

**CITY OF SALEM  
COUNTY OF SALEM  
REPORT OF AUDIT  
FOR THE YEAR ENDED DECEMBER 31, 2014**

CITY OF SALEM  
TABLE OF CONTENTS

<u>Exhibit No.</u>		<u>Page No.</u>
<u>PART I</u>		
	Independent Auditor's Report	2
	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	5
<u>CURRENT FUND</u>		
A	Statements of Assets, Liabilities, Reserves and Fund Balance-- Regulatory Basis	7
A-1	Statements of Operations and Changes in Fund Balance-- Regulatory Basis	9
A-2	Statement of Revenues--Regulatory Basis	10
A-3	Statement of Expenditures--Regulatory Basis	12
<u>TRUST FUND</u>		
B	Statements of Assets, Liabilities, Reserves and Fund Balance-- Regulatory Basis	17
<u>GENERAL CAPITAL FUND</u>		
C	Statements of Assets, Liabilities, Reserves and Fund Balance-- Regulatory Basis	18
<u>WATER AND SEWER UTILITY FUND</u>		
D	Statements of Assets, Liabilities, Reserves and Fund Balance-- Regulatory Basis	19
D-1	Statements of Operations and Changes in Operating Fund Balance-- Regulatory Basis	21
D-2	Statement of Revenues--Regulatory Basis	22
D-3	Statement of Expenditures--Regulatory Basis	23
<u>PUBLIC ASSISTANCE FUND</u>		
E	Statements of Assets, Liabilities and Reserves--Regulatory Basis	N/A
<u>GENERAL FIXED ASSETS ACCOUNG GROUP</u>		
F	Statement of General Fixed Assets Group of Account	N/A
	Notes to Financial Statements	24

CITY OF SALEMTABLE OF CONTENTS (CONT'D)

<u>Exhibit No.</u>		<u>Page No.</u>
	<u>SUPPLEMENTAL EXHIBITS</u>	
	<u>CURRENT FUND</u>	
SA-1	Statement of Current Cash	43
SA-2	Statement of Taxes Receivable and Analysis of Property Tax Levy	44
SA-3	Statement of Tax Title Liens	45
SA-4	Statement of Prepaid Taxes	45
SA-5	Statement of Prepaid Debt Service	45
SA-6	Statement of Due to State of New Jersey Senior Citizens' and Veterans' Deductions	46
SA-7	Statement of Revenue Accounts Receivable	47
SA-8	Statement Appropriation Reserves	48
SA-9	Statement of Due County for Added and Omitted Taxes	50
SA-10	Statement of Due County Taxes	50
SA-11	Statement of Local District School Tax	51
SA-12	Statement of Due to Federal & State Grant Fund	52
SA-13	Federal and State Grant Fund--Statement of Federal and State Grants Receivable	53
SA-14	Federal and State Grant Fund--Statement of Reserve for Federal and State Grants--Appropriated	54
SA-15	Federal and State Grant Fund--Statement of Reserve for Federal and State Grants--Unappropriated	55
	<u>TRUST FUND</u>	
SB-1	Statement of Trust Cash	57
SB-2	Animal Control Fund--Statement of Reserve for Animal Control Expenditures	58
SB-3	Animal Control Fund--Statement of Due to/from Current Fund	58
SB-4	Animal Control Fund --Statement of Due to State of New Jersey	59
SB-5	Trust Other Funds—Statement of Due to Current Fund	60
SB-6	Trust Other Funds--Statement of Changes in Reserves	61
	<u>GENERAL CAPITAL FUND</u>	
SC-1	Statement of General Capital Cash	63
SC-2	Analysis of General Capital Cash	64
SC-3	Statement of Capital Improvement Fund	65
SC-4	Statement of Deferred Charges to Future Taxation--Funded	65

CITY OF SALEMTABLE OF CONTENTS (CONT'D)

<u>Exhibit No.</u>		<u>Page No.</u>
<u>GENERAL CAPITAL FUND (CONT'D)</u>		
SC-5	Statement of Capital Improvement Fund	66
SC-6	Statement of Due from Current Fund	67
SC-7	Statement of Improvement Authorizations	68
SC-8	Statement of General Serial Bonds	69
SC-9	Statement of Reserve for the Payment of Bonds & Notes	70
SC-10	Statement of Due from Utility Capital Fund	70
SC-11	Statement of Due for Payment of Guaranteed Debt	70
SC-12	Statement of Due from Federal and State Grant Fund	70
SC-13	Statement of Bonds and Notes Authorized But Not Issued	71
<u>WATER AND SEWER UTILITY FUND</u>		
SD-1	Statement of Cash	73
SD-2	Water and Sewer Utility Capital Fund--Analysis of Water and Sewer Capital Cash and Investments	74
SD-3	Water and Sewer Utility Operating Fund--Statement of Consumer Accounts Receivable	75
SD-4	Water and Sewer Utility Operating Fund--Statement of Utility Liens Receivable	75
SD-5	Water and Sewer Utility Operating Fund--Statement of Appropriation Reserves	76
SD-6	Water and Sewer Utility Operating Fund—Statement of Accrued Interest on Bonds and Notes	77
SD-7	Water and Sewer Utility Operating Fund--Statement of Due Current Fund	78
SD-8	Water and Sewer Utility Capital Fund--Statement of Fixed Capital	79
SD-9	Water and Sewer Utility Capital Fund--Statement of Fixed Capital Authorized And Uncompleted	80
SD-10	Water and Sewer Utility Capital Fund--Statement of Improvement Authorizations	81
SD-11	Water and Sewer Utility Capital Fund--Statement of Bonds Payable	82
SD-12	Water and Sewer Utility Capital Fund--Statement of Water and Sewer Wastewater Improvement Bonds	83
SD-13	Water and Sewer Utility Capital Fund – Statement of USDA Loan Payable	84
SD-14	Water and Sewer Utility Capital Fund-- Statement of Water and Sewer New Jersey Environmental Infrastructure Trust Loans Payable	85
SD-15	Water and Sewer Utility Capital Fund-- Statement of State of New Jersey Loan- Dam Restoration Program	89
SD-16	Water and Sewer Utility Capital Fund-- Statement of Due from Utility Operating Fund	90
SD-17	Water and Sewer Utility Capital Fund— Statement of Capital Improvement Fund	91
SD-18	Water and Sewer Utility Capital Fund— Statement of Deferred Reserve for Amortization	91
SD-19	Water and Sewer Utility Operating Fund—Statement of Deferred Charges: Overexpenditure of Appropriations	92
SD-20	Water and Sewer Utility Capital Fund—Statement of Due to Current Fund	92
SD-21	Water and Sewer Utility Capital Fund—Statement of Reserve for Amortization	92
SD-22	Water and Sewer Utility Operating Fund—Statement of Accounts Payable	93
SD-23	Water and Sewer Utility Operating Fund—Statement of Deferred Charges: Overexpenditure of Appropriation Reserves	93
SD-24	Water and Sewer Utility Capital Fund—Statement of Due to General Capital Fund	93
SD-25	Water and Sewer Utility Capital Fund--Statement of Bonds and Notes Authorized But Not Issued	94

CITY OF SALEMTABLE OF CONTENTS (CONT'D)Exhibit No.Page No.**PART 2****SINGLE AUDIT SECTION**

Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by OMB Circular A-133 and State Financial Assistance Required by State of New Jersey Circular 04-04-OMB	96
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**SUPPLEMENTAL SCHEDULES**Schedule

A	Schedule of Expenditures of Federal Awards	N/A
B	Schedule of Expenditures of State Financial Assistance	99
	Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	100

**PART 3****SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Schedule of Findings and Questioned Costs	102
Summary Schedule of Prior Year Audit Findings as Prepared by Management	108
OFFICIALS IN OFFICE AND SURETY BONDS	110
APPRECIATION	111

**CITY OF SALEM**  
**PART 1**  
**REPORT OF AUDIT OF FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and  
Members of the City Council  
City of Salem  
Salem, New Jersey 08079

### ***Report on the Financial Statements***

We have audited the accompanying statements of assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the City of Salem, in the County of Salem, State of New Jersey, as of December 31, 2014 and 2013, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis, statement of expenditures - regulatory basis, for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of 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 misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the City on the basis of the financial reporting provisions of 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 the State 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 City of Salem, in the County of Salem, State of New Jersey, as of December 31, 2014 and 2013, or the results of its operations and changes in fund balance for the years then ended.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

The financial statements referred to above do not include the general fixed assets account group, as required by N.J.A.C. 5:30-5.6, because a record of general fixed assets was not maintained by the City. The amount that should be recorded in the general fixed assets account group is not known.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the effect of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to previously present fairly, in all material respects, the assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the City of Salem, in the County of Salem, State of New Jersey, as of December 31, 2014 and 2013, and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended, and the revenues - regulatory basis, expenditures - regulatory basis of the various funds, for the year ended December 31, 2014 in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in Note 1.

***Other Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental financial statements presented for the various funds are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance programs is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and is also not a required part of the financial statements.

