOROUGH OF STOCKTON

SEWER UTILITY FUND

BALANCE SHEETS - REGULATORY BASIS

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2012</u>	<u>BALANCE DECEMBER 31, 2011</u>
Operating Fund:			
Cash - Treasurer	E-5	\$ 281,142.17	\$ 198,766.42
Interfund Receivable	E-8	<u>2,116.14</u>	<u>2,622.67</u>
		<u>\$ 283,258.31</u>	<u>\$ 201,389.09</u>
Receivables and Inventories with Full Reserves:			
Consumer Accounts Receivable	E:E-7	<u>\$ 13,489.99</u>	<u>\$ 28,314.04</u>
<u>Total Operating Fund</u>		<u>\$ 296,748.30</u>	<u>\$ 229,703.13</u>
Capital Fund:			
Fixed Capital	E-16	\$ 2,879,656.48	\$ 1,950,022.00
Fixed Capital Authorized and Uncompleted	E-13	20,000.00	1,060,000.00
N.J. Environmental Infrastructure Loan Receivable	E-11	34,061.39	174,876.00
Interfunds Receivable	E-14	<u>47,103.94</u>	<u></u>
<u>Total Capital Fund</u>		<u>\$ 2,980,821.81</u>	<u>\$ 3,184,898.00</u>
		<u>\$ 3,277,570.11</u>	<u>\$ 3,414,601.13</u>

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

BOROUGH OF STOCKTON
SEWER UTILITY FUND
BALANCE SHEETS - REGULATORY BASIS

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2012</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2011</u>
Operating Fund:			
Liabilities:			
Budget Appropriations	E-4;E-10	\$ 67,428.83	\$ 9,121.07
Encumbrances Payable	E-9		26,204.60
Interfunds Payable	E-8	48,890.64	10,302.00
Accrued Interest	E-6	9,158.96	7,106.67
		<u>\$ 125,478.43</u>	<u>\$ 52,734.34</u>
Reserve for Receivables	E	13,489.99	28,314.04
Fund Balance	E-1	<u>157,779.88</u>	<u>148,654.75</u>
<u>Total Operating Fund</u>		<u>\$ 296,748.30</u>	<u>\$ 229,703.13</u>
Capital Fund:			
Improvement Authorizations:			
Funded	E-15	\$	\$ 105,989.52
Unfunded	E-15	20,000.00	24,376.00
Serial Bonds Payable:	E-20	202,877.19	226,583.04
N.J. Environmental Infrastructure Loan Payable	E-21	356,644.07	513,918.76
Interfunds Payable	E-14		2,622.67
Reserve for:			
Amortization	E-17	2,318,014.74	1,723,438.96
Deferred Amortization	E-18		521,705.24
Capital Improvements	E-19	3,000.00	3,000.00
Capital Improvement Fund	E-12	79,044.00	62,022.00
Fund Balance	E-2	<u>1,241.81</u>	<u>1,241.81</u>
<u>Total Capital Fund</u>		<u>\$ 2,980,821.81</u>	<u>\$ 3,184,898.00</u>
		<u>\$ 3,277,570.11</u>	<u>\$ 3,414,601.13</u>

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

BOROUGH OF STOCKTONSEWER UTILITY FUND

STATEMENTS OF OPERATIONS
AND CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>REF.</u>	<u>YEAR 2012</u>	<u>YEAR 2011</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Sewer Service Charges	E-3	\$ 297,249.27	\$ 300,198.36
Miscellaneous	E-3	5,450.54	20,631.21
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	E-10	<u>9,052.47</u>	<u>539.40</u>
<u>TOTAL INCOME</u>		<u>\$ 311,752.28</u>	<u>\$ 321,368.97</u>
<u>EXPENDITURES</u>			
Operating	E-4	\$ 149,782.00	\$ 150,504.00
Statutory Expenditures and Deferred Charges	E-4	1,950.00	1,950.00
Capital Improvement	E-4	27,022.00	27,022.00
Debt Service	E-4	91,168.54	98,215.65
Refund of Prior Year Revenues	E-5	<u>32,704.61</u>	<u>7,891.09</u>
<u>TOTAL EXPENDITURES</u>		<u>\$ 302,627.15</u>	<u>\$ 285,582.74</u>
Excess in Revenue		\$ 9,125.13	\$ 35,786.23
<u>Fund Balance</u>			
Balance, January 1	E-1	<u>148,654.75</u>	<u>112,868.52</u>
Balance, December 31	E	<u>\$ 157,779.88</u>	<u>\$ 148,654.75</u>

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

BOROUGH OF STOCKTON

SEWER UTILITY CAPITAL FUND

STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>	
Balance, December 31, 2011	E	\$ <u>1,241.81</u>
Balance, December 31, 2012	E	\$ <u>1,241.81</u>

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

BOROUGH OF STOCKTON

SEWER UTILITY OPERATING FUND

STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>REF.</u>	<u>ANTICIPATED</u>	<u>REALIZED</u>	<u>EXCESS OR (DEFICIT)</u>
Sewer Charges	E-1:E-3	\$ 260,915.00	\$ 297,249.27	\$ 36,334.27
Miscellaneous	E-1:E-3	<u>9,100.00</u>	<u>5,450.54</u>	<u>(3,649.46)</u>
	E-4	<u>\$ 270,015.00</u>	<u>\$ 302,699.81</u>	<u>\$ 32,684.81</u>

ANALYSIS OF REALIZED REVENUE

Sewer Charges:		
Collections	E-7	\$ <u>297,249.27</u>
	E-3	\$ <u>297,249.27</u>
Miscellaneous:		
Interest on Delinquent Accounts		\$ 4,494.59
Miscellaneous		923.13
Interest on Investments		<u>32.82</u>
	E-3:E-5	\$ <u>5,450.54</u>

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

BOROUGH OF STOCKTON

SEWER UTILITY OPERATING FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	APPROPRIATIONS		EXPENDED		CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
Operating:					
Salaries and Wages	\$ 25,111.00	\$ 25,111.00	\$ 17,225.68	\$ 7,885.32	\$
Other Expenses	125,393.00	124,671.00	75,769.04	48,901.96	
<u>Total Operating</u>	<u>\$ 150,504.00</u>	<u>\$ 149,782.00</u>	<u>\$ 92,994.72</u>	<u>\$ 56,787.28</u>	<u>\$</u>
Capital Improvements:					
Capital Improvement Fund	\$ 17,022.00	\$ 17,022.00	\$ 17,022.00	\$	\$
Capital Outlay	10,000.00	10,000.00		10,000.00	
<u>Total Capital Improvements</u>	<u>\$ 27,022.00</u>	<u>\$ 27,022.00</u>	<u>\$ 17,022.00</u>	<u>\$ 10,000.00</u>	<u>\$</u>
Debt Service:					
Payment of Bond Principal	\$ 23,076.00	\$ 23,798.00	\$ 23,797.69	\$	\$ 0.31
Interest on Bonds	11,237.00	11,237.00	11,237.00		
New Jersey Environmental Infrastructure Loan:					
Payment of Bond Principal	49,165.00	49,165.00	49,072.85		92.15
Interest on Bonds	7,061.00	7,061.00	7,061.00		
<u>Total Debt Service</u>	<u>\$ 90,539.00</u>	<u>\$ 91,261.00</u>	<u>\$ 91,168.54</u>	<u>\$</u>	<u>\$ 92.46</u>
Deferred Charges and Statutory Expenditures:					
Social Security System (O.A.S.I.)	\$ 1,950.00	\$ 1,950.00	\$ 1,308.45	\$ 641.55	\$
<u>Total Statutory Expenditures</u>	<u>\$ 1,950.00</u>	<u>\$ 1,950.00</u>	<u>\$ 1,308.45</u>	<u>\$ 641.55</u>	<u>\$</u>
	<u>\$ 270,015.00</u>	<u>\$ 270,015.00</u>	<u>\$ 202,493.71</u>	<u>\$ 67,428.83</u>	<u>\$ 92.46</u>
	REF.	E-3	E-1	E:E-1	
Cash Disbursements	E-5		\$ 184,195.71		
Accrued Interest	E-6		18,298.00		
			<u>\$ 202,493.71</u>		

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

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NOTES TO FINANCIAL STATEMENTS

BOROUGH OF STOCKTON

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Stockton is an instrumentality of the State of New Jersey, established to function as a municipality. The Borough Council consists of elected officials and is responsible for the fiscal control of the Borough.

Except as noted below, the financial statements of the Borough of Stockton include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Stockton, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Stockton do not include the operations of the local and regional school districts, inasmuch as their activities are administered by separate boards.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes the presentation of basic financial statements into three fund types, the governmental, proprietary and fiduciary funds, as well as government-wide financial reporting that must be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The accounting policies of the Borough of Stockton 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 financial transactions and accounts of the Borough of Stockton are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific government activity. As required by the Division of Local Government Services, the Borough accounts for its financial transactions through the following individual funds and account group:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

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

Water Utility Operating and Capital Funds - account for the operations and acquisition of capital facilities of the municipally owned Water Utility

Sewer Utility Operating and Capital Funds - account for the operations and acquisition of capital facilities of the municipally owned Sewer Utility

General Fixed Assets Account Group - utilized to account for property, land, buildings and equipment that have been acquired by other governmental funds

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local government units. The more significant accounting policies and differences in the State of New Jersey are as follows:

A modified accrual basis of accounting is followed with minor exceptions.

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. All grants are realized as revenues when anticipated in the Borough's 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 revenues when received. GAAP requires revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Expenditures - are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31st are reported as a cash liability in the financial statements and constitute part of the Borough's statutory Appropriation Reserve balance.

Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st 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 indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

Encumbrances - Contractual orders at December 31 are reported as expenditures through the establishment of encumbrances payable. Under GAAP, encumbrances outstanding at year end are reported as reservations of fund balance because they do not constitute expenditures or liabilities.

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at its market value.

Sale of Municipal Assets - The proceeds from the sale of municipal assets can be held in a reserve until anticipated as revenue in a future budget. GAAP requires such proceeds to be recorded as revenue in the year of sale.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets - N.J.A.C. 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, requires the inclusion of a statement of general fixed assets of the Borough as part of its basic financial statements. General fixed assets are defined as nonexpendable personal and real property having a physical existence, a useful life of more than one year and an acquisition cost of \$300.00 or more per unit. 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.

General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounted for in the General Fixed Asset Account Group rather than in a governmental fund. No depreciation has been provided on General Fixed Assets or reported in the financial statements.

The Borough has developed a fixed assets accounting and reporting system based on an inspection and valuation prepared by an independent appraisal firm. Adjustments for assets acquired/sold subsequent to this date have been recorded. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Buildings and land are stated at the assessed value contained in the Borough's most recent property revaluation.

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

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

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Fixed Capital - Water Utility and Sewer Utility - Accounting for utility fund "fixed capital" remains unchanged under the requirements of N.J.A.C. 5:30-5.6.

Property and equipment purchased by the Water Utility Fund and the Sewer Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. The fixed capital reported is as taken from the municipal records and does not necessarily reflect the true condition of such fixed capital. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represents charges to operations for the cost of acquisition of property, equipment and improvements. The utility does not record depreciation on fixed assets.

D. Basic Financial Statements

The GASB codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be held in accordance with GAAP. The Borough presents the financial statements listed in the table of contents of the "Requirements of Audit and Accounting Revision of 1987" as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which differ from the financial statements required by GAAP.

NOTE 2: CASH AND CASH EQUIVALENTS

The Borough considers petty cash, change funds, cash in banks and certificates of deposit as cash and cash equivalents.

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

The Borough of Stockton has the following cash and cash equivalents at December 31, 2012:

Fund Type	Bank Balance	Change Funds	Total	Reconciling Items:		Reconciled Balance
				Additions	Deletions	
Current Fund	\$ 402,659.02	\$225.00	\$ 402,884.02	\$ 10,703.46	\$ 75.00	\$ 413,512.48
Animal Control Fund	1,827.68		1,827.68			1,827.68
Other Trust Fund	32,618.09		32,618.09	185.66	5,451.96	27,351.79
General Capital Fund	625,521.94		625,521.94	462.00	585.00	625,398.94
Water Utility Operating Fund	52,442.77		52,442.77			52,442.77
Sewer Utility Operating Fund	280,877.47		280,877.47	264.70		281,142.17
TOTAL DECEMBER 31, 2012	\$1,395,946.97	\$225.00	\$ 1,396,171.97	\$ 11,615.82	\$6,111.96	\$1,401,675.83

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Borough does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2012, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, \$250,000.00 was covered by Federal Depository Insurance and \$1,145,946.97 was covered under the provisions of NJGUDPA.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments

The purchase of investments by the Borough is strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by Local Units;
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (c.52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (c. 17:19-41); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

The Borough of Stockton had no investments outstanding as of December 31, 2012.

Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the Borough is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risk for its investments nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: MUNICIPAL DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds, based by the full faith and credit of the Borough. Bond Anticipation Notes, which are issued to temporarily finance capital projects, shall mature and be paid off within ten years if financed by the issuance of bonds.

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SUMMARY OF MUNICIPAL DEBT

	<u>YEAR 2012</u>	<u>YEAR 2011</u>	<u>YEAR 2010</u>
Issued:			
General Capital			
Bonds, Notes and Loans	\$ 919,455.60	\$ 672,549.18	\$ 705,769.19
Water Utility:			
Bonds and Notes	175,000.00		
Sewer Utility:			
Bonds and Notes	<u>559,521.26</u>	<u>740,501.80</u>	<u>812,999.81</u>
<u>Net Debt Issued</u>	<u>\$ 1,653,976.86</u>	<u>\$ 1,413,050.98</u>	<u>\$ 1,518,769.00</u>
Authorized But Not Issued:			
General Capital - Bonds and Notes	\$ 425,000.00	\$ 280,000.00	\$
Water Capital - Bonds and Notes	20,000.00	20,000.00	20,000.00
Sewer Utility - Bonds and Notes	<u>22,120.48</u>	<u>24,376.00</u>	<u>24,376.00</u>
<u>Total Authorized But Not Issued</u>	<u>\$ 467,120.48</u>	<u>\$ 324,376.00</u>	<u>\$ 44,376.00</u>
 NET BONDS AND NOTES ISSUED AND AUTHORIZED BUT NOT ISSUED	 <u>\$ 2,121,097.34</u>	 <u>\$ 1,737,426.98</u>	 <u>\$ 1,563,145.00</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 1.299%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
Regional School District Debt	\$ 1,166,543.84	\$ 1,166,543.84	\$
Sewer Utility Debt	581,641.74	581,641.74	
Water Utility Debt	195,000.00	195,000.00	
General Debt	<u>1,344,455.60</u>	<u>127,443.88</u>	<u>1,217,011.72</u>
	<u>\$ 3,287,641.18</u>	<u>\$ 2,070,629.46</u>	<u>\$ 1,217,011.72</u>

NET DEBT \$1,217,011.72 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S.A. 40A:2-2, \$93,706,623 EQUALS 1.299%.

NOTE 3: MUNICIPAL DEBT (CONTINUED)

BORROWING POWER UNDER N.J.S.A. 40A:2-6 AS AMENDED

Equalized Valuation Basis - December 31, 2012	<u>\$93,706,623.00</u>
3-1/2% of Equalized Valuation Basis	\$3,279,731.81
Net Debt	<u>1,217,011.72</u>
Remaining Borrowing Power at December 31, 2012	<u>\$2,062,720.09</u>

Equalized Valuation basis is the average of the equalized valuation of Real Estate, including improvements, and the assessed valuation of Class II Railroad Property of the Borough for the last three (3) preceding years.

SCHOOL DEBT DEDUCTION

School debt is deductible up to the extent of 3% of the Average Equalized Assessed Valuation of real property for the Local and Regional School Districts.

CALCULATION OF "SELF-LIQUIDATING PURPOSE" WATER UTILITY
PER N.J.S.A. 40A:2-45

Cash Receipts from Fees, Rents of Other Charges for Year and Anticipated Surplus	\$84,082.28
Deduction:	
Operating and Maintenance Cost	<u>74,000.00</u>
Excess (Deficit) in Revenue	<u>\$ 10,082.28</u>

CALCULATION OF "SELF-LIQUIDATING PURPOSE" SEWER UTILITY
PER N.J.S.A. 40A:2-45

Cash Receipts from Fees, Rents of Other Charges for Year and Anticipated Surplus	\$302,699.81
Deduction:	
Operating and Maintenance Cost	\$151,732.00
Debt Service Per Sewer Utility Account	<u>91,168.54</u>
	<u>242,900.54</u>
Excess (Deficit) in Revenue	<u>\$ 59,799.27</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

LONG TERM DEBT:

General Capital

Green Acres Trust Loan:

\$200,000.00 of 2005 Trust Loan due in annual installments of \$6,156.74 to \$12,131.23 through January 2025 at an interest rate 2.00%. \$ 136,946.99

New Jersey Environmental Infrastructure Trust Loans:

\$300,000.00 of 2006 Trust Loan due in annual installments of \$10,000.00 to \$25,000.00 through August 2026 at variable interest rates of 4.00% to 5.00%. \$ 250,000.00

\$282,975.00 of 2006 Trust Loan due in annual installments of \$13,539.43.00 to \$16,403.27 through August 2026. \$ 212,508.61

Sewer Utility Capital

New Jersey Environmental Infrastructure Loans:

\$495,000.00 of 2000 Trust Loan due in annual installments of \$25,000.00 to \$40,000.00 through August 2020 at interest rates of 5.00% to 5.25%. \$ 265,000.00

\$488,624.00 of 2000 Trust Fund due in annual installments of principal only \$23,688.20 to \$26,433.67 through August 2016. 91,644.07

\$ 356,644.07

Sewer Improvement Bonds:

\$591,000.00 of 1979 Serial Bonds due in annual installments of \$22,577.00 to \$33,569.82 through December 2019 at a variable interest rate. \$ 202,877.19

NOTE 3: MUNICIPAL DEBT (CONTINUED)

<u>General Capital</u>	<u>Interest Rate</u>	<u>Original Issue Date</u>	<u>Amount</u>
2010-02	2.72%	9/23/2010	\$ 40,000.00
2011-01	2.72%	9/21/2012	<u>280,000.00</u>
			<u>\$ 320,000.00</u>
 <u>Water Capital</u>			
2012-04	2.72%	9/21/2012	<u>\$ 175,000.00</u>

Bonds and Notes Authorized But Not Issued

At December 31, 2012, the Borough has authorized but not issued bonds and notes as follows:

General Capital Fund	<u>\$425,000.00</u>
Water Utility Capital Fund	<u>\$20,000.00</u>
Sewer Utility Capital Fund	<u>\$22,120.48</u>

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST FOR BONDED DEBT ISSUED AND OUTSTANDING DECEMBER 31, 2012

<u>SEWER UTILITY</u>				
<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2013	\$ 24,891.14	\$ 10,143.86	\$ 35,035.00	
2014	26,135.70	8,899.30	35,035.00	
2015	27,442.48	7,592.52	35,035.00	
2016	28,814.61	6,220.39	35,035.00	
2017	30,255.34	4,779.66	35,035.00	
2018	31,768.10	3,266.90	35,035.00	
2019	<u>33,569.82</u>	<u>1,678.49</u>	<u>35,248.31</u>	
Total	<u>\$ 202,877.19</u>	<u>\$ 42,581.12</u>	<u>\$ 245,458.31</u>	

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST
FOR NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE LOANS ISSUED AND
OUTSTANDING DECEMBER 31, 2012

SEWER UTILITY

Calendar Year	Trust Loan		Fund Loan		Total
	Principal	Interest	Principal		
2013	\$ 30,000.00	\$ 13,687.50	\$ 26,433.67	\$	70,121.17
2014	30,000.00	12,187.50	25,526.08		67,713.58
2015	30,000.00	10,687.50	24,618.49		65,305.99
2016	30,000.00	9,150.00	15,065.83		54,215.83
2017	35,000.00	7,612.50			42,612.50
2018	35,000.00	5,775.00			40,775.00
2019	35,000.00	3,937.50			38,937.50
2020	40,000.00	2,100.00			42,100.00
Total	\$ <u>265,000.00</u>	\$ <u>65,137.50</u>	\$ <u>91,644.07</u>	\$	<u>421,781.57</u>

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST
FOR NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE LOANS ISSUED AND
OUTSTANDING DECEMBER 31, 2012

Calendar Year	Trust Loan		Fund Loan		Total
	Principal	Interest	Principal		
2013	\$ 15,000.00	\$ 11,012.50	\$ 16,371.61	\$	42,384.11
2014	15,000.00	10,262.50	15,899.59		41,162.09
2015	15,000.00	9,512.50	15,427.55		39,940.05
2016	15,000.00	8,762.50	14,955.52		38,718.02
2017	15,000.00	8,012.50	14,483.49		37,495.99
2018	15,000.00	7,412.50	14,105.87		36,518.37
2019	15,000.00	6,812.50	13,728.23		35,540.73
2020	20,000.00	6,212.50	16,497.49		42,709.99
2021	20,000.00	5,412.50	15,993.99		41,406.49
2022	20,000.00	4,587.50	15,474.75		40,062.25
2023	20,000.00	3,762.50	14,955.52		38,718.02
2024	20,000.00	2,912.50	14,420.55		37,333.05
2025	20,000.00	1,912.50	13,791.18		35,703.68
2026	25,000.00	1,062.50	16,403.27		42,465.77
Total	\$ <u>250,000.00</u>	\$ <u>87,650.00</u>	\$ <u>212,508.61</u>	\$	<u>550,158.61</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST
FOR GREEN TRUST LOANS ISSUED AND
OUTSTANDING DECEMBER 31, 2012

Calendar Year	Trust Loan		Total
	Principal	Interest	
2013	\$ 9,746.19	\$ 2,690.45	\$ 12,436.64
2014	9,942.08	2,494.56	12,436.64
2015	10,141.92	2,294.72	12,436.64
2016	10,345.77	2,090.87	12,436.64
2017	10,553.72	1,882.91	12,436.63
2018	10,765.86	1,670.78	12,436.64
2019	10,982.24	1,454.39	12,436.63
2020	11,202.99	1,233.65	12,436.64
2021	11,428.17	1,008.47	12,436.64
2022	11,657.88	778.76	12,436.64
2023	11,892.20	544.44	12,436.64
2024	12,131.23	305.41	12,436.64
2025	6,156.74	61.57	6,218.31
Total	\$ <u>136,946.99</u>	\$ <u>18,510.98</u>	\$ <u>155,457.97</u>

NOTE 4: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2012 which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2013 were as follows:

Current Fund	\$ 163,000.00
Water Operating Fund	\$ None
Sewer Operating Fund	\$ None

NOTE 5: PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied based on the final adoption of the current year municipal budget, and are payable in four installments on February 1, May 1, August 1 and November 1. The Borough bills and collects its own property taxes and also taxes for the County and local school district. The collections and remittance of county and school taxes are accounted for in the Current Fund. Borough property tax revenues are recognized when collected in cash and any receivables are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund.

Taxes collected in advance - Taxes collected in advance and recorded as cash liabilities in the financial statements are as follows:

	BALANCE DECEMBER 31, 2012	BALANCE DECEMBER 31, 2011
Prepaid Taxes	<u>\$1,432.27</u>	<u>\$2,235.89</u>

NOTE 6: PENSION PLANS

Borough employees, who are eligible for a pension plan, are enrolled in one of two pension systems administered by the Division of Pensions, Treasury Department of the State of New Jersey. The plans are: the Public Employees Retirement System and the Police and Firemen's Retirement System. The Division annually charges participating government units for their respective contributions to the plans based upon actuarial methods. Certain portions of the costs are contributed by the employees. The Borough's share of pension costs, which is based upon the annual billings received from the State, amounted to \$10,252.00 for 2010, \$12,591.00 for 2011, and \$12,859.00 for 2012.

Information as to the comparison of the actuarially computed value of vested benefits with the system's assets is not available from the State Retirement System and, therefore, is not presented.

NOTE 7: COMPENSATED ABSENCES

The Borough does not have a policy which allows employees to accrue unused vacation and sick pay.

NOTE 8: LITIGATION

The Borough Attorney's letter did not indicate any litigation, claims or contingent liabilities that are either not covered by the Borough's insurance carrier or would have a material financial impact on the Borough.

NOTE 9: TAX APPEALS

There are tax appeals filed with the County and State Tax Court of New Jersey requesting a reduction of assessments for the year 2012. Any reduction in assessed valuation will result in a refund of prior years' taxes in the year of settlement, which may be funded from tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.40A:2-51.

NOTE 10: CONTINGENT LIABILITIES

The Borough participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. Findings and questioned costs, if any, relative to federal and state financial assistance programs will be discussed in detail in Part II of the 2012 audit report. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2012, the Borough does not believe that any material liabilities will result from such audits.

NOTE 11: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Borough maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Borough. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 12: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheets at December 31, 2012:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
Current	\$6,215.17	\$37,816.58
Grant	8,667.28	
Animal Control		193.28
Trust Other		4,235.19
General Capital	29,149.30	152,170.04
Water Utility Operating	88,718.57	2,116.14
Water Utility Capital	152,170.04	88,718.57
Sewer Utility Operating	2,116.14	48,890.64
Sewer Utility Capital	<u>47,103.94</u>	
TOTAL	<u><u>\$334,140.44</u></u>	<u><u>\$334,140.44</u></u>

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were made.

NOTE 13: LENGTH OF SERVICE AWARDS PROGRAM

The Borough approved a Voluntary Length of Service Awards Program (LOSAP) on November 4, 2003. Under the program, a fixed amount of funds may be contributed on behalf of those volunteer fire and medical personnel which meet the eligibility criteria adopted by the governing body of the Borough. The Borough's sponsoring agency is Lincoln National, with the maximum contribution per volunteer set at \$380.00 for 2012.

