

**CITY OF BURLINGTON
COUNTY OF BURLINGTON,
STATE OF NEW JERSEY**

FINANCIAL STATEMENTS AND
SUPPLEMENTAL DATA

December 31, 2018

**CITY OF BURLINGTON
COUNTY OF BURLINGTON, STATE OF NEW JERSEY**

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the City's basic financial statements. The supplemental schedules 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 basic financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole, on the basis of accounting described in Note A.

The supplementary information as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2019, on our consideration of the City'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 solely 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 the effectiveness of 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 City's internal control over financial reporting and compliance.

Warren A. Broudy, CPA, CGFM, PSA, CGMA
Registered Municipal Accountant
License No. 554

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

August 26, 2019

**INDEPENDENT AUDITORS' 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
(CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying Schedule of Current Year Findings and Recommendations. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Warren A. Broudy, CPA, CGFM, PSA, CGMA
Registered Municipal Accountant
License No. 554

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

August 26, 2019

SUPPLEMENTARY INFORMATION

**CITY OF BURLINGTON
COUNTY OF BURLINGTON, STATE OF NEW JERSEY**

SUMMARY OF STATUTORY DEBT CONDITION – ANNUAL DEBT STATEMENT

Year Ended December 31, 2018

**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 1.73%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
Local School District Debt	\$ 1,255,000	1,255,000	
Water Utility Debt	4,506,602	4,506,602	
Sewer Utility Debt	7,354,870	7,354,870	
General Debt	10,847,363		10,847,363
Total	<u>\$ 23,963,835</u>	<u>13,116,472</u>	<u>10,847,363</u>

Net Debt, \$10,847,363 divided by Equalized Valuation Basis per N.J.S.A.40A:2-2, \$635,333,119 equals 1.71%.

Equalized Valuation Basis:

2016	\$ 647,121,253
2017	630,842,245
2018	<u>628,035,860</u>
Average	<u>\$ 635,333,119</u>

Borrowing Power Under 40A:2-6:

3 1/2 % of Equalized Valuation Bases (Municipal)	\$ 22,236,659
Net Debt	<u>10,847,363</u>
Remaining Borrowing Power	<u>\$ 11,389,296</u>

**CITY OF BURLINGTON
COUNTY OF BURLINGTON, STATE OF NEW JERSEY**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE –
CURRENT FUND**

Year Ended December 31, 2018

**Comparative Statement of Operations and
Change in Fund Balance - Current Fund**

	YEAR 2018		YEAR 2017	
	AMOUNT	PERCENT	AMOUNT	PERCENT
Revenue and Other Income Realized				
Fund Balance Utilized	\$2,000,000.00	5.86%	\$2,000,000.00	5.76%
Miscellaneous - From Other Than Local Property Tax Levies	8,279,335.95	24.24%	9,593,947.51	27.61%
Collection of Delinquent Taxes & Tax Title Liens	935,981.78	2.74%	834,084.56	2.40%
Collection of Current Tax Levy	22,002,955.58	64.43%	21,418,238.94	61.65%
Unexpended Balance of Appropriation Reserves	879,162.36	2.57%	881,731.54	2.54%
Interfunds Liquidated	55,346.62	0.16%	1,147.76	0.00%
Accounts Payable Cancelled	1.00	0.00%	14,253.50	0.04%
Total Income	34,152,783.29	100.00%	34,743,403.81	100.00%
Expenditures				
Budget Expenditures - Municipal Purposes	16,804,805.18	53.53%	17,007,754.59	54.27%
County Taxes	2,535,628.85	8.08%	2,595,723.20	8.28%
Local School Taxes	12,044,311.00	38.37%	11,672,961.00	37.25%
Prior Year Senior Citizens' Deduction Disallowed	3,561.64	0.01%	3,750.00	0.01%
Reserve for Tax Appeals				
Creation of Interfunds and Other Assets	3,740.00	0.01%	56,417.25	0.18%
Total Expenditures	31,392,046.67	100.00%	31,336,606.04	100.00%
Excess to Fund Balance	2,760,736.62		3,406,797.77	
Statutory Excess to Fund Balance	2,760,736.62		3,406,797.77	
Fund Balance January 1	3,785,142.87		2,378,345.10	
Total	6,545,879.49		5,785,142.87	
Less: Fund Balance Utilized as Revenue	2,000,000.00		2,000,000.00	
Fund Balance December 31	\$4,545,879.49		3,785,142.87	