The supplementary financial statements presented for the various funds and the schedule of expenditures of state financial assistance programs are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 information described in the previous paragraph is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated June 27, 2015 on our consideration of the City of Salem's, in the County of Salem, State of New Jersey, 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 City of Salem's internal control over financial reporting.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants



Henry J. Ludwigsen  
Certified Public Accountant  
Registered Municipal Accountant

Woodbury, New Jersey  
June 27, 2015

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

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and  
Members of the City Council  
City of Salem  
Salem, New Jersey 08079

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements prepared on a regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey of the City of Salem, in the County of Salem, State of New Jersey, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2015. That report indicated that the City of Salem's financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America, but were prepared on a regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. In our report, our opinion was modified because the financial statements did not include the general fixed assets account group as required by the New Jersey Administrative Code.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City of Salem's internal 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Salem's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 2014-001 and 2014-002.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Salem'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-003 and 2014-004.

**The City of Salem's Response to Findings**

The City of Salem's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. 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* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants



Henry J. Ludwigen  
Certified Public Accountant  
Registered Municipal Accountant

Woodbury, New Jersey  
June 27, 2015

**CITY OF SALEM**  
**CURRENT FUND**  
 Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis  
 As of December 31, 2014 and 2013

ASSETS:	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
Regular Fund:			
Cash	SA-1	\$ 1,585,138.59	\$ 1,713,725.65
Cash -- Change Fund	A	200.00	200.00
Prepaid Debt Service	SA-5	231,925.00	209,250.00
		<u>1,817,263.59</u>	<u>1,923,175.65</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	SA-2	816,842.10	985,282.69
Tax Title Liens	SA-3	1,770,039.15	1,241,282.54
Property Acquired for Taxes -- Assessed Valuation	A	280,700.00	280,700.00
Revenue Accounts Receivable	SA-7	5,676.69	5,213.83
Insurance Proceeds Receivable	SA-1	16,902.73	
Due from Trust -- Animal Control Fund	SB-3		14,766.89
Due from Trust -- Other Funds	SB-5	190,008.79	46,402.02
Due from Utility Operating Fund	SD-7		59,535.59
Due from Utility Capital Fund	SD-20		173,936.96
		<u>3,080,169.46</u>	<u>2,807,120.52</u>
Total Regular Fund		<u>4,897,433.05</u>	<u>4,730,296.17</u>
Federal and State Grant Fund:			
Federal and State Grants Receivable	SA-13	79,993.65	51,941.10
Due from Current Fund	SA-12	259,747.06	65,528.04
Over-expenditure Appropriated Grants	A-3, SA-14	4,162.72	25,795.06
Total Federal and State Grant Fund		<u>343,903.43</u>	<u>143,264.20</u>
		<u>\$ 5,241,336.48</u>	<u>\$ 4,873,560.37</u>

(Continued)

**CITY OF SALEM**  
**CURRENT FUND**  
 Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis  
 As of December 31, 2014 and 2013

	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE:</b>			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3	\$ 767,497.38	\$ 1,134,002.66
Reserve for Encumbrances	A-3	20,232.29	40,898.91
Prepaid Taxes	SA-4	88,131.32	75,789.17
Due to State of NJ Senior Citizens/Veterans Deductions	SA-6	1,828.23	2,078.23
Local District School Taxes Payable	SA-11	221,266.36	23,885.94
Due to Federal and State Grant Fund	SA-12	259,747.06	65,528.04
Due to Animal Control Fund	SB-3	44.61	
Due to General Capital Fund	SC-6	86,121.47	823.80
		<u>1,444,868.72</u>	<u>1,343,006.75</u>
Reserves for Receivables and Other Assets	A	3,080,169.46	2,807,120.52
Fund Balance	A-1	372,394.87	580,168.90
		<u>4,897,433.05</u>	<u>4,730,296.17</u>
Total Regular Fund			
Federal and State Grant Fund:			
Due to General Capital Fund	SA-12		39,690.00
Appropriated Reserves	SA-14	263,998.61	85,119.27
Unappropriated Reserves	SA-15	79,904.82	18,454.93
		<u>343,903.43</u>	<u>143,264.20</u>
Total Federal and State Grant Fund			
		<u>\$ 5,241,336.48</u>	<u>\$ 4,873,560.37</u>

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

**CITY OF SALEM**  
**CURRENT FUND**  
 Statements of Operations and Changes in Fund Balance -- Regulatory Basis  
 For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>REVENUE AND OTHER INCOME REALIZED:</b>		
Fund Balance Anticipated	\$ 475,000.00	\$ 200,000.00
Miscellaneous Revenues Anticipated	2,581,260.59	2,972,834.76
Receipts from Delinquent Taxes and Tax Title Liens	663,711.67	912,073.49
Receipts from Current Taxes	7,897,169.96	7,739,778.82
Non-Budget Revenue	171,285.85	296,322.29
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	177,054.62	115,616.19
Liquidation of Interfund:		
Trust -- Animal Control Fund	14,766.89	
Trust -- Other Funds		8,265.55
General Capital Fund		40,700.76
Utility Operating Fund	59,535.59	
Utility Capital Fund	173,936.96	
	<u>12,213,722.13</u>	<u>12,285,591.86</u>
Total Income		
<b>EXPENDITURES:</b>		
Budget Appropriations:		
Within "CAPS":		
Operations:		
Salaries and Wages	2,759,428.00	2,856,727.00
Other Expenses	2,543,300.00	2,511,361.00
Deferred Charges and Statutory Expenditures	698,527.21	712,216.43
Excluded from "CAPS":		
Operations:		
Other Expenses	564,152.95	429,626.50
Capital Improvements	40,000.00	
Municipal Debt Service	496,785.15	517,738.68
Deferred Charges	22,875.42	21,000.00
Transferred to Board of Education for Use of Local School	15,911.00	16,232.00
Local District School Tax	2,492,394.00	2,496,014.00
County Taxes	2,118,791.35	2,153,876.17
Due County for Added and Omitted Taxes	16,372.27	4,061.01
Refund of Prior Year Revenue	17,324.31	1,750.68
Creation of Interfund and Other Assets:		
Insurance Proceeds Receivable	16,902.73	
Trust -- Other Funds	143,606.77	
Utility Operating Fund		47,757.90
Utility Capital Fund		70,000.00
Prior Year Senior Citizens & Veterans' Deductions Disallowed	125.00	750.00
	<u>11,946,496.16</u>	<u>11,839,111.37</u>
Total Expenditures		
Excess in Revenue	267,225.97	446,480.49
<b>FUND BALANCE:</b>		
Balance January 1,	<u>580,168.90</u>	<u>333,688.41</u>
	847,394.87	780,168.90
Utilized as Anticipated Revenue	<u>475,000.00</u>	<u>200,000.00</u>
Balance December 31,	<u>\$ 372,394.87</u>	<u>\$ 580,168.90</u>

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

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Revenues -- Regulatory Basis  
For the Year Ended December 31, 2014

	Anticipated		Realized	Excess or (Deficit)
	Budget	Special N.J.S. 40A: 4-87		
Surplus Anticipated	\$ 475,000.00		\$ 475,000.00	
Miscellaneous Revenues				
Local Revenues				
Fines and Costs: Municipal Court	86,900.00		88,512.76	\$ 1,612.76
Interest and Costs on Taxes	142,422.00		140,835.42	(1,586.58)
Street Opening Permits	3,000.00		5,750.00	2,750.00
Cable Television Franchise Fee	53,151.00		54,866.04	1,715.04
State Aid Without Offsetting Appropriations				
Consolidated Municipal Property Tax Relief Aid	359,163.00		359,163.00	
Energy Receipts Tax	1,036,776.00		1,036,776.00	
Special Items of General Revenue Anticipated with Prior Written Consent of the Director of the Division of Local Government Services				
Additional Revenues Offset with Appropriations				
Garbage and Trash - Pick up Stickers	82,063.00		83,893.05	1,830.05
Public and Private Revenues Offset with Appropriations				
Municipal Alliance on Alcohol and Drug Abuse	7,456.77		7,456.77	
Clean Communities Program	10,998.14		10,998.14	
New Jersey Motor Vehicle Commission	94,085.04		94,085.04	
NJ DOT Grievances Parkway Phase II		\$ 167,940.00	167,940.00	
Other Special Items				
Whispering Waters Pilot Agreement	312,000.00		312,000.00	
Senior Village Pilot Agreement	16,500.00		15,000.00	(1,500.00)
County of Salem Pilot Agreement	26,192.00			(26,192.00)
South Jersey Gas Agreement	31,224.00		31,224.37	0.37
Resource Officer	87,718.40		52,760.00	(34,958.40)
Reserve for Payment of Bonds and Notes	120,000.00		120,000.00	
	<u>2,469,649.35</u>	<u>167,940.00</u>	<u>2,581,260.59</u>	<u>(56,328.76)</u>
Receipts from Delinquent Taxes	<u>930,000.00</u>		<u>663,711.67</u>	<u>(266,288.33)</u>
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes including Reserve for Uncollected Taxes	<u>4,280,498.80</u>		<u>4,451,719.91</u>	<u>171,221.11</u>
Budget Totals	8,155,148.15	167,940.00	8,171,692.17	(151,395.98)
Non-Budget Revenue			<u>171,285.85</u>	<u>171,285.85</u>
	<u>\$ 8,155,148.15</u>	<u>\$ 167,940.00</u>	<u>\$ 8,342,978.02</u>	<u>\$ 19,889.87</u> (Continued)