BOROUGH OF STOCKTON

SUPPLEMENTARY SCHEDULES - ALL FUNDS

YEAR ENDED DECEMBER 31, 2012

BOROUGH OF STOCKTON

CURRENT FUND

SCHEDULE OF CASH-TREASURER

	<u>REF.</u>	<u>CURRENT FUND</u>	<u>FEDERAL AND STATE GRANT FUND</u>
Balance, December 31, 2011	A	\$ 382,177.42	\$
Increased by Receipts:			
Collector	A-5	\$ 1,978,119.43	\$
State of New Jersey-Chapter 20, P.L. 1971	A-8	6,500.00	
Revenue Accounts Receivable	A-9	110,665.62	
Miscellaneous Revenue Not Anticipated	A-2	17,956.41	
Appropriation Reserves Refunds	A-13	8,826.00	
Interfunds Received	A-10	111,536.64	
Reserve for Grants - Unappropriated	A-12		4,537.34
		<u>2,233,604.10</u>	<u>4,537.34</u>
		\$ <u>2,615,781.52</u>	\$ <u>4,537.34</u>
Decreased by Disbursements:			
2012 Appropriations	A-3	\$ 418,325.43	\$
2011 Appropriation Reserves	A-13	17,843.95	
Interfunds Disbursed	A-10:A-23	94,397.86	4,537.34
County Taxes	A-14	327,090.57	
Local District School Tax	A-15	664,284.00	
Regional High School Tax	A-16	628,494.89	
Miscellaneous Reserves	A-21	22,698.30	
Refund of Current Years Revenue	A-2	6,039.82	
Refund of Prior Year Revenues	A-1	23,319.22	
		<u>2,202,494.04</u>	<u>4,537.34</u>
Balance, December 31, 2012	A	\$ <u><u>413,287.48</u></u>	\$ <u><u>-0-</u></u>

BOROUGH OF STOCKTON

CURRENT FUND

SCHEDULE OF CASH-COLLECTOR

REF.

Received:

Interest on Delinquent Taxes	A-9	\$	6,646.53	
Taxes Receivable	A-7		1,945,403.53	
2012 Taxes Prepaid	A-17		1,432.27	
Tax Overpayments	A-18		1,668.80	
Outside Liens	A-21		22,698.30	
Senior Citizen Deductions Disallowed	A-8		250.00	
Miscellaneous Revenue Not Anticipated	A-2		20.00	
			<hr/>	
				\$ 1,978,119.43
Decreased by Disbursements:				
Payments to Treasurer	A-4			\$ <u>1,978,119.43</u>

BOROUGH OF STOCKTON

CURRENT FUND

SCHEDULE OF DEFERRED CHARGES

	BALANCE DECEMBER 31, 2011	RAISED IN 2012 BUDGET
Overexpenditure of Appropriation	\$ 615.93	\$ 615.93
Overexpenditure of Appropriation Reserves	2,365.82	2,365.82
Emergency Authorization	<u>30,000.00</u>	<u>30,000.00</u>
	<u>\$ 32,981.75</u>	<u>\$ 32,981.75</u>
<u>REF.</u>	A	A-3

BOROUGH OF STOCKTON

CURRENT FUND

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

YEAR	BALANCE DECEMBER 31, 2011	2012 LEVY	COLLECTED		OVERPAYMENTS APPLIED	CANCELED	BALANCE DECEMBER 31, 2012
			IN 2011	IN 2012			
2011	\$ 25,543.30	\$	\$	\$ 25,537.85	\$	\$ 5.45	\$
	\$ 25,543.30	\$	\$	\$ 25,537.85	\$	\$ 5.45	\$
2012		1,954,037.87	2,235.89	1,926,865.68	978.63	8,177.63	15,780.04
	\$ 25,543.30	\$ 1,954,037.87	\$ 2,235.89	\$ 1,952,403.53	\$ 978.63	\$ 8,183.08	\$ 15,780.04
	REF. A		A-2:A-17	A-2	A-2:A-18		A
Collector	A-5			\$ 1,945,403.53			
State of New Jersey	A-8			7,000.00			
				\$ 1,952,403.53			

ANALYSIS OF 2012 PROPERTY TAX LEVY

TAX YIELD

General Purpose Tax	\$ 1,951,039.30
Added Taxes (54.4-63.1 et. seq.)	2,998.57
	\$ 1,954,037.87

TAX LEVY

Regional High School Tax (Abstract)	A-16	\$ 628,494.89
Local District School Tax (Abstract)	A-15	664,284.00
County Taxes:		
County Tax (Abstract)	A-14	\$ 327,090.57
Due County for Added Taxes (54.4-63.1 et. seq.)	A-14	504.33
Total County Taxes		327,594.90
Local Tax for Municipal Purposes (Abstract)	A-2	\$ 330,657.72
Add: Additional Tax Levied		3,006.36
		333,664.08
		\$ 1,954,037.87

BOROUGH OF STOCKTON

CURRENT FUND

SCHEDULE OF DUE STATE OF NEW JERSEY
PER CHAPTER 20, P.L. 1971

	<u>REF.</u>		
Balance, December 31, 2011	A	\$	2,529.76
Increased by:			
Deductions Per Tax Duplicate:			
Senior Citizens		\$	250.00
Veterans			6,750.00
			<u>7,000.00</u>
		\$	<u>9,529.76</u>
Decreased by:			
Received From State of New Jersey	A-4	\$	6,500.00
Disallowed by Collector - 2011 Taxes	A-5		250.00
			<u>6,750.00</u>
Balance, December 31, 2012	A	\$	<u><u>2,779.76</u></u>
 <u>SUMMARY OF 2012 EXEMPTIONS</u>			
Senior Citizens and Veterans Deductions Per Tax Billings	A-7	\$	<u><u>7,000.00</u></u>

BOROUGH OF STOCKTON

CURRENT FUND

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

		ACCRUED	COLLECTED BY		BALANCE
	REF.	IN 2012	COLLECTOR	TREASURER	DECEMBER
					31, 2012
Clerk:					
Alcoholic Beverage Licenses	A-2	\$ 3,824.00	\$	\$ 3,824.00	\$
Municipal Court:					
Fines and Costs	A-2	2,948.03		2,716.47	231.56
Interest and Costs on Taxes	A-2	6,646.53	6,646.53		
Consolidated Municipal Property Tax Relief Act	A-2	2,414.00		2,414.00	
Energy Receipts Tax	A-2	43,157.00		43,157.00	
Garden State Preservation Trust Fund	A-2	6,150.00		6,150.00	
Hotel and Motel Tax	A-2	26,004.15		26,004.15	
Cell Tower Rental	A-2	26,400.00		26,400.00	
		<u>\$ 117,543.71</u>	<u>\$ 6,646.53</u>	<u>\$ 110,665.62</u>	<u>\$ 231.56</u>
	REF.		A-5	A-4	A

BOROUGH OF STOCKTON

CURRENT FUND

SCHEDULE OF INTERFUNDS

	<u>REF.</u>	<u>TOTAL</u>	<u>GRANT FUND</u>	<u>ANIMAL CONTROL FUND</u>	<u>TRUST OTHER FUND</u>	<u>GENERAL CAPITAL FUND</u>	<u>WATER UTILITY OPERATING FUND</u>	<u>SEWER UTILITY OPERATING FUND</u>
Balance, December 31, 2011:								
Due From	A	\$ 10,929.57	\$	\$ 409.95	\$ 3,739.84	\$	\$ 927.27	\$ 5,852.51
Due To	A	<u>66,593.08</u>	<u>45,330.82</u>			<u>21,262.26</u>		
Cash Receipts	A-4	<u>111,536.64</u>	<u>4,537.34</u>	<u>410.27</u>	<u>4.65</u>	<u>99,804.60</u>	<u>927.27</u>	<u>5,852.51</u>
Cash Disbursements	A-4	94,397.86		193.60	500.00	91,917.56		1,786.70
Transferred from Grant Fund	A-24	<u>41,200.88</u>	<u>41,200.88</u>					
Balance, December 31, 2012:								
Due From	A	\$ 6,215.17	\$	\$ 193.28	\$ 4,235.19	\$	\$ 0.00	\$ 1,786.70
Due To	A	<u>37,816.58</u>	<u>8,667.28</u>			<u>29,149.30</u>		

BOROUGH OF STOCKTON

GRANT FUND

SCHEDULE OF RESERVE FOR ENCUMBRANCES

	<u>REF.</u>		
Balance, December 31, 2011	A	\$	3,000.00
Decreased by:			
Transfer to Grants Appropriated	A-20	\$	<u>3,000.00</u>

BOROUGH OF STOCKTON

GRANT FUND

SCHEDULE OF RESERVE FOR GRANTS-UNAPPROPRIATED

	BALANCE DECEMBER <u>31, 2011</u>	CASH <u>RECEIPTS</u>	APPLIED TO <u>RECEIVABLE</u>	BALANCE DECEMBER <u>31, 2012</u>
Clean Communities	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00
Recycling Tonnage Grant	129.94	537.34	129.94	537.34
	<u>4,129.94</u>	<u>4,537.34</u>	<u>4,129.94</u>	<u>4,537.34</u>
<u>REF.</u>	A	A-4	A-19	A

BOROUGH OF STOCKTON

CURRENT FUND

SCHEDULE OF 2011 APPROPRIATION RESERVES

	BALANCE DECEMBER 31, 2011	BALANCE AFTER TRANSFERS	PAID OR CHARGED	BALANCE LAPSED
<u>SALARIES AND WAGES</u>				
Governing Body	\$ 75.34	\$ 75.34	\$	\$ 75.34
Municipal Clerk	0.18	0.18		0.18
Financial Administration	326.00	326.00		326.00
Assessment of Taxes	104.00	104.00		104.00
Revenue Administration	186.95	186.95		186.95
Administrative	4.66	4.66		4.66
Planning Board	101.88	101.88		101.88
Zoning Board	142.50	142.50		142.50
Police	9.00	9.00		9.00
Municipal Prosecutor	285.50	285.50		285.50
Recycling	490.00	490.00		490.00
Animal Control Services	191.50	191.50		191.50
Environmental Commission	43.00	43.00		43.00
Building Inspector	36.00	36.00		36.00
<u>OTHER EXPENSES</u>				
Governing Body	534.00	534.00		534.00
Municipal Clerk	1,613.84	1,627.85	14.01	1,613.84
Elections	400.00	400.00		400.00
Financial Administration	2.96	502.96	502.96	
Assessment of Taxes	58.96	58.96		58.96
Revenue Administration	346.11	346.11		346.11
Legal Services and Costs	0.19	2,500.19	1,830.31	669.88
Engineering Services	664.55	(2,700.95)	(5,324.73)	2,623.78
Planning Board:	1,354.17	1,354.17		1,354.17
Legal Fees	1.36	1.36		1.36
Planning Fees	116.00	116.00	60.00	56.00
Engineering Fees	247.11	247.11		247.11
Insurance:				
Liability Insurance	188.00	188.00		188.00
Flood Insurance	1,218.00	1,218.00		1,218.00
Employee Bonds	130.00	130.00		130.00
Police	75.00	75.00		75.00
Environmental Commission	80.00	80.00		80.00
Public Defender	200.00	200.00		200.00
Streets and Road Maintenance	9,192.00	10,979.00	3,812.98	7,166.02
Snow Removal	3,897.50	3,897.50		3,897.50
Solid Waste Collection	6,557.27	6,557.27	5,460.82	1,096.45
Recycling	1,102.22	1,102.22	1,036.38	65.84
Shade Tree	1,000.00	1,000.00		1,000.00
Building and Grounds	385.79	385.79	4.69	381.10
Animal Control	608.50	608.50		608.50
Board of Health	525.00	525.00		525.00
Recreation Services	2,918.52	2,918.52		2,918.52
Building Inspector	200.00	200.00		200.00
Street Lighting	647.07	1,095.68	1,063.47	32.21
Electricity	2,210.00	2,210.00		2,210.00
Telephone	55.97	191.31	172.67	18.64
Natural Gas	1,452.73	1,452.73	262.89	1,189.84
Municipal Court	1,188.00	1,188.00	121.50	1,066.50
Unemployment Insurance	119.52	119.52		119.52
Length of Service Award Program	2,401.98	2,401.98		2,401.98
Capital Improvement Fund Lambertville Sewerage Authority	3,633.85	3,633.85		3,633.85
Council on Affordable Housing	4,000.00	4,000.00		4,000.00
	\$ 51,322.68	\$ 53,342.14	\$ 9,017.95	\$ 44,324.19
<u>REF.</u>	A			A-1
Balance, December 31, 2010	A-13	\$ 51,322.68	\$	
Encumbrances Payable	A-22	2,019.46		
Cash Disbursements	A-4		17,843.95	
Refunds	A-4		(8,826.00)	
		\$ 53,342.14	\$ 9,017.95	

BOROUGH OF STOCKTON

CURRENT FUND

SCHEDULE OF COUNTY TAXES PAYABLE

	<u>REF.</u>		
2012 Tax Levy:			
County Taxes	A-1:A-7	\$ 272,012.07	
County Open Space	A-1:A-7	27,903.40	
County Library	A-1:A-7	27,175.10	
County Share of Added Taxes	A-1:A-7	<u>504.33</u>	
			\$ <u>327,594.90</u>
			327,594.90
Decreased by:			
Cash Disbursements	A-4		<u>327,090.57</u>
Balance, December 31, 2012	A		\$ <u><u>504.33</u></u>

"A-15"

BOROUGH OF STOCKTON

CURRENT FUND

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX

REF.