**CITY OF BURLINGTON
COUNTY OF BURLINGTON, STATE OF NEW JERSEY**

**COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN SURPLUS – SEWER UTILITY – OPERATING FUND**

Year Ended December 31, 2018

**Comparative Statement of Operations and
Change in Fund Balance - Sewer Utility - Operating Fund**

	YEAR 2018		YEAR 2017	
	AMOUNT	PERCENT	AMOUNT	PERCENT
Revenue and Other Income Realized				
Fund Balance Utilized	\$770,259.44	18.27%	\$612,759.87	14.23%
Collection of Sewer Rents	2,787,508.23	66.13%	2,738,630.88	63.59%
Miscellaneous - From Other Than Sewer Rents	657,529.76	15.60%	954,972.97	22.18%
Total Income	4,215,297.43	100.00%	4,306,363.72	100.00%
Expenditures				
Budget Expenditures -				
Operating	2,405,906.57	53.19%	2,448,740.88	71.37%
Debt Service	761,330.28	16.83%	757,951.48	22.09%
Deferred Charges & Statutory Expenditures	258,027.00	5.70%	224,500.00	6.54%
Surplus General Fund	98,250.00	2.17%		
Interfund Created	1,000,000.00	22.11%		
Total Expenditures	4,523,513.85	100.00%	3,431,192.36	100.00%
Excess/(Deficit) to Fund Balance	(308,216.42)		875,171.36	
Fund Balance January 1	2,838,709.27		2,576,297.78	
Total Fund Balance	2,530,492.85		3,451,469.14	
Decreased by:				
Utilized as Revenue	770,259.44		612,759.87	
Fund Balance December 31	\$1,760,233.41		\$2,838,709.27	

**CITY OF BURLINGTON
COUNTY OF BURLINGTON, STATE OF NEW JERSEY**

**COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE – WATER UTILITY – OPERATING FUND**

Year Ended December 31, 2018

**Comparative Statement of Operations and
Change in Fund Balance - Water Utility - Operating Fund**

	YEAR 2018		YEAR 2017	
	AMOUNT	PERCENT	AMOUNT	PERCENT
Revenue and Other Income Realized				
Fund Balance Utilized	\$310,112.79	10.07%	\$209,830.62	8.06%
Collection of Sewer Rents	2,239,575.06	72.71%	2,157,660.61	82.93%
Miscellaneous - From Other Than Water Rents	530,522.42	17.22%	234,254.18	9.00%
Total Income	<u>3,080,210.27</u>	<u>100.00%</u>	<u>2,601,745.41</u>	<u>100.00%</u>
Expenditures				
Budget Expenditures -				
Operating	2,058,677.79	86.55%	1,990,707.62	87.58%
Debt Service	194,396.15	8.17%	217,098.96	9.55%
Deferred Charges & Statutory Expenditures	75,635.00	3.18%	65,123.00	2.87%
Introrfunds Created	50,000.00	2.10%		
Total Expenditures	<u>2,378,708.94</u>	<u>100.00%</u>	<u>2,272,929.58</u>	<u>100.00%</u>
Excess to Fund Balance	701,501.33		328,815.83	
Adjustments to Income Before Surplus:				
Deferred Charge to be Raised in Budget of Succeeding Year			7,000.00	
Fund Balance January 1	<u>446,818.10</u>		<u>320,832.89</u>	
	1,148,319.43		656,648.72	
Less: Fund Balance Utilized as Revenue	<u>310,112.79</u>		<u>209,830.62</u>	
Fund Balance December 31	<u>\$838,206.64</u>		<u>\$446,818.10</u>	