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Revenues -- Regulatory Basis  
For the Year Ended December 31, 2014

Analysis of Realized Revenue

Allocation of Current Tax Collections:	
Revenue from Collections	\$ 7,897,169.96
Allocated to:	
County and School Taxes	<u>4,627,557.62</u>
Amount for Support of Municipal Budget Appropriations	3,269,612.34
Add: Appropriation "Reserve for Uncollected Taxes"	<u>1,182,107.57</u>
Amount for Support of Municipal Budget Appropriations	<u>\$ 4,451,719.91</u>
Receipts from Delinquent Taxes:	
Delinquent Tax Collections	<u>\$ 663,711.67</u>

Analysis of Non-Budget Revenues

Miscellaneous Revenue not Anticipated:	
Receipts:	
Other Licenses	\$ 420.00
Interest Earnings on Deposits	60.08
Parking Meters	17,695.70
Certificate of Occupancy	55,732.00
Accident Report and Gun License	696.00
Sale of Recyclables	1,075.70
Registrar of Vital Statistics	32,588.65
Planning and Zoning Fees	2,340.00
Tax Search Fees	160.00
Senior Citizens' and Veterans' Deduction Administration Fee	772.50
Miscellaneous	28,521.30
Police Reimbursement	16,300.00
Salem County Mutual Fire Insurance Company	<u>14,925.00</u>
Total Cash Receipts	171,286.93
Interest Earnings - Trust -- Other Funds	<u>(1.08)</u>
Total Miscellaneous Revenue not Anticipated	<u>\$ 171,285.85</u>

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



**CITY OF SALEM**  
Statement of Expenditures -- Regulatory Basis  
For the Year Ended December 31, 2014

	Appropriations			Expended			Unexpended Balance Canceled
	Budget	Budget Modifications	Budget After Modification	Paid or Charged	Encumbered	Reserved	
<b>OPERATIONS -- WITHIN "CAPS"</b>							
<u>General Government Functions</u>							
Human Resources:							
Other Expenses	\$ 3,000.00	\$ (2,000.00)	\$ 1,000.00	\$ 760.00		\$ 240.00	
Mayor and Council:							
Salaries and Wages	55,000.00		55,000.00	54,977.52		22.48	
Other Expenses	25,000.00	12,200.00	37,200.00	36,897.04		302.96	
Municipal Clerk:							
Salaries and Wages	83,000.00	2,500.00	85,500.00	85,472.16		27.84	
Other Expenses	28,530.00	(8,520.00)	20,010.00	15,590.03	\$ 251.31	4,168.66	
Financial Administration:							
Salaries and Wages	122,500.00	1,550.00	124,050.00	123,878.01		171.99	
Other Expenses	16,020.00	5,100.00	21,120.00	20,411.42	521.26	187.32	
Audit:							
Other Expenses	45,000.00	(2,500.00)	42,500.00	40,503.60		1,996.40	
Tax Collection:							
Salaries and Wages	53,250.00	750.00	54,000.00	53,874.00		126.00	
Other Expenses	7,850.00	(1,000.00)	6,850.00	6,676.22		173.78	
Assessment of Taxes:							
Salaries and Wages	23,508.00	12,150.00	35,658.00	35,654.92		3.08	
Other Expenses	9,000.00	4,550.00	13,550.00	13,434.13	57.81	58.06	
Legal Services and Costs:							
Salaries and Wages	77,270.00	900.00	78,170.00	78,128.64		41.36	
Other Expenses	1,700.00	1,700.00	3,400.00	3,390.93		9.07	
Engineering Services and Costs:							
Other Expenses	12,000.00		12,000.00	10,596.13		1,403.87	
Public Buildings and Grounds:							
Other Expenses	30,000.00		30,000.00	26,984.26	605.00	2,410.74	
Housing Enforcement:							
Salaries and Wages	115,000.00	(46,000.00)	69,000.00	58,547.76		10,452.24	
Other Expenses	8,500.00	1,500.00	10,000.00	9,007.86	357.81	634.33	
Economic Development:							
Salaries and Wages	6,000.00	(6,000.00)					
Other Expenses	1,000.00	(1,000.00)					
Insurance							
General Liability	250,000.00	7,700.00	257,700.00	257,662.86		37.14	
Workers Compensation	130,000.00	(10,000.00)	120,000.00	107,916.84		12,083.16	
Employee Group Health	1,161,940.00		1,161,940.00	545,983.41		615,956.59	

(Continued)

**CITY OF SALEM**  
Statement of Expenditures -- Regulatory Basis  
For the Year Ended December 31, 2014

	Appropriations			Expended			Unexpended Balance Canceled
	Budget	Budget Modifications	Budget After Modification	Paid or Charged	Encumbered	Reserved	
<u>Land Use Administration</u>							
Planning Board							
Other Expenses	\$ 13,500.00	\$ 6,400.00	\$ 19,900.00	\$ 19,847.11		\$ 52.89	
<u>Public Safety</u>							
Fire:							
Other Expenses	45,000.00		45,000.00	29,145.21	\$ 10,721.88	5,132.91	
Police:							
Salaries and Wages	1,755,000.00	(20,000.00)	1,735,000.00	1,686,603.89		48,396.11	
Other Expenses	78,000.00	(5,000.00)	73,000.00	60,524.35	2,980.10	9,495.55	
Aid to Ambulance Organization:							
Other Expenses	10,000.00	(3,000.00)	7,000.00	5,406.93	257.04	1,336.03	
Office of Emergency Management:							
Salaries and Wages	8,200.00		8,200.00	8,197.20		2.80	
<u>Streets and Roads</u>							
Street Maintenance:							
Salaries and Wages	364,350.00	1,000.00	365,350.00	364,725.69		624.31	
Other Expenses	27,500.00	12,200.00	39,700.00	37,624.61	1,995.46	79.93	
<u>Sanitation</u>							
Street Cleaning:							
Salaries and Wages	50,750.00	1,000.00	51,750.00	51,719.40		30.60	
Other Expenses	700.00	20.00	720.00	712.00		8.00	
Sanitary Landfill:							
Salaries and Wages	2,400.00	2,350.00	4,750.00	4,711.12		38.88	
Other Expenses	83,600.00	9,600.00	93,200.00	93,195.57		4.43	
Vehicle Maintenance:							
Other Expenses	30,675.00		30,675.00	28,454.16	1,599.87	620.97	
<u>Health and Welfare</u>							
Board of Health:							
Other Expenses	350.00		350.00			350.00	
Dog Regulation:							
Other Expenses	22,600.00		22,600.00	18,500.00		4,100.00	
<u>Recreation and Education</u>							
Recreation:							
Other Expenses	25,200.00		25,200.00	12,478.79	140.38	12,580.83	

(Continued)

**CITY OF SALEM**  
Statement of Expenditures -- Regulatory Basis  
For the Year Ended December 31, 2014

	Appropriations			Expended			Unexpended Balance Canceled
	Budget	Budget Modifications	Budget After Modification	Paid or Charged	Encumbered	Reserved	
<u>Municipal Court:</u>							
Salaries and Wages	\$ 98,000.00	\$ (5,000.00)	\$ 93,000.00	\$ 90,537.88		\$ 2,462.12	
Other Expenses	17,000.00	9,600.00	26,600.00	25,374.46	\$ 744.37	481.17	
<u>Public Defender:</u>							
Other Expenses	9,730.00		9,730.00	8,030.66		1,699.34	
<u>Utility Expenses and Bulk Purchases</u>							
Street Lighting	120,000.00		120,000.00	119,225.26		774.74	
Telephone	66,000.00	16,000.00	82,000.00	81,909.89		90.11	
Heating Oil	25,000.00	500.00	25,500.00	25,399.87		100.13	
Gasoline	86,000.00	(5,000.00)	81,000.00	77,619.60		3,380.40	
Natural Gas	13,755.00	8,100.00	21,855.00	21,833.59		21.41	
Electricity	82,000.00		82,000.00	80,047.23		1,952.77	
Total Operations -- Within "CAPS"	<u>5,300,378.00</u>	<u>2,350.00</u>	<u>5,302,728.00</u>	<u>4,538,172.21</u>	<u>20,232.29</u>	<u>744,323.50</u>	<u>-</u>
<u>Detail:</u>							
Salaries and Wages	2,814,228.00	(54,800.00)	2,759,428.00	2,697,028.19	-	62,399.81	-
Other Expenses (Including Contingent)	2,486,150.00	57,150.00	2,543,300.00	1,841,144.02	20,232.29	681,923.69	-
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES -- WITHIN "CAPS"</u>							
<u>Deferred Charges</u>							
Overexpenditure of Improvement Authorization	3,692.15		3,692.15	3,692.15			
Overexpenditure of Appropriated Grants	25,795.06		25,795.06	25,795.06			
<u>Statutory Expenditures</u>							
Contribution to:							
Public Employees' Retirement System of N.J.	137,625.00		137,625.00	137,625.00			
Social Security System (O.A.S.I.)	152,300.00	(5,950.00)	146,350.00	142,794.34		3,555.66	
Police and Firemen's Retirement System of N.J.	380,315.00		380,315.00	380,315.00			
Unemployment & Disability Insurance:	2,250.00	2,500.00	4,750.00	4,688.10		61.90	
Total Deferred Charges and Statutory Expenditures -- Municipal -- Within "CAPS"	<u>701,977.21</u>	<u>(3,450.00)</u>	<u>698,527.21</u>	<u>694,909.65</u>	<u>-</u>	<u>3,617.56</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within -- "CAPS"	<u>6,002,355.21</u>	<u>(1,100.00)</u>	<u>6,001,255.21</u>	<u>5,233,081.86</u>	<u>20,232.29</u>	<u>747,941.06</u>	<u>-</u>