Increased by:			
Levy	A-1:A-7	\$	664,284.00
Decreased by:			
Cash Disbursements	A-4	\$	<u>664,284.00</u>

"A-16"

SCHEDULE OF REGIONAL HIGH SCHOOL TAX

Increased by:			
Levy	A-1:A-7	\$	628,494.89
Decreased by:			
Cash Disbursements	A-4	\$	<u>628,494.89</u>

"A-17"

BOROUGH OF STOCKTON
CURRENT FUND
SCHEDULE OF PREPAID TAXES

	<u>REF.</u>		
Balance, December 31, 2011 (2012 Taxes)	A	\$	2,235.89
Increased by:			
Collection of 2013 Taxes	A-5		1,432.27
		\$	<u>3,668.16</u>
Decreased by:			
Application to 2012 Taxes Receivable	A-7		<u>2,235.89</u>
Balance, December 31, 2012 (2013 Taxes)	A	\$	<u><u>1,432.27</u></u>

"A-18"

SCHEDULE OF TAX OVERPAYMENTS

Balance, December 31, 2011	A	\$	20,168.15
Increased by:			
Cash Receipts	A-5		1,668.80
		\$	<u>21,836.95</u>
Decreased by:			
Applied	A-7	\$	978.63
Canceled	A-1		<u>2,347.74</u>
			<u>3,326.37</u>
Balance, December 31, 2012	A	\$	<u><u>18,510.58</u></u>

BOROUGH OF STOCKTON

GRANT FUND

SCHEDULE OF GRANTS RECEIVABLE

	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2011</u>	<u>ACCRUED</u> <u>2012</u> <u>BUDGET</u>	<u>UNAPPROPRIATED</u> <u>APPLIED</u>	<u>CANCELED</u>
Green Communities Program	\$ 3,000.00	\$	\$	\$ 3,000.00
Clean Communities Program		4,000.00	4,000.00	
Recycling Tonnage Grant		129.94	129.94	
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 3,000.00	\$ 4,129.94	\$ 4,129.94	\$ 3,000.00
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>REF.</u>	A	A-2	A-12	A-20

BOROUGH OF STOCKTON

GRANT FUND

SCHEDULE OF RESERVE FOR GRANTS APPROPRIATED

	BALANCE DECEMBER 31, 2011	PRIOR YEAR ENCUMBRANCES PAYABLE	2012 BUDGET APPROPRIATIONS	CANCELED	BALANCE DECEMBER 31, 2012
Clean Communities Program	\$ 17,903.49	\$	\$ 4,000.00	\$ 17,903.49	\$ 4,000.00
Green Communities Program		3,000.00		3,000.00	
Woodruff Foundation	6,500.00			6,500.00	
NJ SLA HEOP Grant	2,405.72			2,405.72	
Recycling Tonnage Grant	1,929.52		129.94	1,929.52	129.94
Alcohol Education and Rehabilitation Fund	118.79			118.79	
Smart Growth Planning:					
State	3,523.60			3,523.60	
Local Match	4,021.90			4,021.90	
Delaware River Greenway	2,500.00			2,500.00	
Park Services Grant	820.60			820.60	
Municipal Stormwater Regulation Grant	1,477.26			1,477.26	
	<u>\$ 41,200.88</u>	<u>\$ 3,000.00</u>	<u>\$ 4,129.94</u>	<u>\$ 44,200.88</u>	<u>\$ 4,129.94</u>

REF.

A

A-11

A-3

A

Grants Receivable
Operations

A-19
A-1

\$ 3,000.00
41,200.88

\$ 44,200.88

BOROUGH OF STOCKTON

CURRENT FUND

SCHEDULE OF RESERVE FOR MISCELLANEOUS RESERVES

	BALANCE DECEMBER 31, 2011	CASH RECEIPTS	CASH DISBURSEMENTS	CANCELED
Due State and County	\$ 28.00	\$	\$	\$ 28.00
Hotel/Motel Fees	38.00			38.00
Revaluation	100.00			100.00
Flood Damage	2,763.20			2,763.20
Outside Liens		22,698.30	22,698.30	
	<u>\$ 2,929.20</u>	<u>\$ 22,698.30</u>	<u>\$ 22,698.30</u>	<u>\$ 2,929.20</u>
<u>REF.</u>	A	A-5	A-4	A-1

"A-22"

BOROUGH OF STOCKTON

CURRENT FUND

SCHEDULE OF ENCUMBRANCES PAYABLE

	<u>REF.</u>		
Balance, December 31, 2011	A	\$	2,019.46
Increased by:			
Charges to Appropriations	A-3		15,814.50
		\$	<u>17,833.96</u>
Decreased by:			
Transferred to Appropriation Reserves	A-13		2,019.46
			<u>2,019.46</u>
Balance, December 31, 2012	A	\$	<u><u>15,814.50</u></u>

"A-23"

SCHEDULE OF DUE CURRENT FUND - GRANT FUND

Balance, December 31, 2011	A	\$	45,330.82
Increased by:			
Cash Disbursements	A-4		4,537.34
		\$	<u>49,868.16</u>
Decreased by:			
Canceled	A-10		41,200.88
			<u>41,200.88</u>
Balance, December 31, 2012	A	\$	<u><u>8,667.28</u></u>

BOROUGH OF STOCKTON

TRUST FUND

SCHEDULE OF CASH-TREASURER

	<u>REF.</u>	<u>ANIMAL CONTROL</u>	<u>TRUST OTHER</u>
Balance, December 31, 2011	B	\$ 1,722.95	\$ 27,931.08
Increased by Receipts:			
Dog License Fees	B-2	\$ 1,099.00	\$
Due From State of New Jersey	B-3	75.00	
Various Reserves and Deposits	B-4		173,821.23
Due Current Fund	B-5	<u>193.92</u>	<u>500.00</u>
		<u>1,367.92</u>	<u>174,321.23</u>
		\$ <u>3,090.87</u>	\$ <u>202,252.31</u>
Decreased by Disbursements:			
Expenditures Under R.S.4:19-15.11	B-2	\$ 584.00	\$
Statutory Excess Due Current Fund	B-2	193.60	
Due From State of New Jersey	B-3	75.00	
Various Reserves and Deposits	B-4		174,895.87
Due Current Fund	B-5	<u>410.59</u>	<u>4.65</u>
		<u>1,263.19</u>	<u>174,900.52</u>
Balance, December 31, 2012	B	\$ <u><u>1,827.68</u></u>	\$ <u><u>27,351.79</u></u>

"B-2"

BOROUGH OF STOCKTON

TRUST FUND

SCHEDULE OF RESERVE FOR ANIMAL CONTROL TRUST FUND EXPENDITURES

	<u>REF.</u>		
Balance, December 31, 2011	B	\$	1,268.40
Increased by:			
Animal Control Fees Collected	B-1		1,099.00
		\$	<u>2,367.40</u>
Decreased by:			
Expenditures Under R.S.4:19-15.11:			
Cash Disbursements	B-1	\$	584.00
Statutory Excess Due Current Fund	B-1		<u>193.60</u>
			<u>777.60</u>
Balance, December 31, 2012	B	\$	<u><u>1,589.80</u></u>

<u>LICENSE FEES COLLECTED</u>		
<u>YEAR</u>		<u>AMOUNT</u>
2011	\$	947.60
2010		<u>642.20</u>
	\$	<u><u>1,589.80</u></u>

"B-3"

SCHEDULE OF DUE STATE OF NEW JERSEY -
ANIMAL CONTROL FUND

Balance, December 31, 2011	B	\$	44.60
Increased by:			
Cash Receipts	B-1		75.00
		\$	<u>119.60</u>
Decreased by:			
Cash Disbursements	B-1		<u>75.00</u>
Balance, December 31, 2012	B	\$	<u><u>44.60</u></u>

BOROUGH OF STOCKTON

TRUST FUND

SCHEDULE OF VARIOUS RESERVES AND DEPOSITS

	BALANCE DECEMBER 31, 2011	CASH RECEIPTS	EXPENDED	BALANCE DECEMBER 31, 2012
State Unemployment Insurance	\$ 13,378.15	\$ 1,015.78	\$ 116.00	\$ 14,277.93
Stockton Park Auxiliary	906.64			906.64
Tax Sale Premiums	500.00		500.00	
Payroll Agency	5,048.34	157,120.52	158,700.62	3,468.24
Planning Board Escrow	<u>4,358.11</u>	<u>15,684.93</u>	<u>15,579.25</u>	<u>4,463.79</u>
	<u>\$ 24,191.24</u>	<u>\$ 173,821.23</u>	<u>\$ 174,895.87</u>	<u>\$ 23,116.60</u>
<u>REF.</u>	B	B-1	B-1	B

BOROUGH OF STOCKTON

TRUST FUND

SCHEDULE OF DUE CURRENT FUND

	<u>REF.</u>	<u>TOTAL</u>	<u>TRUST OTHER</u>	<u>ANIMAL CONTROL</u>
Balance, December 31, 2011: Due to	B	\$ <u>4,149.79</u>	\$ <u>3,739.84</u>	\$ <u>409.95</u>
Increased by: Cash Receipts	B-1	<u>693.92</u>	<u>500.00</u>	<u>193.92</u>
Decreased by: Cash Disbursements	B-1	<u>415.24</u>	<u>4.65</u>	<u>410.59</u>
Balance, December 31, 2012: Due to	B	\$ <u><u>4,428.47</u></u>	\$ <u><u>4,235.19</u></u>	\$ <u><u>193.28</u></u>

BOROUGH OF STOCKTON
GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER

	<u>REF.</u>		
Balance, December 31, 2011	C		\$ 19,238.68
Increased by Receipts:			
Budget Appropriations:			
Capital Improvement Fund	C-9	\$ 100.00	
Interfunds	C-10	267,795.38	
Miscellaneous Deposits	C-4	124,468.88	
Bond Anticipation Notes	C-8	320,000.00	
N.J. Environmental Trust Loan Receivable	C-14	21,663.22	
Grants Receivable	C-6	<u>190,457.88</u>	
			\$ <u>924,485.36</u>
			<u>943,724.04</u>
Decreased by Disbursements:			
Bond Anticipation Notes	C-8	\$ 40,000.00	
Contracts Payable	C-15	151,675.72	
Miscellaneous Deposits	C-4	3,137.00	
Interfunds	C-10	<u>123,512.38</u>	
			<u>318,325.10</u>
Balance, December 31, 2012	C		\$ <u><u>625,398.94</u></u>

"C-3"

BOROUGH OF STOCKTON

GENERAL CAPITAL FUND

ANALYSIS OF CASH

BALANCE
DECEMBER
31, 2012

Capital Improvement Fund	\$	140,007.95
Contracts Payable		11,569.00
Grants Receivable		(13,536.67)
New Jersey Environmental Trust Loan Receivable		(104,798.06)
Improvement Authorizations Expended as Set Forth on "C-5"		(12,439.00)
Interfunds Receivable		(29,149.30)
Interfunds Payable		152,170.04
Miscellaneous Reserves		202,461.88
Capital Fund Balance		132,267.01
Unexpended Proceeds of Bond Anticipation Notes Issued as Set Forth on "C-5"		<u>146,846.09</u>
	\$	<u><u>625,398.94</u></u>

REF.