**CITY OF BURLINGTON
COUNTY OF BURLINGTON, STATE OF NEW JERSEY**

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

Year Ended December 31, 2018

**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.

<u>YEAR</u>	<u>TAX LEVY</u>	<u>CURRENTLY</u>	
		<u>CASH COLLECTIONS</u>	<u>PERCENTAGE OF COLLECTION</u>
2018	\$23,218,282	22,002,956	94.77%
2017	22,520,643	21,418,239	95.10%
2016	22,004,047	21,065,715	95.74%

Comparison of Tax Rate Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Tax Rate	<u>\$3.748</u>	<u>\$3.633</u>	<u>\$3.496</u>
Apportionment of Tax Rate:			
Municipal	1.384	1.325	1.271
County	0.411	0.420	0.422
Local School	1.953	1.888	1.803

Net Valuation Taxable:

2018	<u>\$616,480,098</u>		
2017		<u>\$618,225,500</u>	
2016			<u>\$628,160,700</u>

Delinquent Taxes and Tax Title Liens

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

<u>YEAR ENDED DECEMBER 31</u>	<u>AMOUNT OF TAX TITLE LIENS</u>	<u>AMOUNT OF DELINQUENT TAXES</u>	<u>TOTAL DELINQUENT</u>	<u>PERCENTAGE OF TAX LEVY</u>
2018	\$798,821	953,836	1,752,657	7.549%
2017	699,741	892,788	1,592,529	7.071%
2016	587,970	811,834	1,399,804	6.362%

**CITY OF BURLINGTON
COUNTY OF BURLINGTON, STATE OF NEW JERSEY**

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION, UTILITY SERVICE CHARGES AND BONDED DEBT ISSUED AND OUTSTANDING

Year Ended December 31, 2018

Property Acquired by Tax Title Lien Liquidation

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

<u>YEAR</u>	<u>AMOUNT</u>
2018	\$1,428,950
2017	1,428,950
2016	1,428,950

The following is a comparison of utility service charges (rents):

Comparison of Sewer Utility Levies

<u>YEAR</u>	<u>LEVY</u>	<u>COLLECTION</u>	<u>PERCENTAGE OF COLLECTION</u>
2018	\$3,024,955	2,787,508	92.15%
2017	2,995,755	2,732,579	91.22%
2016	3,167,984	2,909,602	91.84%

Comparison of Water Utility Levies

<u>YEAR</u>	<u>LEVY</u>	<u>COLLECTION</u>	<u>PERCENTAGE OF COLLECTION</u>
2018	\$2,586,534	2,239,575	86.59%
2017	2,540,966	2,151,597	84.68%
2016	2,331,191	1,993,068	85.50%

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued & Outstanding:

<u>CALENDAR YEAR</u>	<u>GENERAL CAPITAL</u>	<u>WATER UTILITY</u>	<u>SEWER UTILITY</u>	<u>TOTAL</u>
2019	\$ 738,397	60,750	560,140	1,359,287
2020	912,865	59,688	554,836	1,527,389
2021	906,853	63,572	550,533	1,520,958
2022	894,916	62,369	549,303	1,506,588
2023	490,344	61,131	477,694	1,029,169
2024-2028	2,307,750	256,193	1,391,325	3,955,268
2029	430,844			430,844
	<u>\$6,681,969</u>	<u>563,703</u>	<u>4,083,831</u>	<u>11,329,503</u>

* The principal of assessment debt has not been included as it is expected to be paid from assessment collections Sewer debt includes New Jersey Wastewater Trust Loans and New Jersey Environmental Infrastructure Trust Loans.