(Continued)

**CITY OF SALEM**  
Statement of Expenditures -- Regulatory Basis  
For the Year Ended December 31, 2014

	Appropriations			Expended			Unexpended Balance Canceled
	Budget	Budget Modifications	Budget After Modification	Paid or Charged	Encumbered	Reserved	
<u>OPERATIONS -- EXCLUDED FROM "CAPS"</u>							
Aid to Library (N.J.S.A. 40:54-35)	\$ 71,500.00	\$ 1,100.00	\$ 72,600.00	\$ 72,532.68		\$ 67.32	
Total Operations -- Excluded from "CAPS"	71,500.00	1,100.00	72,600.00	72,532.68	-	67.32	-
<u>INTERLOCAL MUNICIPAL SERVICE AGREEMENTS</u>							
Police Dispatch Service with County of Salem	129,010.00		129,010.00	129,009.00		1.00	
Total Interlocal Municipal Service Agreements	129,010.00	-	129,010.00	129,009.00	-	1.00	-
<u>ADDITIONAL APPROPRIATIONS OFFSET BY REVENUES</u> (N.J.S. 40A:4-43.3h) -- EXCLUDED FROM "CAPS"							
Garbage and Trash Collection							
Other Expenses	82,063.00		82,063.00	62,575.00		19,488.00	
Total Additional Appropriations Offset by Revenues (N.J.S. 40A:4-43.3h) -- Excluded from "CAPS"	82,063.00	-	82,063.00	62,575.00	-	19,488.00	-
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</u> <u>EXCLUDED FROM "CAPS"</u>							
Municipal Alliance on Alcohol and Drug Abuse	7,456.77		7,456.77	7,456.77			
Clean Communities Program	10,998.14		10,998.14	10,998.14			
New Jersey Motor Vehicle Commission	94,085.04		94,085.04	94,085.04			
NJ DOT Grieves Parkway Phase II (40A:4-87 \$167,940.00)		167,940.00	167,940.00	167,940.00			
Total Public and Private Programs Offset by Revenues -- Excluded from "CAPS"	112,539.95	167,940.00	280,479.95	280,479.95	-	-	-
Total Operations -- Excluded from "CAPS"	395,112.95	169,040.00	564,152.95	544,596.63	-	19,556.32	-
Detail:							
Salaries and Wages	-	-	-	-	-	-	-
Other Expenses	395,112.95	169,040.00	564,152.95	544,596.63	-	19,556.32	-

(Continued)

**CITY OF SALEM**  
Statement of Expenditures -- Regulatory Basis  
For the Year Ended December 31, 2014

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget Modifications		Budget After Modification	Encumbered	
<b>CAPITAL IMPROVEMENTS -- EXCLUDED FROM "CAPS"</b>						
Capital Improvement Fund	\$ 40,000.00		\$ 40,000.00	\$ 40,000.00		
Total Capital Improvements -- Excluded from "CAPS"	40,000.00	-	40,000.00	40,000.00	-	-
<b>MUNICIPAL DEBT SERVICE -- EXCLUDED FROM "CAPS"</b>						
Payment of Bond Principal	285,000.00		285,000.00	\$ 285,000.00		
Interest on Bonds	106,786.00		106,786.00	106,785.15		\$ 0.85
Debt Service Guarantee	105,000.00		105,000.00	105,000.00		
Total Municipal Debt Service -- Excluded from "CAPS"	496,786.00	-	496,786.00	496,785.15	-	0.85
<b>DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"</b>						
Deferred to Future Taxation Unfunded	22,875.42		22,875.42	22,875.42	-	
Total Deferred Charges - Municipal - Excluded from "CAPS"	22,875.42	-	22,875.42	22,875.42	-	-
Transferred to Board of Education for Use of Local School (N.J.S.A. 40:48-17.1 & 17.3)	15,911.00		15,911.00	15,911.00		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	970,685.37	\$ 169,040.00	1,139,725.37	1,120,168.20	\$ 19,556.32	0.85
Subtotal General Appropriations	6,973,040.58	167,940.00	7,140,980.58	6,353,250.06	\$ 20,232.29	0.85
Reserve for Uncollected Taxes	1,182,107.57		1,182,107.57	1,182,107.57		
<b>Total</b>	<b>\$ 8,155,148.15</b>	<b>\$ 167,940.00</b>	<b>\$ 8,323,088.15</b>	<b>\$ 7,535,357.63</b>	<b>\$ 20,232.29</b>	<b>\$ 0.85</b>
Adopted Budget			\$ 8,155,148.15			
Appropriation by 40A:4-87			167,940.00			
Reserve for Federal and State Grant Fund--Appropriated				\$ 280,479.95		
Reserve for the Payment of Guaranteed Debt Due General Capital Fund				105,000.00		
Due Animal Control Fund				18,500.00		
School Taxes Payable				15,911.00		
Deferred Charges Due Federal and State Grant Fund				25,795.06		
Deferred to Future Taxation Unfunded Due General Capital Fund				22,875.42		
Deferred Charges Due General Capital Fund				3,692.15		
Capital Improvement Fund Due General Capital Fund				40,000.00		
Reserve for Uncollected Taxes				1,182,107.57		
Disbursed				5,840,996.48		
			<u>\$ 8,323,088.15</u>	<u>\$ 7,535,357.63</u>		

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

**CITY OF SALEM**  
**TRUST FUNDS**  
 Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis  
 As of December 31, 2014 and 2013

	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>			
Animal Control Fund:			
Cash	SB-1	\$ 2,985.78	\$ 18,457.59
Due from Current Fund	SB-3	44.61	
		<u>3,030.39</u>	<u>18,457.59</u>
Other Funds:			
Cash	SB-1	1,416,844.92	1,104,371.28
		<u>\$ 1,419,875.31</u>	<u>\$ 1,122,828.87</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE:</b>			
Animal Control Fund:			
Due to Current Fund	SB-3		\$ 14,766.89
Due to State of New Jersey	SB-4	\$ 38.40	21.00
Reserve for Animal Control Expenditures	SB-2	2,991.99	3,669.70
Total Animal Control Fund		<u>3,030.39</u>	<u>18,457.59</u>
Other Funds:			
Due to Current Fund	SB-5	190,008.79	46,402.02
Due to Utility Operating Fund	B	47,868.00	47,868.00
Due to Utility Capital Fund	B	100,340.39	100,340.39
Due to State of New Jersey - Criminal Disposition and Revenue Collection Fund	B	35,993.14	35,993.14
Reserve for:			
Community Development Housing Equity	SB-6	15,773.79	15,773.79
Small Cities Rehab	SB-6	350.63	4,196.63
Developer's Escrow	SB-6	22,345.01	19,740.01
POAA	SB-6	15,469.95	14,704.95
Payroll Withholdings Payable	SB-6	196,966.53	141,787.58
Public Defender	SB-6	2,283.25	2,281.16
Landfill	SB-6	92,574.37	92,873.85
Tax Title Liens	SB-6	625,895.86	478,665.45
Unemployment Compensation	SB-6	10,955.24	10,955.24
Accumulated Sick Leave	SB-6	33,350.27	33,350.27
Shade Tree Commission	SB-6	687.90	2,786.71
Proceeds from Mortgage Notes	SB-6	8,361.92	8,361.92
Off-Duty Police	SB-6	1,166.70	11,618.27
County Prosecutor Law Enforcement Trust	SB-6		27,485.00
Municipal Pool Donations Account	SB-6	16,453.18	9,186.90
Total Other Funds		<u>1,416,844.92</u>	<u>1,104,371.28</u>
		<u>\$ 1,419,875.31</u>	<u>\$ 1,122,828.87</u>