C-2

BOROUGH OF STOCKTON

GENERAL CAPITAL FUND

SCHEDULE OF RESERVE FOR MISCELLANEOUS DEPOSITS

	BALANCE DECEMBER 31, 2011	CASH RECEIPTS	CASH DISBURSEMENTS	CANCELED	BALANCE DECEMBER 31, 2012
Road Construction	\$ 7,406.50	\$	\$ 1,137.00	\$ 6,269.50	\$
Purchase of Recreation Equipment	2,215.00				2,215.00
Debt Service	2,975.00	200.00			3,175.00
State Aid	35,000.00				35,000.00
Purchase of Fire Equipment	21,500.00				21,500.00
Purchase of OEM Equipment	817.00				817.00
Purchase of Public Safety Equipment	10,000.00				10,000.00
Open Space Acquisition	12,549.07			12,549.07	
Improvements to Playgrounds	2,000.00		2,000.00		
Master Plan Revisions	5,486.00				5,486.00
N.J. DOT - Prallsville Road Improvements		124,268.88			124,268.88
Preliminary Expenses:					
Mill Street Feasibility Study	1,834.95			1,834.95	
N.J. DOT Grant Preparation	2,000.00			2,000.00	
	<u>\$ 103,783.52</u>	<u>\$ 124,468.88</u>	<u>\$ 3,137.00</u>	<u>\$ 22,653.52</u>	<u>\$ 202,461.88</u>
<u>REF.</u>	C	C-2	C-2		C
Capital Improvement Fund	C-9			\$ 3,834.95	
Surplus	C-1			<u>18,818.57</u>	
				<u>\$ 22,653.52</u>	

BOROUGH OF STOCKTON

GENERAL CAPITAL FUND

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	BALANCE DECEMBER 31, 2012	ANALYSIS OF BALANCE, DECEMBER 31, 2012		
			BOND ANTICIPATION NOTES	EXPENDITURES	UNEXPENDED IMPROVEMENT AUTHORIZATIONS
2010-02	Improvements to Woolverton Road	\$ 40,000.00	\$ 40,000.00	\$	\$
2011-01	Improvements to Old Prallsville Road	280,000.00	280,000.00		
2012-08	Road and Drainage Improvements - Wilson Drive	<u>425,000.00</u>		<u>12,439.00</u>	<u>412,561.00</u>
		<u>\$ 745,000.00</u>	<u>\$ 320,000.00</u>	<u>\$ 12,439.00</u>	<u>\$ 412,561.00</u>
	<u>REF.</u>	C	C-8	C-3	
	Improvement Authorizations-Unfunded	C-7			\$ 559,407.09
	Less: Unexpended Proceeds of Bond Anticipation Notes - 2010-02 and 2011-01	C-3			<u>146,846.09</u>
					<u>\$ 412,561.00</u>

BOROUGH OF STOCKTON
GENERAL CAPITAL FUND
SCHEDULE OF GRANTS RECEIVABLE

	<u>REF.</u>		
Balance, December 31, 2011	C		\$ 280,690.77
Decreased by:			
Cash Receipts	C-2	\$ 190,457.88	
Canceled	C-7	<u>76,696.22</u>	
			<u>267,154.10</u>
Balance, December 31, 2012	C		\$ <u>13,536.67</u>

BOROUGH OF STOCKTON
 GENERAL CAPITAL FUND
 SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	ORDINANCE AMOUNT	BALANCE DECEMBER 31, 2011		2012 AUTHORIZATIONS	PAID OR CHARGED	CANCELED	BALANCE DECEMBER 31, 2012	
				FUNDED	UNFUNDED				FUNDED	UNFUNDED
General Improvements:										
	Reconstruction of Mill Street	10/17/05	\$ 300,000.00	\$	\$	\$	\$	\$	\$	\$
		04/24/06	325,000.00							
		06/26/06	475,000.00	33,153.22				33,153.22		
	Purchase of Copy Machine	09/26/05	5,000.00	5.00				5.00		
	Improvements to Bridge Street	04/24/06	2,000,000.00							
		02/11/08	260,000.00	194,922.16			5,244.00	189,678.16		
2010-02	Woolverton Road	02/08/10	140,000.00		449.41		(2,893.06)			3,342.47
2011-01	Old Prallsville Road	04/11/11	280,000.00		280,000.00		136,496.38			143,503.62
2012-08	Road and Drainage Improvements - Wilson Drive	12/10/12	425,000.00			425,000.00	12,439.00			412,561.00
				<u>\$ 228,080.38</u>	<u>\$ 280,449.41</u>	<u>\$ 425,000.00</u>	<u>\$ 151,286.32</u>	<u>\$ 222,836.38</u>	<u>\$</u>	<u>\$ 559,407.09</u>
				REF.	C	C	C-15		C:C-3	C:C-5
	Deferred Charges to Future Taxation - Unfunded					\$ 425,000.00		\$		
	Grants Receivable			C-6				76,696.22		
	Loan Receivable			C-15				33,153.22		
	Capital Surplus			C-1				112,986.94		
						<u>\$ 425,000.00</u>		<u>\$ 222,836.38</u>		

BOROUGH OF STOCKTON

GENERAL CAPITAL FUND

SCHEDULE OF BOND ANTICIPATION NOTES

<u>ORDINANCE</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>DATE OF ISSUE OF ORIGINAL NOTE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE DECEMBER 31, 2011</u>	<u>INCREASED</u>	<u>DECREASED</u>	<u>BALANCE DECEMBER 31, 2012</u>
2010-02	Improvements to Woolverton St.	09/23/10	09/22/11 09/21/12	09/21/12 09/20/13	2.59% 2.72%	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00
2011-01	Improvements to Old Prallsville Road	09/21/12	09/21/12	09/20/13	2.72%		280,000.00		280,000.00
						<u>\$ 40,000.00</u>	<u>\$ 320,000.00</u>	<u>\$ 40,000.00</u>	<u>\$ 320,000.00</u>
					<u>REF.</u>	C	C-2	C-2	C:C-5

BOROUGH OF STOCKTON

GENERAL CAPITAL FUND

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>REF.</u>		
Balance, December 31, 2011	C		\$ 136,073.00
Increased by:			
2012 Budget Appropriation	C-2	\$ 100.00	
Reserve for Preliminary Expenses Canceled	C-4	<u>3,834.95</u>	
			<u>3,934.95</u>
Balance, December 31, 2012	C		\$ <u><u>140,007.95</u></u>

BOROUGH OF STOCKTON
GENERAL CAPITAL FUND
SCHEDULE OF INTERFUNDS

	<u>REF.</u>	<u>TOTAL</u>	<u>CURRENT FUND</u>	<u>WATER CAPITAL FUND</u>
Balance, December 31, 2011: Due From	C	\$ <u>21,262.26</u>	\$ <u>21,262.26</u>	\$ _____
Receipts	C-2	<u>267,795.38</u>	<u>92,795.38</u>	<u>175,000.00</u>
Disbursements	C-2	<u>123,512.38</u>	<u>100,682.42</u>	<u>22,829.96</u>
Balance, December 31, 2012: Due From	C	\$ <u>29,149.30</u>	\$ <u>29,149.30</u>	\$ _____
Due To	C	<u>152,170.04</u>	<u>_____</u>	<u>152,170.04</u>

BOROUGH OF STOCKTON
GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES
TO FUTURE TAXATION FUNDED

	<u>REF.</u>		
Balance, December 31, 2011	C		\$ 632,549.18
Decreased by:			
Bonds Paid by Budget	C-13	\$ 23,539.43	
Loans Paid by Budget	C-12	<u>9,554.15</u>	
			<u>33,093.58</u>
Balance, December 31, 2012	C		\$ <u>599,455.60</u>

BOROUGH OF STOCKTON

GENERAL CAPITAL FUND

SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS PAYABLE

IMPROVEMENT DESCRIPTION	DATE OF ORIGINAL ISSUE	AMOUNT OF ORIGINAL ISSUE	OUTSTANDING DECEMBER 31, 2012		INTEREST RATE	BALANCE DECEMBER 31, 2011	DECREASED	BALANCE DECEMBER 31, 2012
			DATE	AMOUNT				
Mill Street	11/09/06	\$ 300,000.00	08/01/13-16	\$ 15,000.00	5.000%	\$	\$	\$
			08/01/17-19	15,000.00	4.000%			
			08/01/20	20,000.00	4.000%			
			08/01/21-22	20,000.00	4.125%			
			08/01/23	20,000.00	4.250%			
			08/01/24	20,000.00	5.000%			
			08/01/25	20,000.00	4.250%			
			08/01/26	25,000.00	4.250%			
Mill Street	11/09/06	282,975.00	2013	16,371.61				
			2014	15,899.59				
			2015	15,427.55				
			2016	14,955.52				
			2017	14,483.49				
			2018	14,105.87				
			2019	13,728.23				
			2020	16,497.49				
			2021	15,993.99				
			2022	15,474.75				
			2023	14,955.52				
			2024	14,420.55				
			2025	13,791.18				
			2026	16,403.27				
						226,048.04	13,539.43	212,508.61
						<u>\$ 486,048.04</u>	<u>\$ 23,539.43</u>	<u>\$ 462,508.61</u>
REF.						C	C-11	C

"C-14"

BOROUGH OF STOCKTON

GENERAL CAPITAL FUND

SCHEDULE OF NEW JERSEY ENVIRONMENTAL TRUST LOANS RECEIVABLE

	<u>REF.</u>		
Balance, December 31, 2011	C		\$ 159,614.50
Decreased by:			
Cash Receipts	C-2	\$ 21,663.22	
Canceled	C-7	<u>33,153.22</u>	
			<u>54,816.44</u>
Balance, December 31, 2012	C		<u>\$ 104,798.06</u>

"C-15"

SCHEDULE OF CONTRACTS PAYABLE

Balance, December 31, 2011	C		\$ 11,958.40
Increased by:			
Charges to Improvement Authorizations	C-7		<u>151,286.32</u>
			\$ 163,244.72
Decreased by:			
Cash Disbursements	C-2		<u>151,675.72</u>
Balance, December 31, 2012	C		<u>\$ 11,569.00</u>

BOROUGH OF STOCKTON

GENERAL CAPITAL FUND

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>ORDINANCE NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DECEMBER 31, 2012</u>
2012-08	Road and Drainage Improvements - Wilson Drive	\$ <u>425,000.00</u>

BOROUGH OF STOCKTON

WATER UTILITY FUND

SCHEDULE OF CASH - TREASURER
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>REF.</u>	<u>OPERATING</u>	<u>CAPITAL</u>
Balance, December 31, 2011	D	\$ 153,317.19	\$
Increased by Receipts:			
Collections	D-6	\$ 83,281.41	\$
Interfunds	D-15:D-16	13,633.01	163,773.90
Capital Outlay			5,000.00
Bond Anticipation Notes	D-17		175,000.00
Miscellaneous Revenue Not Anticipated	D-2	<u>800.87</u>	
		97,715.29	<u>343,773.90</u>
		\$ <u>251,032.48</u>	\$ <u>343,773.90</u>
Decreased by Disbursements:			
2012 Appropriations	D-3	\$ 53,507.87	\$
2011 Appropriation Reserves	D-9	1,143.25	
Improvement Authorizations	D-10		163,773.90
Interfunds	D-15:D-16	<u>143,938.59</u>	<u>180,000.00</u>
		198,589.71	<u>343,773.90</u>
Balance, December 31, 2012	D	\$ <u><u>52,442.77</u></u>	\$ <u><u></u></u>

BOROUGH OF STOCKTON
WATER UTILITY OPERATING FUND
SCHEDULE OF ENCUMBRANCES PAYABLE

	<u>REF.</u>		
Balance, December 31, 2011	D	\$	256.56
Increased by:			
Transferred from Budget	D-3		765.43
		\$	<u>1,021.99</u>
Decreased by:			
Transferred to Appropriation Reserves	D-9		<u>256.56</u>
Balance, December 31, 2012	D	\$	<u><u>765.43</u></u>

"D-6"

BOROUGH OF STOCKTON
WATER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	<u>REF.</u>	
Balance, December 31, 2011	D	\$ 5,271.39
Increased by:		
Water Rents Levied - Net		<u>81,637.04</u>
		\$ <u>86,908.43</u>
Decreased by:		
Collection	D-2:D-4	<u>83,281.41</u>
Balance, December 31, 2012	D	\$ <u><u>3,627.02</u></u>

"D-7"

SCHEDULE OF OVERPAYMENTS

Balance, December 31, 2011	D	\$ 353.84
Decreased by:		
Canceled	D-1	<u>353.84</u>

BOROUGH OF STOCKTON

WATER UTILITY CAPITAL FUND

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	ORDINANCE		BALANCE DECEMBER 31, 2011	AUTHORIZED	TRANSFER TO FIXED CAPITAL	CANCELED	BALANCE DECEMBER 31, 2012
		DATE	AMOUNT					
General Improvements:								
	Construction of New Water Services on Broad and Bridge Street	03/26/01	\$ 10,200.00	\$ 10,200.00	\$	\$ 10,163.00	\$ 37.00	\$
	Painting of the Water Tank	01/28/02	40,000.00	40,000.00		39,035.00	965.00	
		01/27/03	18,000.00	18,000.00		18,000.00		
	Authorizing New Services on Railroad Ave and Main Street	11/29/04	6,500.00	6,500.00		6,500.00		
	Preparation of Environmental Protection Application	06/26/06	8,500.00	8,500.00		6,763.93	1,736.07	
2006-21	Purchase and Installation of Equipment	12/01/06	10,000.00	10,000.00				10,000.00
2007-11	Purchase and Installation of Equipment	10/29/07	10,000.00	10,000.00				10,000.00
2008-11	Acquisition and Installation of Capital Equipment	11/10/08	20,000.00	20,000.00				20,000.00
2011-05	Acquisition and Installation of Capital Equipment	11/14/11	15,000.00	15,000.00				15,000.00
2012-04	Pump Station Repairs	03/12/12	175,000.00		175,000.00			175,000.00
				\$ 138,200.00	\$ 175,000.00	\$ 80,461.93	\$ 2,738.07	\$ 230,000.00
		<u>REF.</u>		D	D-10	D-14	D-11	D