**CITY OF BURLINGTON
COUNTY OF BURLINGTON, STATE OF NEW JERSEY**

OFFICIALS IN OFFICE AND SURETY BONDS

Year Ended December 31, 2018

<u>NAME</u>	<u>TITLE</u>	<u>BOND</u>	<u>SURETY CODE</u>
Barry W. Conaway	Mayor		
Ila Marie Lollar	President of Council		
David Babula	Vice President of Council		
Thomas Swan	Councilman		
George Chachis	Councilman		
Jeanette Mercuri	Councilwoman		
Helen F. Hatala	Councilwoman		
Suzanne Woodard	Councilwoman		
David Ballard	Business Administrator		
Robin Snodgrass	Management Assistant		
Cindy A. Crivaro	Municipal Clerk		
Patricia Tocci	Deputy Municipal Clerk		
Kenneth R. MacMillan	Chief Financial Officer	\$ 1,000,000	(B)
Donna Hernandez	Registrar of Vital Statistics		
Brenda Marks	Deputy Registrar of Vital Statistics		
Lynette P. Miller	Tax/Utility Collector	\$ 400,000	(A)
Howard N. Wilkins	Construction Code Official		
M. Lou Garty	Solicitor		
Richard Alaimo	Engineer		
Steven Wenger	Prosecutor		

Corporate Surety Bonds:

A) Individual Bond

B) Coverage under New Jersey Municipal Self Insurers' Joint Insurance Fund

To the Honorable Mayor and
Members of the City Council
City of Burlington
Burlington, New Jersey 08016

We have audited the financial statements and transactions of the City of Burlington in the County of Burlington for the year ended December 31, 2018. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised by N.J.S.A.40A:11-4

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or 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 therefore, 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 of \$17,500 except by contract or agreement.

It is pointed out that the governing body of the City has the responsibility of determining whether the expenditures in any category will exceed the statutory minimum 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 resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

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

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$2,625 "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 provision of *N.J.S.A.40A:11-6.1*.

Collection of Interest on Delinquent Taxes

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

The governing body on December 5, 2018, adopted the following resolution authorizing interest to be charged on delinquent taxes:

“BE IT RESOLVED by the City Council of the City of Burlington, County of Burlington, State of New Jersey, the rate of interest charged on delinquent taxes or assessments on any installment made ten (10) days after the date upon which the same became payable, shall not exceed eight (8) percent per annum of the first One Thousand Five Hundred Dollars (\$1,500.00) of the delinquency, and eighteen (18) percent per annum on any amount in excess of One Thousand Five Hundred Dollars (\$1,500.00).

BE IT FURTHER RESOLVED, that where interest on delinquent tax payments is one dollar (\$1.00) or less, payment and collection of said interest is hereby waived.”

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

Delinquent Taxes and Tax Title Liens

The delinquent taxes at December 31, 2018, include 2017 real estate taxes only.

The last tax sale was held on November 20, 2018, and was complete.

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate.

Municipal Court

A separate report of the Municipal Court transactions was filed in accordance with the requirements of the Local Finance Board.

As part of the test of the Municipal Court records, no attempt was made to differentiate between fines due the City, County or State, or to pass upon the authenticity of the preparation and procedures for complaints issued.

Acknowledgment

We received the complete cooperation of all the City Officials and employees and we greatly appreciate the courtesies extended to the members of the audit team.

Should you have any questions concerning our comments or recommendations, or should you desire any assistance in implementing our recommendations, please call me.

Respectfully submitted,

Warren A. Broudy, Certified Public Accountant
Registered Municipal Accountant No. CR554

August 26, 2019

**CITY OF BURLINGTON
COUNTY OF BURLINGTON, STATE OF NEW JERSEY**

SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Year Ended December 31, 2018

Recreation

Finding 2018-001:

Criteria:

That the required internal controls be in place in order to identify and classify all cash receipts and be remitted timely, on a monthly basis, to the City's Treasurer.

Condition:

The City is not identifying and classifying cash collections for the Lyceum Hall account and not remitting such collections to the City's Treasurer in a timely manner.

Cause:

Oversight of employee personnel.

Effect:

Cash receipts are not classified properly and are not remitted to the Treasurer's office timely manner.

Recommendation:

That the City identify and classify all cash receipts and remit all collections to the City's Treasurer on a monthly basis.

Management Response:

Management has reviewed the finding and will complete a corrective action plan.

**CITY OF BURLINGTON
COUNTY OF BURLINGTON, STATE OF NEW JERSEY**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended December 31, 2018

Finding 2017-001

Criteria:

That the required internal controls be in place in order for monthly bank reconciliations to be completed in a timely manner.

Status:

This condition has not been resolved. See finding 2018-001.