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

**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
 Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis  
 As of December 31, 2014 and 2013

ASSETS:	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
Cash	SC-1	\$ 2,088.44	\$ 1,702.44
State and Federal Grants Receivable	C	513,712.19	513,712.19
Due from Current Fund	SC-6	86,121.47	823.80
Due from Federal and State Grant Fund	SC-12		39,690.00
Due from Utility Capital Fund	SC-10	677,749.10	547,494.61
Deferred Charge - Overexpenditure of Improvement Authorizations	A-3, SC-6		3,692.15
Deferred Charges to Future Taxation:			
Funded	SC-4	2,966,000.00	3,251,000.00
Unfunded	SC-5	172,099.27	529,974.69
		<u>\$ 4,417,770.47</u>	<u>\$ 4,888,089.88</u>
LIABILITIES, RESERVES AND FUND BALANCE:			
General Serial Bonds	SC-8	\$ 2,966,000.00	\$ 3,251,000.00
Improvement Authorizations:			
Funded	SC-7	991,759.19	1,107,078.60
Unfunded	SC-7	66,568.57	166,568.57
Reserve for the Payment of Bonds & Notes	SC-9	98,031.49	218,031.49
Reserve for Payment of Guaranteed Debt	SC-11	234,513.00	129,513.00
Capital Improvement Fund	SC-3	60,898.22	15,898.22
		<u>\$ 4,417,770.47</u>	<u>\$ 4,888,089.88</u>

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

**CITY OF SALEM**  
**WATER AND SEWER UTILITY FUND**  
 Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis  
 As of December 31, 2014 and 2013

	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>			
Operating Fund:			
Cash	SD-1	\$ 900,345.16	\$ 668,083.08
Due from Trust -- Other Funds	D	47,868.00	47,868.00
Prepaid Debt Service	D-3, SD-6	<u>                    </u>	<u>22,298.00</u>
		<u>948,213.16</u>	<u>738,249.08</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	SD-3	614,783.46	854,357.76
Utility Liens Receivable	SD-4	<u>288,528.25</u>	<u>208,161.24</u>
		<u>903,311.71</u>	<u>1,062,519.00</u>
Deferred Charges:			
Overexpenditure of Appropriation Reserves	SD-23	29,885.40	18,733.01
Overexpenditure of Appropriations	SD-19	<u>147,089.31</u>	<u>97,165.20</u>
		<u>176,974.71</u>	<u>115,898.21</u>
Total Operating Fund		<u>2,028,499.58</u>	<u>1,916,666.29</u>
Capital Fund:			
Cash	SD-1	8,360.68	11.42
Due from Trust -- Other Funds	D	100,340.39	100,340.39
Due from Utility Operating Fund	SD-16	401,334.24	199,211.17
New Jersey Environmental Infrastructure Trust Receivable	SD-1	312,444.00	928,650.00
Fixed Capital	SD-8	22,317,521.06	19,581,236.06
Fixed Capital Authorized and Uncompleted	SD-9	<u>17,124,150.00</u>	<u>24,450,585.00</u>
Total Capital Fund		<u>40,264,150.37</u>	<u>45,260,034.04</u>
		<u>\$ 42,292,649.95</u>	<u>\$ 47,176,700.33</u>

(Continued)



**CITY OF SALEM**  
**WATER AND SEWER UTILITY FUND**  
 Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis  
 As of December 31, 2014 and 2013

	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE:</b>			
Operating Fund:			
Liabilities:			
Appropriation Reserves	D-3	\$ 16,964.76	\$ 26,579.32
Encumbrances	D-3	14,006.83	20,933.58
Accounts Payable	SD-22	118,155.09	217,253.56
Accrued Interest on Bonds and Notes	SD-6	138,097.73	157,165.70
Due to Current Fund	SD-7		59,535.59
Due to Utility Capital Fund	SD-16	401,334.24	199,211.17
		<u>688,558.65</u>	<u>680,678.92</u>
Reserve for Receivables	D	903,311.71	1,062,519.00
Fund Balance	D-1	436,629.22	173,468.37
		<u>436,629.22</u>	<u>173,468.37</u>
Total Operating Fund		<u>2,028,499.58</u>	<u>1,916,666.29</u>
Capital Fund:			
Bonds Payable	SD-11	260,000.00	275,000.00
Wastewater Improvement Bonds	SD-12	3,258,355.97	3,377,710.13
USDA Loan Payable	SD-13	764,137.86	775,882.33
New Jersey Environmental Infrastructure Trust	SD-14	5,947,532.92	6,290,368.44
State of New Jersey Loan - Dam Restoration Program	SD-15	524,373.08	552,968.26
Due to Current Fund	SD-20		173,936.96
Due to General Capital Fund	SD-24	677,749.10	547,494.61
Improvement Authorizations:			
Funded	SD-10	19,876.27	182,459.39
Unfunded	SD-10	3,375,847.42	8,381,381.82
Reserve for Encumbrances	SD-10		15,566.80
Reserve for Payment of Debt	SD-10	168,793.99	
Reserve for Amortization	SD-21	18,035,020.23	15,067,475.93
Deferred Reserve for Amortization	SD-18	7,183,912.00	9,584,076.97
Capital Improvement Fund	SD-17	48,551.53	35,712.40
		<u>40,264,150.37</u>	<u>45,260,034.04</u>
Total Capital Fund		<u>40,264,150.37</u>	<u>45,260,034.04</u>
		<u>\$ 42,292,649.95</u>	<u>\$ 47,176,700.33</u>

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

**CITY OF SALEM**  
**WATER AND SEWER UTILITY OPERATING FUND**  
 Statements of Operations and Changes in Operating Fund Balance -- Regulatory Basis  
 For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>REVENUE AND OTHER INCOME REALIZED:</b>		
Operating Surplus Anticipated	\$ 75,000.00	
Water and Sewer Rents	3,107,990.05	\$ 2,762,507.83
Miscellaneous	486,716.23	685,808.79
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	<u>26,579.32</u>	<u>4,086.23</u>
Total Income	<u>3,696,285.60</u>	<u>3,452,402.85</u>
<b>EXPENDITURES:</b>		
Operating	2,405,024.11	2,239,765.20
Capital Improvement Fund	20,000.00	
Debt Service	781,834.74	870,640.45
Deferred Charges and Statutory Expenditures	<u>201,190.01</u>	<u>276,873.73</u>
Total Expenditures	<u>3,408,048.86</u>	<u>3,387,279.38</u>
Excess (Deficit) in Revenue	288,236.74	65,123.47
Adjustment before Fund Balance:		
Expenditures included above which are by statute deferred to budgets of succeeding years		
Overexpenditure of Appropriations	<u>49,924.11</u>	<u>97,165.20</u>
Statutory Excess to Fund Balance	338,160.85	162,288.67
<b>FUND BALANCE:</b>		
Balance January 1	<u>173,468.37</u>	<u>11,179.70</u>
	511,629.22	173,468.37
Decreased by:		
Utilized as Revenue	<u>75,000.00</u>	
Balance December 31	<u>\$ 436,629.22</u>	<u>\$ 173,468.37</u>

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

**CITY OF SALEM**  
**WATER AND SEWER UTILITY OPERATING FUND**  
**Statement of Revenues -- Regulatory Basis**  
**For the Year Ended December 31, 2014**

	Anticipated <u>Budget</u>	<u>Realized</u>	Excess/ <u>(Deficit)</u>
Operating Surplus Anticipated	\$ 75,000.00	\$ 75,000.00	
Water and Sewer Rents	3,007,016.01	3,107,990.05	\$ 100,974.04
Miscellaneous	360,204.00	486,716.23	126,512.23
	<u>\$ 3,442,220.01</u>	<u>\$ 3,669,706.28</u>	<u>\$ 227,486.27</u>

Analysis of Realized Revenues

Water and Sewer Rents

Receipts:

Water and Sewer Rents Receivable

\$ 3,107,990.05

Miscellaneous:

Receipts:

Fittings

\$ 3,256.33

Permits

2,524.50

Miscellaneous

188,946.46

Septage

10,374.00

Alloway Sewer Project

73,650.87

Quinton Sewer Project

169,745.84

Interest on Utility Bills

38,202.72

Interest on Deposits

6.33

486,707.05

Due from Water and Sewer Utility Capital Fund:

Interest on Deposits

9.18

\$ 486,716.23

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

**CITY OF SALEM**  
**WATER AND SEWER UTILITY OPERATING FUND**  
**Statement of Expenditures -- Regulatory Basis**  
**For the Year Ended December 31, 2014**