BOROUGH OF STOCKTON

WATER UTILITY OPERATING FUND

SCHEDULE OF 2011 APPROPRIATION RESERVES

	<u>BALANCE DECEMBER 31, 2011</u>	<u>BALANCE AFTER TRANSFERS</u>	<u>PAID OR CHARGED</u>	<u>BALANCE LAPSED</u>
Operating:				
Salaries and Wages	\$ 8,202.71	\$ 8,202.71		\$ 8,202.71
Other Expenses	12,016.21	12,272.77	1,143.25	11,129.52
Contributions to:				
Social Security System (O.A.S.I.)	<u>532.66</u>	<u>532.66</u>		<u>532.66</u>
	<u>\$ 20,751.58</u>	<u>\$ 21,008.14</u>	<u>\$ 1,143.25</u>	<u>\$ 19,864.89</u>
<u>REF.</u>	D		D-4	D-1
Balance, December 31, 2011	D-9	\$ 20,751.58		
Encumbrances Payable	D-5	<u>256.56</u>		
		<u>\$ 21,008.14</u>		

BOROUGH OF STOCKTON
 WATER UTILITY CAPITAL FUND
 SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	ORDINANCE		BALANCE DECEMBER 31, 2011		2012 AUTHORIZATION	PAID OR CHARGED	CANCELED	BALANCE DECEMBER 31, 2012	
		DATE	AMOUNT	FUNDED	UNFUNDED				FUNDED	UNFUNDED
<u>General Improvements:</u>										
	Construction of New Water Services on Broad and Bridge Street	03/26/01	\$ 10,200.00	\$ 37.00	\$	\$	\$	\$ 37.00	\$	\$
	Painting of Water Tank	01/28/02	40,000.00							
		01/27/03	18,000.00	965.00				965.00		
	Preparation of Environmental Protection Application	06/26/06	8,500.00	1,736.07				1,736.07		
2006-21	Purchase and Installation of Equipment	12/01/06	10,000.00	4,125.00						4,125.00
2007-11	Purchase and Installation of Equipment	10/29/07	10,000.00	4,872.30						4,872.30
2008-11	Acquisition and Installation of Capital Equipment	11/10/08	20,000.00		17,745.00					17,745.00
2011-05	Acquisition and Installation of Capital Equipment	11/14/11	15,000.00	15,000.00						15,000.00
2012-04	Pump Station Repairs	03/12/12	175,000.00			175,000.00	163,773.90			11,226.10
				\$ 26,735.37	\$ 17,745.00	\$ 175,000.00	\$ 163,773.90	\$ 2,738.07	\$ 23,997.30	\$ 28,971.10
		<u>REF.</u>		D	D	D-8	D-4	D-12	D	D

BOROUGH OF STOCKTON

WATER UTILITY CAPITAL FUND

SCHEDULE OF RESERVE FOR DEFERRED AMORTIZATION

<u>IMPROVEMENT DESCRIPTION</u>	<u>DATE OF ORDINANCE</u>	<u>BALANCE DECEMBER 31, 2011</u>	<u>TRANSFER TO RESERVE FOR AMORTIZATION</u>	<u>CANCELED</u>	<u>BALANCE DECEMBER 31, 2012</u>
General Improvements:					
Construction of New Water Services on Broad and Bridge Street	03/26/01	\$ 10,200.00	\$ 10,163.00	\$ 37.00	\$
Painting of Water Tank	01/28/02	40,000.00	39,035.00	965.00	
	01/27/03	18,000.00	18,000.00		
Authorizing New Services on Railroad Ave and Main Street	11/29/04	6,500.00	6,500.00		
Preparation of Environmental Protection Application	06/26/06	8,500.00	6,763.93	1,736.07	
Ord. 2006-21 Purchase and Installation of Equipment	12/01/06	10,000.00			10,000.00
Ord. 2007-11 Purchase and Installation of Equipment	10/29/07	10,000.00			10,000.00
Ord. 2011-05 Purchase and Installation of Equipment	11/14/11	<u>15,000.00</u>	<u> </u>	<u> </u>	<u>15,000.00</u>
		<u>\$ 118,200.00</u>	<u>\$ 80,461.93</u>	<u>\$ 2,738.07</u>	<u>\$ 35,000.00</u>
<u>REF.</u>		D	D-13	D-8	D

"D-12"

BOROUGH OF STOCKTON
WATER UTILITY CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>REF.</u>		
Balance, December 31, 2011	D	\$	12,745.00
Increased by:			
Improvement Authorizations Canceled	D-10		<u>2,738.07</u>
Balance, December 31, 2012	D	\$	<u><u>15,483.07</u></u>

"D-13"

SCHEDULE OF RESERVE FOR AMORTIZATION

Balance, December 31, 2011	D	\$	321,915.00
Increase by:			
Transfer from Reserve for Deferred Amortization	D-11		<u>80,461.93</u>
Balance, December 31, 2012	D	\$	<u><u>402,376.93</u></u>

BOROUGH OF STOCKTON
WATER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL

<u>ACCOUNT</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2011</u>	<u>ADDITIONS</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2012</u>
Unallocated Balance of 1938 and Prior	\$ 7,523.00	\$	\$ 7,523.00
Fire Hydrants	15,167.00		15,167.00
Pumping Equipment	32,948.00		32,948.00
Spring and Wells	3,998.00		3,998.00
Storage Tanks	12,574.00		12,574.00
Distribution Mains and Accessories	27,136.00		27,136.00
Purification System	1,766.00		1,766.00
General Equipment	8,915.00		8,915.00
General Construction Expenditures	3,674.00		3,674.00
Meters	1,145.00		1,145.00
Generator	10,843.00		10,843.00
Thermal Coil Meter Pits	1,781.00		1,781.00
Touch Reader	400.00		400.00
Painting of Various Buildings	1,455.00		1,455.00
Roof Replacements	1,050.00		1,050.00
Purchase and Installation of Water Meters (Ord. 11/12/73)	13,877.00		13,877.00
Repairs and Construction of a Cover for the Reservoir of the Water System (Ord 11/12/73)	10,100.00		10,100.00
Improvement to the Water Supply System (12/11/74)	2,283.00		2,283.00
Construction of a Water Main Extension (Ord. 04/28/86)	49,650.00		49,650.00
Water Line on Route 523 and Broad Street	35,048.00		35,048.00
Water Tower Pipe Extension	1,185.00		1,185.00
Water Tank Painting	2,227.00		2,227.00
Replacement of Water Line on Ferry Street	56,000.00		56,000.00
Water Line Construction	4,630.00		4,630.00
Water Main Construction on Mill Street	1,390.00		1,390.00
Water Tank Renovations	1,152.00		1,152.00
Well House Renovations	2,423.00		2,423.00
Capital Outlay	11,575.00		11,575.00
Construction of New Water Services on Broad and Bridge Street		10,163.00	10,163.00
Painting of the Water Tank		57,035.00	57,035.00
Authorizing New Services on Railroad Avenue and Main Street		6,500.00	6,500.00
Preparation of EPA Application		6,763.93	6,763.93
	<u>\$ 321,915.00</u>	<u>\$ 80,461.93</u>	<u>\$ 402,376.93</u>
<u>REF.</u>	D	D-8	D

BOROUGH OF STOCKTON
WATER UTILITY OPERATING FUND
SCHEDULE OF INTERFUNDS

	<u>REF.</u>	<u>TOTAL</u>	<u>CURRENT FUND</u>	<u>SEWER OPERATING FUND</u>	<u>WATER CAPITAL FUND</u>
Balance, December 31, 2011:					
Due From	D	\$ 4,449.49	\$	\$ 4,449.49	\$
Due To	D	<u>48,152.64</u>	<u>927.27</u>	<u></u>	<u>47,225.37</u>
Increased by:					
Cash Receipts	D-4	<u>13,633.01</u>	<u></u>	<u>8,633.01</u>	<u>5,000.00</u>
Decreased by:					
Cash Disbursements	D-4	<u>143,938.59</u>	<u>927.27</u>	<u>2,067.38</u>	<u>140,943.94</u>
Balance, December 31, 2012:					
Due From	D	\$ 88,718.57	\$	\$	\$ 88,718.57
Due To	D	<u>2,116.14</u>	<u></u>	<u>2,116.14</u>	<u></u>

BOROUGH OF STOCKTON
WATER UTILITY CAPITAL FUND
SCHEDULE OF INTERFUNDS

	<u>REF.</u>	<u>TOTAL</u>	<u>GENERAL CAPITAL FUND</u>	<u>WATER OPERATING FUND</u>
Balance, December 31, 2011:				
Due From	D	\$ <u>47,225.37</u>	\$ _____	\$ <u>47,225.37</u>
Increased by:				
Cash Receipts	D-4	<u>163,773.90</u>	<u>22,829.96</u>	<u>140,943.94</u>
Decreased by:				
Cash Disbursements	D-4	<u>180,000.00</u>	<u>175,000.00</u>	<u>5,000.00</u>
Balance, December 31, 2012:				
Due From	D	\$ 152,170.04	\$ 152,170.04	\$ _____
Due To	D	<u>88,718.57</u>	<u>_____</u>	<u>88,718.57</u>

BOROUGH OF STOCKTON

WATER CAPITAL FUND

SCHEDULE OF BOND ANTICIPATION NOTES

<u>ORDINANCE</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>DATE OF ISSUE OF ORIGINAL NOTE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>INCREASED</u>	<u>BALANCE DECEMBER 31, 2012</u>
2012-04	Pump Station Repairs	09/21/12	09/21/12	09/20/13	2.72%	\$ <u>175,000.00</u>	\$ <u>175,000.00</u>
						\$ <u>175,000.00</u>	\$ <u>175,000.00</u>
						<u>REF.</u>	D

"D-18"

BOROUGH OF STOCKTON

WATER UTILITY CAPITAL FUND

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>IMPROVEMENT DESCRIPTION</u>	BALANCE DECEMBER <u>31, 2012</u>
Acquisition and Installation of Capital Equipment	\$ <u>20,000.00</u>
	\$ <u><u>20,000.00</u></u>

BOROUGH OF STOCKTON

SEWER UTILITY FUND

SCHEDULE OF CASH - TREASURER
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>REF.</u>	<u>OPERATING</u>	<u>CAPITAL</u>
Balance, December 31, 2011	E	\$ 198,766.42	\$ -0-
Increased by Receipts:			
Consumer Accounts Receivable	E-7	\$ 297,249.27	\$
Miscellaneous	E-3	5,450.54	
Interfunds	E-8:E-14	59,765.80	
N.J. Infrastructure Loan Receivable	E-11		32,704.61
Capital Improvement Fund	E-12		17,022.00
		<u>362,465.61</u>	<u>49,726.61</u>
		\$ <u>561,232.03</u>	\$ <u>49,726.61</u>
Decreased by Disbursements:			
2012 Appropriations	E-4	\$ 184,195.71	\$
2011 Appropriation Reserves	E-10	26,273.20	
Interfunds	E-8:E-14	20,670.63	49,726.61
Accrued Interest	E-6	16,245.71	
Refund of Prior Years Revenue	E-1	32,704.61	
		<u>280,089.86</u>	<u>49,726.61</u>
Balance, December 31, 2012	E	\$ <u><u>281,142.17</u></u>	\$ <u><u>-0-</u></u>

"E-6"

BOROUGH OF STOCKTON
SEWER UTILITY OPERATING FUND
SCHEDULE OF ACCRUED INTEREST

	<u>REF.</u>	
Balance, December 31, 2011	E	\$ 7,106.67
Increased by:		
Charges to 2012 Budget	E-4	18,298.00
		\$ <u>25,404.67</u>
Decreased by:		
Cash Disbursements	E-5	<u>16,245.71</u>
Balance, December 31, 2012	E	\$ <u><u>9,158.96</u></u>

"E-7"

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

Balance, December 31, 2011	E	\$ 28,314.04
Increased by:		
Sewer Use Charges Levied - Net		282,425.22
		\$ <u>310,739.26</u>
Decreased by:		
Collections	E-5	<u>297,249.27</u>
Balance, December 31, 2012	E	\$ <u><u>13,489.99</u></u>

BOROUGH OF STOCKTON
SEWER UTILITY OPERATING FUND
SCHEDULE OF INTERFUNDS

	<u>REF.</u>	<u>TOTAL</u>	<u>CURRENT FUND</u>	<u>SEWER CAPITAL FUND</u>	<u>WATER OPERATING FUND</u>
Balance, December 31, 2011:					
Due From	E	\$ 2,622.67	\$	\$ 2,622.67	\$
Due To	E	<u>10,302.00</u>	<u>5,852.51</u>	<u> </u>	<u>4,449.49</u>
Receipts	E-5	59,765.80	10,039.19	49,726.61	
Disbursements	E-5	<u>20,670.63</u>	<u>14,105.00</u>	<u> </u>	<u>6,565.63</u>
Balance, December 31, 2012:					
Due From	E	\$ 2,116.14	\$	\$	\$ 2,116.14
Due To	E	<u>48,890.64</u>	<u>1,786.70</u>	<u>47,103.94</u>	<u> </u>

BOROUGH OF STOCKTON
SEWER UTILITY OPERATING FUND
SCHEDULE OF ENCUMBRANCES PAYABLE

	<u>REF.</u>		
Balance, December 31, 2011	E	\$	26,204.60
Decreased by:			
Transfer to Appropriation Reserves	E-10	\$	<u>26,204.60</u>

BOROUGH OF STOCKTON
SEWER UTILITY OPERATING FUND
SCHEDULE OF 2011 APPROPRIATION RESERVES

	BALANCE DECEMBER 31, 2011	BALANCE AFTER TRANSFERS	PAID OR CHARGED	BALANCE LAPSED
Operating:				
Salaries and Wages	\$ 7,535.72	\$ 7,535.72		\$ 7,535.72
Other Expenses	973.44	27,178.04	26,273.20	904.84
Social Security	611.91	611.91		611.91
	<u>\$ 9,121.07</u>	<u>\$ 35,325.67</u>	<u>\$ 26,273.20</u>	<u>\$ 9,052.47</u>
<u>REF.</u>	E		E-5	E-1
Balance, December 31, 2011	E-10	\$ 9,121.07		
Encumbrances Payable	E-9	<u>26,204.60</u>		
		<u>\$ 35,325.67</u>		

"E-11"

BOROUGH OF STOCKTON

SEWER UTILITY CAPITAL FUND

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE LOAN RECEIVABLE

	<u>REF.</u>		
Balance, December 31, 2011	E		\$ 174,876.00
Decreased by:			
Cash Receipts	E-5	\$ 32,704.61	
Canceled	E-21	<u>108,110.00</u>	
			<u>140,814.61</u>
Balance, December 31, 2012	E		\$ <u>34,061.39</u>

"E-12"

SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2011	E		\$ 62,022.00
Increased by:			
Cash Receipts	E-5		<u>17,022.00</u>
Balance, December 31, 2012	E		\$ <u>79,044.00</u>

BOROUGH OF STOCKTON

SEWER UTILITY CAPITAL FUND

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

<u>ORDINANCE NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>DATE</u>	<u>ORDINANCE AMOUNT</u>	<u>BALANCE DECEMBER 31, 2011</u>	<u>TRANSFER TO FIXED CAPITAL</u>	<u>CANCELED</u>	<u>BALANCE DECEMBER 31, 2012</u>	
	Repair and Improvement of the Wastewater Collection System	07/10/00	\$ 1,040,000.00	\$ 1,040,000.00	\$ 929,634.48	\$ 110,365.52	\$	
2008-12	Acquisition and Installation of Capital Equipment	11/10/08	20,000.00	<u>20,000.00</u>	<u> </u>	<u> </u>	<u>20,000.00</u>	
				<u>\$ 1,060,000.00</u>	<u>\$ 929,634.48</u>	<u>\$ 110,365.52</u>	<u>\$ 20,000.00</u>	
				<u>REF.</u>	<u>E</u>	<u>E-16</u>	<u>E-15</u>	<u>E</u>

BOROUGH OF STOCKTON
SEWER UTILITY CAPITAL FUND
SCHEDULE OF INTERFUNDS

	<u>REF.</u>	<u>TOTAL</u>	<u>SEWER OPERATING FUND</u>
Balance, December 31, 2011: Due To	E	\$ <u>2,622.67</u>	\$ <u>2,622.67</u>
Disbursements	E-5	<u>49,726.61</u>	<u>49,726.61</u>
Balance, December 31, 2012: Due From	E	\$ <u><u>47,103.94</u></u>	\$ <u><u>47,103.94</u></u>

BOROUGH OF STOCKTON
SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	ORDINANCE		BALANCE DECEMBER 31, 2011		CANCELLED	BALANCE DECEMBER 31, 2012	
		DATE	AMOUNT	FUNDED	UNFUNDED		FUNDED	UNFUNDED
2008-12	Repair and Improvement of the Wastewater Collection System	08/14/00	\$ 1,040,000.00	\$ 105,989.52	\$ 4,376.00	\$ 110,365.52	\$	
	Acquisition and Installation of Capital Equipment	11/10/08	20,000.00		20,000.00		20,000.00	
				<u>\$ 105,989.52</u>	<u>\$ 24,376.00</u>	<u>\$ 110,365.52</u>	<u>\$ 20,000.00</u>	
			<u>REF.</u>	<u>E</u>	<u>E</u>	<u>E-13</u>	<u>E</u>	

BOROUGH OF STOCKTON
SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL

<u>ACCOUNT</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2011</u>	<u>ADDITIONS</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2012</u>
Miscellaneous Equipment	\$ 4,612.00	\$	\$ 4,612.00
Improvement Authorizations:			
Construction of Sanitary Sewer System:			
1974	1,200,000.00		1,200,000.00
1975	165,000.00		165,000.00
1977	362,900.00		362,900.00
1979	157,100.00		157,100.00
Safety Equipment	4,387.00		4,387.00
Engineering Studies	19,600.00		19,600.00
Pump Station Stairways and Landings	18,929.00		18,929.00
Chemical Tank	4,400.00		4,400.00
Comminutor	13,094.00		13,094.00
Repair and Improvements to the Wastewater Collection System		<u>929,634.48</u>	<u>929,634.48</u>
	<u>\$ 1,950,022.00</u>	<u>\$ 929,634.48</u>	<u>\$ 2,879,656.48</u>
<u>REF.</u>	E	E-13	E

BOROUGH OF STOCKTON

SEWER UTILITY CAPITAL FUND

SCHEDULE OF RESERVE FOR AMORTIZATION

Balance, December 31, 2011	E		\$ 1,723,438.96
Increased by:			
Bonds Paid by Budget	E-20	\$ 23,705.85	
Transfer from Reserve for Deferred Amortization	E-18	<u>570,869.93</u>	
			<u>594,575.78</u>
Balance, December 31, 2012	E		\$ <u><u>2,318,014.74</u></u>

"E-18"

BOROUGH OF STOCKTON

SEWER UTILITY CAPITAL FUND

SCHEDULE OF RESERVE FOR DEFERRED AMORTIZATION

	<u>REF.</u>		
Balance, December 31, 2011	E	\$	521,705.24
Increased by:			
Loans Paid by Budget	E-21		49,164.69
		\$	<u>570,869.93</u>
Decreased by:			
Transfer to Reserve for Amortization	E-17	\$	<u>570,869.93</u>

"E-19"

SCHEDULE OF RESERVE FOR CAPITAL IMPROVEMENTS

Balance, December 31, 2011 and December 31, 2012	E	\$	<u>3,000.00</u>
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BOROUGH OF STOCKTON

SEWER UTILITY CAPITAL FUND

SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE

IMPROVEMENT DESCRIPTION	DATE OF ORIGINAL ISSUE	AMOUNT OF ORIGINAL ISSUE	INTEREST RATE	OUTSTANDING DECEMBER 31, 2012		BALANCE DECEMBER 31, 2011	DECREASED	BALANCE DECEMBER 31, 2012
				DATE	AMOUNT			
N.J. Environmental Infrastructure Trust Loan	10/15/00	\$ 495,000.00	5.00%	08/01/13	\$ 30,000.00	\$	\$	\$
			5.00%	08/01/14	30,000.00			
			5.13%	08/01/15	30,000.00			
			5.13%	08/01/16	30,000.00			
			5.25%	08/01/17	35,000.00			
			5.25%	08/01/18	35,000.00			
			5.25%	08/01/19	35,000.00			
			5.25%	08/01/20	40,000.00			
					290,000.00	25,000.00	265,000.00	
N.J. Environmental Infrastructure Fund Loan	10/15/00	488,624.00	0.00%	08/01/13	26,433.67			
				08/01/14	25,526.08			
				08/01/15	24,618.49			
				08/01/16	15,065.83			
					223,918.76			
	<u>\$ 513,918.76</u>	<u>\$ 157,274.69</u>	<u>\$ 356,644.07</u>					
					E		E	
				Paid by Budget	E-18	\$	49,164.69	
				Canceled	E-11		108,110.00	
						\$	<u>157,274.69</u>	

BOROUGH OF STOCKTON

SEWER UTILITY CAPITAL FUND

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>IMPROVEMENT DESCRIPTION</u>	BALANCE DECEMBER <u>31, 2012</u>
Repair and Improvement of the Wastewater Collection System	\$ 2,120.48
Acquisition and Installation of Capital Equipment	<u>20,000.00</u>
	<u>\$ 22,120.48</u>

BOROUGH OF STOCKTON

PART II

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

SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE

NOTES TO THE SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

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

The Honorable Mayor and Members
of the Borough Council
Borough of Stockton
County of Hunterdon
Stockton, New Jersey 08559

We have audited, in accordance with the 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory financial statements of the various individual funds and the account group of the Borough of Stockton, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Borough's regulatory financial statements, and have issued our report thereon dated August 16, 2013. Our report disclosed that, as described in Note 1 to the financial statements, the Borough of Stockton prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

SUPLEE, CLOONEY & COMPANY

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we noted certain immaterial matters involving internal control that we have reported to the Borough of Stockton in the General Comments and Recommendations Section of the audit report.

Compliance and Other Matters

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

Purpose of This Report

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


CERTIFIED PUBLIC ACCOUNTANTS


REGISTERED MUNICIPAL ACCOUNTANT NO. 50

August 16, 2013

BOROUGH OF STOCKTON

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS
YEAR ENDED DECEMBER 31, 2012

<u>STATE GRANTOR/PROGRAM TITLE</u>	<u>STATE ACCOUNT NUMBER</u>	<u>GRANT PERIOD</u>		<u>GRANT AWARD AMOUNT</u>	<u>2012 FUNDS RECEIVED</u>	<u>2012 EXPENDITURES</u>	<u>CUMULATIVE EXPENDITURES DECEMBER 31, 2012</u>
		<u>FROM</u>	<u>TO</u>				
<u>Department of Environmental Protection</u>							
Clean Communities Program	4900-765-042-4900-004-V42Y-6020	Continuous		\$ 4,000.00	\$	\$	
Clean Communities Program	4900-765-042-4900-004-V42Y-6020	Unappropriated		4,000.00	4,000.00		
Recycling Tonnage Grant	4900-752-042-4900-001-V42Y-6020	Unappropriated		537.34	537.34		
Recycling Tonnage Grant	4900-752-042-4900-001-V42Y-6020	Continuous		129.94			
<u>Total</u>				\$	<u>4,537.34</u>	\$	
<u>Department of Transportation</u>							
Improvements to Woolverton Road	10-480-078-6320-001-AKN-TCAP-6010	Continuous		100,000.00	\$	\$	100,000.00
Improvements to Old Prallsville Road	11-480-078-6320-001-AK3-6010	Continuous		155,937.00	<u>124,268.88</u>	<u>124,268.88</u>	<u>124,268.88</u>
				\$	<u>124,268.88</u>	\$	<u>224,268.88</u>
<u>GRAND TOTAL</u>				\$	<u>128,806.22</u>	\$	<u>224,268.88</u>

BOROUGH OF STOCKTON

NOTES TO THE SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 2012

NOTE 1. GENERAL

The accompanying schedule of expenditures of state financial assistance presents the activity of all state financial award programs of the Borough of Stockton, County of Hunterdon, New Jersey. All state financial awards received directly from state agencies, as well as federal financial awards passed through other government agencies, is included on the Schedule of Expenditures of State Financial Assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of state financial assistance is presented on the prescribed basis of accounting, modified accrual basis with certain exceptions, prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the budget laws of New Jersey, which is a comprehensive basis of accounting, other than generally accepted accounting principles. The basis of accounting, with exception, is described in Note 1 to the Borough's financial statements - regulatory basis.

NOTE 3. RELATIONSHIP TO STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related state financial reports.

NOTE 4. RELATIONSHIP TO FINANCIAL STATEMENTS - REGULATORY BASIS

Amounts reported in the accompanying schedule agree with amounts reported in the Borough's regulatory basis financial statements. These amounts are reported in the Grant Fund, General Capital Fund or Trust Other Fund. Reconciliations of revenues and expenses are presented on the following page.