	Appropriations		Expended			Unexpended Balance Canceled	Over- Expended
	Original Budget	Budget After Modification	Paid or Charged	Encumbrances	Reserved		
Operating:							
Salaries and Wages	\$ 925,000.00	\$ 925,000.00	\$ 910,982.78		\$ 14,017.22		
Other Expenses	1,430,100.00	1,430,100.00	1,466,017.28	\$ 14,006.83			\$ 49,924.11
Total Operating	2,355,100.00	2,355,100.00	2,377,000.06	14,006.83	14,017.22	-	49,924.11
Capital Improvements:							
Capital Improvement Fund	20,000.00	20,000.00	20,000.00	-	-	-	-
Debt Service:							
Payment of Bond Principal	517,530.00	517,530.00	517,529.33			\$ 0.67	
Interest on Bonds	348,400.00	348,400.00	264,305.41			84,094.59	
Total Debt Service	865,930.00	865,930.00	781,834.74	-	-	84,095.26	-
Deferred Charges and Statutory Expenditures:							
Deferred Charges:							
Overexpenditure of Appropriations	18,733.01	18,733.01	18,733.01				
Ordinance 07-15, 08-18, 09-15	40,000.00	40,000.00	40,000.00				
Statutory Expenditures:							
Public Employees' Retirement System	68,813.00	68,813.00	68,813.00				
Contributions to Social Security System (O.A.S.I.)	73,644.00	73,644.00	70,696.46		2,947.54		
Total Deferred Charges and Statutory Expenditures	201,190.01	201,190.01	198,242.47	-	2,947.54	-	-
	<u>\$ 3,442,220.01</u>	<u>\$ 3,442,220.01</u>	<u>\$ 3,377,077.27</u>	<u>\$ 14,006.83</u>	<u>\$ 16,964.76</u>	<u>\$ 84,095.26</u>	<u>\$ 49,924.11</u>
Accrued Interest on Bonds			\$ 264,305.41				
Deferred Charges			18,733.01				
Capital Improvement Fund - Due Water/Sewer Capital Fund			20,000.00				
Deferred Charges Ordinance 07-15, 08-18, 09-15 - Due Water/Sewer Capital Fund			40,000.00				
Prepaid Debt Service Applied			5,933.97				
Due Water/Sewer Capital Fund			28,595.18				
Due Current Fund			15,000.00				
Accounts Payable			89,065.80				
Cash Disbursements			2,895,443.90				
			<u>\$ 3,377,077.27</u>				

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

**CITY OF SALEM**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2014**

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Note 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Financial Reporting Entity** - The City of Salem was incorporated in 1858 and is located in southwest New Jersey approximately thirty-five miles southeast of the City of Philadelphia and ten miles from the Delaware Memorial Bridge. The present population according to the 2013 census estimate is 5,021.

The Municipality operates under the City form of government headed by a Mayor who is elected at large to a three-year term. The (8) Council members are elected to four year terms and election are held yearly. Executive and legislative responsibility of the City rests with the Mayor and Council. The Municipal Clerk and CFO oversee the daily operations of the City.

**Component Units** - The financial statements of the component units of the City of Salem are not presented in accordance with Governmental Accounting Standards Board Statement No. 14, as amended by GASB Statements No. 39 and No. 61. If the provisions of GASBS No. 14, as amended by GASBS Nos. 39 and 61 had been complied with, the financial statements of the following component units would have been either blended or discretely presented with the financial statements of the City, the primary government:

City of Salem Free Public Library  
 112 West Broadway  
 Salem, New Jersey 08079

Stand Up for Salem, Inc.  
 P.O. Box 453  
 Salem, New Jersey 08079

City of Salem Municipal Port Authority  
 109 Fourth Street  
 Salem, New Jersey 08079

Annual financial reports may be inspected directly at the offices of these component units during regular business hours.

**Basis of Accounting, Measurement Focus and Basis of Presentation** - The financial statements of the City of Salem contain all funds and account groups in accordance with the "Requirements of Audit" as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the Requirements of Audit 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. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these "Requirements". In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units. The more significant differences are explained in this Note.

In accordance with the "Requirements", the City of Salem accounts for its financial transactions through the use of separate funds which are described as follows:

**Current Fund** - The Current Fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grant funds.

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Note 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Trust Funds** - The various Trust Funds account for receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

**General Capital Fund** - The General Capital Fund accounts for receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

**Water/Sewer Utility Operating and Capital Funds** - The Water/Sewer Utility Operating and Capital Funds account for the operations and acquisition of capital facilities of the municipally owned Water/Sewer Utility.

**Budgets and Budgetary Accounting** - The City of Salem must adopt an annual budget for its current and water/sewer utility funds in accordance with N.J.S.A. 40A:4 et seq. N.J.S.A. 40A:4-5 requires the governing body to introduce and approve the annual municipal budget no later than February 10 of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the municipality. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with N.J.S.A. 40A:4-9. Amendments to adopted budgets, if any, are detailed in the statements of revenues and expenditures.

An extension of the statutory dates for introduction, approval and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services, with the permission of the Local Finance Board.

Budgets are adopted on the same basis of accounting utilized for the preparation of the City's financial statements.

**Cash, Cash Equivalents and Investments** - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost. Consequently, unrealized gain or loss on investments has not been recorded in accordance with Governmental Accounting Standards Board Statement No. 31.

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

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Note 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Cash, Cash Equivalents and Investments (Cont'd)**

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the Governmental Units.

The cash management plan adopted by the City of Salem requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

**Interfunds** - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. 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.

**Inventories of Supplies** - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various statements of assets, liabilities, reserves and fund balance.

**General Fixed Assets** - Accounting for Governmental Fixed Assets, as required by N.J.A.C. 5:30-5.6, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and Budget Circular A-87 (Attachment B, Section 19), except that the useful life of such property is at least five years. The City has adopted a capitalization threshold of \$5,000, the maximum amount allowed by the Circular. Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. No depreciation of general fixed assets is recorded. Donated general fixed assets are recorded at their estimated fair market value on the acquisition date. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation. The City is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements and transfers of fixed assets. In addition, a Statement of General Fixed Assets, reflecting the activity for the year, must be included in the City's basic financial statements. The City did not maintain the required fixed asset records in 2014.

The regulations require that general fixed assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be maintained that includes accurate records indicating asset description, source, ownership, acquisition cost and date, the percentage of Federal participation (if any), and the location, use, and condition of the asset. Periodically, physical inventories must be taken and reconciled with these records. Lastly, all fixed assets must be adequately controlled to safeguard against loss, damage or theft.

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Note 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Utility Fixed Assets** - Property and equipment purchased by a utility fund are recorded in the utility capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not represent replacement cost or current value. The Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the cost of acquisition of property and equipment and improvements and contributed capital.

**Foreclosed Property** - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily it is the intention of the municipality to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason the value of foreclosed property has not been included in the General Fixed Assets Account Group. If such property is converted to a municipal use, it will be recorded in the General Fixed Assets Account Group.

**Deferred Charges** - The recognition of certain expenditures is deferred to future periods. These expenditures, or deferred charges, are generally over-expenditures of legally adopted budget appropriations or emergency appropriations made in accordance with N.J.S.A. 40A:4-46 et seq. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

**Liens Sold for Other Governmental Units** - Liens sold on behalf of other governmental units are not recorded on the records of the tax collector until such liens are collected. Upon their collection, such liens are recorded as a liability due to the governmental unit net of the costs of the initial sale. The related costs of sale are recognized as revenue when received.

**Fund Balance** - Fund Balances included in the current fund and utility operating fund represent amounts available for anticipation as revenue in future years budgets, with certain restrictions.

**Revenues** - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Revenue from Federal and State grants are realized when anticipated as such in the City's budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the City's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the City which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

**Property Tax Revenues** - Property tax revenues are collected in quarterly installments due February 1, May 1, August 1, and November 1. The amount of tax levied includes not only the amount required in support of the City's annual budget, but also the amounts required in support of the budgets of the County of Salem and City of Salem School District. Unpaid property taxes are subject to tax sale in accordance with the statutes.

**School Taxes** - The municipality is responsible for levying, collecting and remitting school taxes for the City of Salem School District. Operations is charged for the full amount required to be raised from taxation to operate the local school district for the period from July 1 to June 30, increased by the amount deferred at December 31, 2013 and decreased by the amount deferred at December 31, 2014.



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Note 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**County Taxes** - The municipality is responsible for levying, collecting and remitting county taxes for the County of Salem. Operations is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations is charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10 of the current year and due to be paid to the County by February 15 of the following year.

**Reserve for Uncollected Taxes** - The inclusion of the "Reserve for Uncollected Taxes" appropriation in the City's annual budget protects the City from taxes not paid currently. The Reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year, with certain exceptions, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations.

**Expenditures** - Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when paid. However, for charges to amounts appropriated for "other expenses", an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed in accordance with N.J.A.C. 5:30-5.2. When encumbered charges are paid, the amount encumbered is simultaneously liquidated in its original amount. Encumbrances are offset by an account entitled reserve for encumbrances. The reserve is classified as a cash liability under New Jersey municipal accounting. At December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same statutory provisions as appropriation reserves.

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.

**Appropriation Reserves** - Appropriation reserves covering unexpended appropriation balances are automatically created at year-end 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.