NOTE 4. RELATIONSHIP TO FINANCIAL STATEMENTS - REGULATORY BASIS (CONTINUED)

Revenues:

	<u>State</u>	<u>Total</u>
Grant Fund	\$ 4,537.34	\$ 4,537.34
General Capital Fund	<u>124,268.88</u>	<u>124,268.88</u>
	<u>\$ 128,806.22</u>	<u>\$ 128,806.22</u>

Expenditures:

	<u>State</u>	<u>Total</u>
General Capital Fund	\$ <u>124,268.88</u>	\$ <u>124,268.88</u>
	<u>\$ 124,268.88</u>	<u>\$ 124,268.88</u>

NOTE 5. OTHER

Matching contributions expended by the Borough in accordance with terms of the various grants are not reported in the accompanying schedule.

PART III

BOROUGH OF STOCKTON

STATISTICAL DATA

LIST OF OFFICIALS

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2012

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

	<u>YEAR 2012</u>		<u>YEAR 2011</u>	
	AMOUNT	%	AMOUNT	%
<u>REVENUE AND OTHER INCOME REALIZED</u>				
Fund Balance Utilized	\$ 124,084.67	5.37%	\$ 83,444.00	3.74%
Miscellaneous-From Other Than Local Property				
Tax Levies	228,895.09	9.91%	190,409.87	8.53%
Collection of Delinquent Taxes and Tax Title Liens	25,537.85	1.11%	129,940.58	5.82%
Collection of Current Tax Levy	<u>1,930,080.20</u>	<u>83.60%</u>	<u>1,828,388.06</u>	<u>81.91%</u>
<u>TOTAL INCOME</u>	<u>\$ 2,308,597.81</u>	<u>100.00%</u>	<u>\$ 2,232,182.51</u>	<u>100.00%</u>
<u>EXPENDITURES</u>				
Budget Expenditures:				
Municipal Purposes	\$ 476,173.88	22.46%	\$ 510,075.16	24.83%
County Taxes	327,594.90	15.45%	322,523.76	15.70%
School Taxes	1,292,778.89	60.98%	1,217,740.61	59.27%
Other	<u>23,319.22</u>	<u>1.10%</u>	<u>4,148.72</u>	<u>0.20%</u>
<u>TOTAL EXPENDITURES</u>	<u>\$ 2,119,866.89</u>	<u>100.00%</u>	<u>\$ 2,054,488.25</u>	<u>100.00%</u>
Excess in Revenue	\$ 188,730.92		\$ 177,694.26	
Adjustments to Income Before Fund Balance:				
Expenditures Included Above Which are by Statute				
Deferred Charges to Budget of Succeeding Year			<u>30,615.93</u>	
Statutory Excess of Fund Balance	\$ 188,730.92		\$ 208,310.19	
Fund Balance, January 1	<u>272,645.47</u>		<u>147,779.28</u>	
	\$ 461,376.39		\$ 356,089.47	
Less: Utilization as Anticipated Revenue	<u>124,084.67</u>		<u>83,444.00</u>	
Fund Balance, December 31	<u>\$ 337,291.72</u>		<u>\$ 272,645.47</u>	

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

	YEAR 2012		YEAR 2011	
	AMOUNT	%	AMOUNT	%
<u>REVENUE AND OTHER INCOME REALIZED</u>				
Collection of Water Rents	\$ 83,281.41	79.85%	\$ 109,791.39	82.71%
Miscellaneous-From Other Than Water Rents	21,019.60	20.16%	22,946.89	17.30%
<u>TOTAL INCOME</u>	<u>\$ 104,301.01</u>	<u>100.00%</u>	<u>\$ 132,738.28</u>	<u>100.00%</u>
<u>EXPENDITURES</u>				
Budget Expenditures:				
Operating	\$ 72,300.00	91.52%	\$ 72,300.00	91.52%
Deferred Charges and Statutory Expenditures	1,700.00	2.15%	1,700.00	2.15%
Capital Improvements	5,000.00	6.33%	5,000.00	6.33%
<u>TOTAL EXPENDITURES</u>	<u>\$ 79,000.00</u>	<u>100.00%</u>	<u>\$ 79,000.00</u>	<u>100.00%</u>
Excess in Revenue to Fund Balance	\$ 25,301.01		\$ 53,738.28	
Fund Balance, January 1	88,252.06		34,513.78	
Fund Balance, December 31	<u>\$ 113,553.07</u>		<u>\$ 88,252.06</u>	

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

	YEAR 2012		YEAR 2011	
	AMOUNT	%	AMOUNT	%
<u>REVENUE AND OTHER INCOME REALIZED</u>				
Collection of Sewer Rents	\$ 297,249.27	95.35%	\$ 300,198.36	93.41%
Miscellaneous - From Other Than Sewer Rents	14,503.01	4.65%	21,170.61	6.59%
<u>TOTAL INCOME</u>	<u>\$ 311,752.28</u>	<u>100.00%</u>	<u>\$ 321,368.97</u>	<u>100.00%</u>
<u>EXPENDITURES</u>				
Budget Expenditures:				
Operating	\$ 149,782.00	49.49%	\$ 150,504.00	52.70%
Deferred Charges and Statutory Expenditures	1,950.00	0.64%	1,950.00	0.68%
Debt Service	91,168.54	30.13%	98,215.65	34.39%
Capital Improvements	27,022.00	8.93%	27,022.00	9.46%
Other	32,704.61	10.81%	7,891.09	2.76%
<u>TOTAL EXPENDITURES</u>	<u>\$ 302,627.15</u>	<u>100.00%</u>	<u>\$ 285,582.74</u>	<u>100.00%</u>
Excess Revenue	\$ 9,125.13		\$ 35,786.23	
Fund Balance, January 1	148,654.75		112,868.52	
Fund Balance, December 31	<u>\$ 157,779.88</u>		<u>\$ 148,654.75</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Tax Rate	<u>\$2.075</u>	<u>\$1.968</u>	<u>\$1.863</u>
Appointment of Tax Rate:			
Municipal	\$0.351	\$0.334	\$0.338
County	0.290	0.288	0.289
County Open Space	0.030	0.031	0.030
County Library	0.029	0.025	0.025
District School	0.707	0.687	0.676
Regional School	<u>0.668</u>	<u>0.603</u>	<u>0.505</u>

Assessed Valuations:

2012	\$ <u>94,024,961.00</u>		
2011		\$ <u>94,178,900.00</u>	
2010			\$ <u>94,924,293.00</u>

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

Year	Tax Levy	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2012	\$ 1,954,037.87	\$ 1,930,080.20	98.77%
2011	1,855,975.61	1,828,388.06	98.51%
2010	1,768,439.55	1,630,382.47	92.19%

DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>YEAR</u>	<u>AMOUNT OF DELINQUENT TAXES</u>	<u>TOTAL DELINQUENT</u>	<u>PERCENTAGE OF TAX LEVY</u>
2012	\$15,780.04	\$15,780.04	0.81%
2011	\$25,543.30	\$25,543.30	1.38%
2010	\$129,940.58	\$129,940.58	7.35%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The Borough has no property acquired by foreclosure or deed as a result of liquidation of outstanding tax title liens.

COMPARISON OF WATER UTILITY LEVIES

<u>YEAR</u>	<u>LEVY</u>	<u>CASH COLLECTIONS</u>
2012	\$ 81,637.04	\$ 83,281.41
2011	108,815.66	110,122.42
2010	79,901.66	79,602.58

COMPARISON OF SEWER UTILITY LEVIES

<u>YEAR</u>	<u>LEVY</u>	<u>CASH COLLECTIONS</u>
2012	\$ 282,425.22	\$ 297,249.27
2011	301,532.66	300,108.00
2010	273,579.34	286,749.80

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>YEAR</u>	<u>BALANCE</u> <u>DECEMBER 31</u>	<u>UTILIZED</u> <u>IN BUDGET OF</u> <u>SUCCEEDING YEAR</u>
Current Fund	2012	\$ 337,291.72	\$ 163,000.00
	2011	272,645.47	124,084.67
	2010	147,779.28	83,444.00
	2009	119,782.55	81,444.00
	2008	37,289.77	-0-
Water Utility Operating Fund	2012	\$ 113,553.07	\$ -0-
	2011	88,252.06	-0-
	2010	34,513.78	-0-
	2009	27,873.71	-0-
	2008	5,180.44	-0-
Sewer Utility Operating Fund	2012	\$ 157,779.88	\$ -0-
	2011	148,654.75	-0-
	2010	112,868.52	-0-
	2009	13,670.82	-0-
	2008	11,394.87	-0-

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office during the period under audit:

<u>NAME</u>	<u>TITLE</u>	<u>AMOUNT OF BOND</u>	<u>NAME OF SURETY</u>
Stephen Giocondo	Mayor		
Michael Hagerty	Council President		
Nic Messina	Councilman		
Aaron Lipsen	Councilman		
Neal Esposito	Councilman		
Timothy Nemeth	Councilman		
Kate Steffanelli	Councilwoman		
Donna Griffiths	Tax Collector, Deputy Clerk	\$75,000.00	Selective Insurance Company
Michele Hovan	Borough Clerk		
Judie McGrorey	CFO	\$75,000.00	Selective Insurance Company
John Bennett	Counsel		
Michelle Trivigno	Assessor		
Edward Martin	Magistrate		
Cindy Hooven	Court Administrator		

All bonds were examined and were properly executed.

The Borough does not maintain blanket bond coverage for individuals not specifically covered by a separate bond.

GENERAL COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS

CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED FOR (N.J.S.A. 40A:11-4)

Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds, not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in or the amount calculated by the Governor pursuant to Section 3 of P.L. 1971 c.198 (C.40A:11-3), except by contract or agreement.

Effective January 1, 2011, the bid threshold in accordance with N.J.S.A. 40A:11-4 is \$17,500.00. In accordance with N.J.S.A. 40A:11-3 and authorized by a resolution dated October 30, 2006 of the governing body, the bid threshold for all purchases made by the Borough's qualified purchasing agent is \$29,000.00.

The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$29,000.00 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

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

Old Prallsville Road Improvements

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed. Our audit of expenditures did not reveal any individual payments, contracts or agreements in excess of \$29,000.00 "for the performance of any work or the furnishing or hiring of any materials or supplies, other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6".

The minutes indicate that resolution authorizing contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5 was advertised during 2012 for the following professional services:

Borough Auditor
Borough Engineer
Borough Attorney
Planning Board Attorney
Bond Counsel

COLLECTION OF INTEREST ON DELINQUENT TAXES AND ASSESSMENTS

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

The governing body on January 3, 2012 adopted the following resolution authorizing interest to be charged on delinquent taxes.

WHEREAS, N.J.S.A. 54:4-67 permits the governing body of each municipality to fix the rate of interest to be charged for non-payment of taxes or assessments subject to any abatement or discount for the late payment of taxes as provided by law; and

WHEREAS, N.J.S.A. 54:4-67 has been amended to permit the fixing of said rate of 8% per annum on the first \$1,500.00 of delinquency and 18% per annum on any amount in excess of \$1,500.00 and allows an additional penalty of 6% be collected against a delinquency in excess of \$10,000.00 on properties that fail to pay the delinquency prior to the end of the calendar year.

1. The Tax Collector and Water and Sewer Clerk are hereby authorized and directed to charge 8% per annum on the first \$1,500.00 of delinquency after the due date and 18% per annum on any delinquencies in excess of \$1,500.00 becoming delinquent after the due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31 an additional penalty of 6% shall be charged against the delinquency.
2. BE IT FURTHER RESOLVED that these interest rates be effective for the year 2012.

It appears from an examination of the records that interest was collected in accordance with the forgoing resolution.

DELINQUENT TAXES AND TAX TITLE LIENS

No tax sale was held in 2012.

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

<u>YEAR</u>	<u>NUMBER OF LIENS</u>
2012	None
2011	None
2010	None

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

CONFIRMATION OF DELINQUENT TAXES AND OTHER CHARGES

A confirmation of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services consisting of verification notices as follows:

<u>TYPE</u>	<u>NUMBER MAILED</u>
Delinquent Tax Positive Confirmations	10
Delinquent Utility Rent Positive Confirmation	10
Information Tax Current Positive Confirmation	10
Information Utility Rent Current Positive Confirmation	10

OTHER COMMENTS

Interfunds

Transactions invariably occur in one fund which requires a corresponding entry to be made in another fund, thus creating interfund balances. References to the various balance sheets show the interfund balances remaining at year end. As a general rule all interfund balances should be closed out as of the end of the year.

It is the Borough's policy to review and liquidate all interfund balances on a periodic basis.

OTHER

Fixed Assets

The General Fixed Assets Ledger has not been updated since 2006.

Treasurer

The budgets for the Current Fund, Water Operating Fund and Sewer Operating Fund were incorrectly entered into the client's financial accounting system. The entry to reverse the temporary budget was not made when the adopted budget was set up. As a result, the unexpended funds available in these budget appropriations were overstated. The client then used these overstated balances to make budget transfers in December 2012. The resulting transfers were disallowed as sufficient balances did not exist at the time they were made.

RECOMMENDATIONS

*That the Fixed Assets Ledger be updated for all additions and deletions.

That due care be taken in entering the adopted budget.

*Prior Year Recommendations