**Long-Term Debt** - Long-Term Debt, relative to the acquisition of capital assets, is recorded as a liability in the General Capital and Utility Capital Funds. Where an improvement is a "local Improvement", i.e. assessable upon completion, long-term debt associated with that portion of the cost of the improvement to be funded by assessments is transferred to the Trust Fund upon the confirmation of the assessments or when the improvement is fully and permanently funded.

**Compensated Absences and Postemployment Benefits** - Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a pay-as-you-go basis. Likewise, no accrual is made for postemployment benefits, if any, which are also funded on a pay-as-you-go basis.

Note 2: **CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be recovered. Although the City does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds, or funds that may pass to the municipality relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below.

As of December 31, 2014, the City's bank balances of \$ 3,801,911.17 were exposed to custodial credit risk as follows:

Insured	\$ 860,745.25
Uninsured and Uncollateralized	740,456.72
Collateralized Under GUDPA	<u>2,200,709.20</u>
Total	<u>\$ 3,801,911.17</u>

Note 3: **PROPERTY TAXES**

The following is a five-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four years.

**Comparative Schedule of Tax Rates**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Tax Rate	\$ 3.846	\$ 3.823	\$ 3.728	\$ 3.687	\$ 3.592
Apportionment of Tax Rate:					
Municipal	1.820	1.780	1.722	1.673	1.609
Municipal Library	0.031	0.032	0.031	0.033	
County	0.898	0.912	0.882	0.888	0.908
County Open Space	0.019	0.020	0.020	0.020	0.022
Local School	1.078	1.079	1.073	1.072	1.053

**Assessed Valuation**

2014	\$ 231,225,330.00
2013	231,331,758.00
2012	234,023,857.00
2011	234,662,914.00
2010	237,308,414.00

**Comparison of Tax Levies and Collections**

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2014	\$ 8,961,039.73	\$ 7,897,169.96	88.13%
2013	8,860,500.47	7,739,778.82	87.35%
2012	8,732,631.67	7,514,495.54	86.05%
2011	8,673,379.86	7,506,676.66	86.55%
2010	8,524,117.91	7,608,816.53	89.26%

Note 3: **PROPERTY TAXES (CONT'D)****Delinquent Taxes and Tax Title Liens**

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2014	\$ 1,770,039.15	\$ 816,842.10	\$ 2,586,881.25	28.87%
2013	1,241,282.54	985,282.69	2,226,891.95	25.13%
2012	919,629.54	1,120,262.41	2,039,891.95	23.36%
2011	640,322.51	1,098,268.70	1,738,591.21	20.05%
2010	470,376.66	879,298.43	1,349,675.09	15.83%

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

<u>Year</u>	<u>Number</u>
2014	224
2013	199
2012	183
2011	164
2010	106

Note 4: **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, for the current and previous four years was as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 280,700.00
2013	280,700.00
2012	280,700.00
2011	280,700.00
2010	280,700.00

Note 5: **WATER/SEWER UTILITY SERVICE CHARGES**

The following is a five year comparison of water/sewer utility service charges (rents) for the current and previous four years.

<u>Year</u>	<u>Balance Beginning of Year</u>		<u>Levy</u>	<u>Total</u>	<u>Cash Collections</u>
	<u>Receivable</u>	<u>Liens</u>			
2014	\$ 854,357.76	\$ 208,161.24	\$ 2,948,782.76	\$ 4,011,301.76	\$ 3,107,990.05
2013	679,665.40	149,835.83	2,995,525.60	3,825,026.83	2,762,507.83
2012	496,677.70	86,626.43	2,739,940.75	3,323,244.88	2,493,743.65
2011	533,263.80	57,704.84	2,497,727.37	3,088,696.01	2,505,391.88
2010	398,009.90	55,833.95	2,537,785.86	2,991,629.71	2,400,661.07

Note 6: **FUND BALANCES APPROPRIATED**

The following schedule details the amount of fund balances available at the end of the current year and four previous years and the amounts utilized in the subsequent year's budgets.

<u>Year</u>	<u>Balance Dec. 31</u>	<u>Utilized In Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
<b><u>Current Fund</u></b>			
2014	\$ 372,394.87	\$ 300,000.00 (A)	80.56%
2013	580,168.90	475,000.00	81.87%
2012	333,686.41	200,000.00	59.94%
2011	1,317,795.56	1,291,000.00	97.97%
2010	821,917.27	765,000.00	93.08%
<b><u>Water/Sewer Utility Operating Fund</u></b>			
2014	\$ 436,629.22	\$ 200,000.00 (A)	45.81%
2013	173,468.37	75,000.00	43.24%
2012	11,179.70	None	None
2011	345,101.84	336,000.00	97.36%
2010	561,909.96	491,407.00	87.45%

(A) = Per introduced 2015 budget

Note 7: **INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances were recorded on the various statements of assets, liabilities, reserves and fund balance as of December 31, 2014:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
Current Fund	\$ 190,008.79	\$ 345,913.14
Federal & State Grant Fund	259,747.06	
Trust -- Animal Control Fund	44.61	
Trust -- Other Funds		338,217.18
General Capital Fund	763,870.57	
Water/Sewer Utility Operating Fund	47,868.00	401,334.24
Water/Sewer Utility Capital Fund	501,674.63	677,749.10
	<u>\$ 1,763,213.66</u>	<u>\$ 1,763,213.66</u>

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds. During 2015, the City expects to liquidate such interfunds, depending upon the availability of cash flow.

Note 8: **PENSION PLANS**

The City of Salem contributes to two cost-sharing multiple-employer defined benefit pension plans, the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), which are administered by the New Jersey Division of Pensions and Benefits. In addition, City employees participate in the Defined Contribution Retirement Program (DCRP), which is a defined contribution pension plan and is also administered by the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey  
Division of Pensions and Benefits  
P.O. Box 295  
Trenton, New Jersey 08625-0295

**Public Employees' Retirement System** - The PERS was established in 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase was effective with the payroll period that began immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased to 6.5% plus an additional 1.0% phased-in over seven years. The phase-in of the additional incremental member contribution amount began July 1, 2012 and increases each subsequent July 1. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The City is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions, were as follows:

<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Pension Deferral</u>	<u>Paid by City</u>
2014	\$ 61,081.00	\$156,613.00	\$ 217,694.00	\$ 10,935.00	\$ 228,629.00
2013	68,571.00	136,423.00	204,994.00	10,618.00	215,612.00
2012	79,280.00	133,116.00	212,396.00	---	212,396.00

**Police and Firemen's Retirement System** - The PFRS was established in 1944. The PFRS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:16A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 204, P.L. 1989, plan members enrolled in the Police and Firemen's Retirement System are required to contribute 8.5% of their annual covered salary. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased to 10% in October, 2011. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

Note 8: **PENSION PLANS (CONT'D)**

The City is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions, were as follows:

<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Pension Deferral</u>	<u>Paid by City</u>
2014	\$ 167,804.00	\$ 213,987.00	\$ 381,791.00	\$ 23,208.00	\$ 404,999.00
2013	170,302.00	205,640.00	375,942.00	22,606.00	398,548.00
2012	167,140.00	174,517.00	341,657.00	22,443.00	364,100.00

**Pension Deferral** – Public Law 2009, c.19 (S-21) was enacted on March 17, 2009 and allowed the Division of Pensions and Benefits to provide non-state government pension system employers the option of paying the full amount, or an amount that reflects a 50 percent reduction of the normal and accrued liability component of the PERS and PFRS obligations for payments due in the State fiscal year ending June 30, 2009. The payments were due on April 1, 2009 (with a grace period until April 30).

Repayments began April of 2012 over a 15 year period. The amount will fluctuate based on pension system investment earnings on the deferred amount.

The City applied for and received approval from the Local Finance Board to defer a portion of the 2009 liability due for both PERS and PFRS.

**Defined Contribution Retirement Program** - The Defined Contribution Retirement Program (“DCRP”) is a single-employer defined contribution pension fund which was established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.) and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Division of Pensions and Benefits by Prudential Financial. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the City’s contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

The City’s contributions were as follows:

<u>Year</u>	<u>Funded by City</u>
2014	\$ 1,009.38
2013	654.96
2012	527.94

Note 9: **COMPENSATED ABSENCES**

Unused sick leave may be accumulated and carried forward to subsequent years. Employees earn vacation days in accordance with the number of years of service. Unused vacation days earned during the year may only be carried over to the subsequent year. Unused vacation days carried over from the previous year are forfeited.

Under existing policies of the City, upon retirement employees will receive one-half of the accumulated unused sick leave to a maximum of \$14,000.00. Unused accumulated vacation is paid for at straight time.

The City has established a Compensated Absences Trust Fund to set aside funds for future payments of compensated absences. At December 31, 2014 the balance of the fund was \$33,350.27. It is estimated that, at December 31, 2014, accrued benefits for compensated absences are valued at \$627,357.87.

Note 10: **SANITARY LANDFILL ESCROW CLOSURE FUND**

The City of Salem operated a municipal landfill located in the City. The Sanitary Landfill Facility Closure and Contingency Fund Act of 1981 was enacted to provide funding, during the life of the landfill, of costs associated with the closure of sanitary landfills. The Act requires the owner or operator of every sanitary landfill to establish an escrow account for closure and deposit, on a monthly basis, an amount equal to \$1.00 per ton of solid waste accepted for disposal. No withdrawals may be made from the fund without written approval from the State Department of Environmental Protection and Energy.

In December 2003, the landfill reached 100% of its holding capacity and is no longer accepting waste; the landfill is in the post closure process. However, the escrow closure fund balance at year-end does not necessarily represent the estimated cost of post closure as of that date. The required balance of the fund merely represents the amount required to be escrowed in accordance with the statute. Actual costs associated with post closure are not known.

Note 11: **CAPITAL DEBT****Summary of Debt**

	<u>Year 2014</u>	<u>Year 2013</u>	<u>Year 2012</u>
<b><u>Issued</u></b>			
General:			
Bonds and Notes	\$ 2,966,000.00	\$ 3,251,000.00	\$ 3,526,000.00
Water/Sewer Utility:			
Bonds and Notes	10,754,399.83	11,271,929.16	11,777,659.06
Total Issued	<u>13,720,399.83</u>	<u>14,522,929.16</u>	<u>15,303,659.06</u>
<b><u>Authorized but not Issued</u></b>			
General:			
Bonds and Notes	172,099.27	529,974.69	984,922.36
Water/Sewer Utility:			
Bonds and Notes	3,468,339.00	8,108,339.00	8,108,339.00
Total Authorized but Not Issued	<u>3,640,438.27</u>	<u>8,638,313.69</u>	<u>9,093,261.36</u>
Total Issued and Authorized but Not Issued	<u>17,360,838.10</u>	<u>23,161,242.85</u>	<u>24,396,920.42</u>
Deductions:			
Funds Temporarily Held To Pay Notes	98,031.49	218,031.49	18,686.30
Self-liquidating Debt	14,222,738.83	19,380,268.16	19,885,998.06
Total Deductions	<u>14,320,770.32</u>	<u>19,598,299.65</u>	<u>19,904,684.36</u>
Net Debt	<u>\$ 3,040,067.78</u>	<u>\$ 3,562,943.20</u>	<u>\$ 4,492,236.06</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 indicated a statutory net debt of 1.495%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District	\$ 2,425,000.00	\$ 2,425,000.00	
Water/Sewer Utility	14,222,738.83	14,222,738.83	
General	3,138,099.27	98,031.49	\$ 3,040,067.78
Bonds Guaranteed by City	19,075,000.00	19,075,000.00	
	<u>\$ 38,860,838.10</u>	<u>\$ 35,820,770.32</u>	<u>\$ 3,040,067.78</u>

Net Debt \$3,040,067.78 divided by the Equalized Valuation Basis per N.J.S.A.40A:2-2 as amended, \$203,394,990.67 equals 1.495%.



Note 11: **CAPITAL DEBT (CONT'D)**

**Borrowing Power Under N.J.S.A.40A:2-6 As Amended**

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 7,118,824.67
Net Debt	<u>3,040,067.78</u>
Remaining Borrowing Power	<u><u>\$ 4,078,756.89</u></u>

**Calculation of "Self Liquidating Purpose,"  
Water/Sewer Utility Per N.J.S.A. 40A:2-45**

Cash Receipts from Fees, Rents, Fund Balance Anticipated, Interest and Other Investment Income, and Other Charges for Year	\$ 3,696,285.60
Deductions:	
Operating and Maintenance Cost	\$ 2,636,099.52
Debt Service per Water/Sewer Fund	<u>781,834.74</u>
Total Deductions	<u>3,417,934.26</u>
Excess (Deficit) in Revenue	<u><u>\$ 278,351.34</u></u>

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

<u>Year</u>	<u>General</u>		<u>Water/Sewer Utility</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$ 296,000.00	\$ 95,633.75	\$ 529,652.16	\$ 337,151.14	\$ 1,258,437.05
2016	215,000.00	86,828.46	547,114.23	322,408.11	1,171,350.80
2017	225,000.00	80,242.57	559,932.19	306,976.04	1,172,150.80
2018	235,000.00	73,382.28	573,123.55	290,894.97	1,172,400.80
2019	245,000.00	66,247.57	591,706.66	274,146.57	1,177,100.80
2020-2024	1,250,000.00	214,795.81	3,232,395.31	1,111,812.85	5,809,003.97
2025-2029	500,000.00	20,123.53	3,648,030.01	615,550.57	4,783,704.11
2030-2034			684,432.63	131,907.51	816,340.14
2035-2039			154,755.66	68,224.34	222,980.00
2040-2044			190,970.92	32,009.08	222,980.00
2045-2049			42,286.51	1,342.49	43,629.00
	<u>\$ 2,966,000.00</u>	<u>\$ 637,253.97</u>	<u>\$ 10,754,399.83</u>	<u>\$ 3,492,423.67</u>	<u>\$ 17,850,077.47</u>

A revised Annual Debt Statement should be filed by the Chief Financial Officer.

Note 12: **DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2014, the following deferred charges are shown on the statement of assets, liabilities, reserves and fund balance of the following fund(s):

	<b><u>Balance Dec. 31, 2014</u></b>	<b><u>2015 Budget Appropriation</u></b>
Federal and State Grant Fund:		
Over-expenditure of Appropriated Grants	\$ 4,162.72	\$ 4,162.72
Utility Operating Fund:		
Over-expenditure of Appropriation Reserve	29,885.40	29,885.40
Over-expenditure of Appropriations	147,089.31	147,089.31

Note 13: **SCHOOL TAXES**

City of Salem School Tax has been raised and the liability deferred by statutes, resulting in the school tax payable set forth in the Current Fund liabilities as follows:

	<b><u>Balance Dec. 31,</u></b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>
Balance of Tax	\$ 1,453,495.36	\$ 1,256,114.94
Deferred	1,232,229.00	1,232,229.00
School Tax Payable	<u>\$ 221,266.36</u>	<u>\$ 23,885.94</u>

Note 14: **NEW JERSEY UNEMPLOYMENT COMPENSATION INSURANCE**

The City has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the City is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The City is billed quarterly for amounts due to the State. The following is a summary of City contributions, reimbursements to the State for benefits paid and the ending balance of the City's trust fund for the current and previous two years:

<b><u>Year</u></b>	<b><u>City Contributions</u></b>	<b><u>Amount Reimbursed</u></b>	<b><u>Ending Balance</u></b>
2014	\$ 27,568.62	\$ 27,568.92	\$ 10,955.24
2013	45,794.05	45,795.05	10,955.24
2012	10,927.38	10,927.38	10,955.24

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Note 15: **POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN**

**Plan Description** - The City contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers had to adopt a resolution to participate in the SHBP.

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

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the City on a monthly basis. The City contributions to SHBP for the year ended December 31, 2014, 2013, and 2012 were \$457,459.80, \$430,925.29, and \$379,488.59, respectively, which equaled the required contributions for the year. There were approximately 28, 29, and 28 retired participants eligible at December 31, 2014, 2013, and 2012, respectively.

Note 16: **DEBT SERVICE AGREEMENT**

On June 19, 2006, the City unconditionally guaranteed the payment, when due, of the principal of and interest on the Bonds to be issued by the Salem County Improvement Authority for Stand Up For Salem, Inc. to finance the Finlaw Building Project. At December 31, 2014, \$19,075,000.00 in bonds covered by this agreement was outstanding.

Cash flows from the Finlaw Building Project have not been sufficient to satisfy the debt service requirements. Stand Up For Salem, Inc. has made withdraws from a Debt Service Reserve fund, which in accordance with the bond covenants, was reserved and set aside from the \$19,500,000.00 bond proceeds.

Date	Withdraw Amount
02-15-09	\$ 488,348.04
08-15-09	127,211.89
02-15-10	54,595.35
08-15-10	158,893.04
02-15-11	102,437.23
08-15-11	142,003.53
02-15-12	None
08-15-12	None
02-15-13	None
08-15-13	None
02-15-14	None
08-15-14	None
02-15-15	None
	\$ 1,073,489.08

Balance in the Stand Up For Salem, Inc. Debt Service Reserve fund after the August 15, 2011 withdrawal is approximately \$772,061.16.

The City of Salem's 2012 Budget included a budget appropriation of \$135,000.00 to cover any deficit instead of requiring Stand Up For Salem, Inc. to make a withdraw from the Debt Service Reserve Fund. \$80,487.00 was paid 08/15/12 by the City; the remaining \$54,513.00 has been reserved for possible future years deficits.

The City of Salem's 2013 Budget included a budget appropriation of \$125,000.00 to cover any deficit instead of requiring Stand Up For Salem, Inc. to make a withdraw from the Debt Service Reserve Fund. \$50,000.00 was paid 08/15/13 by the City; the remaining \$75,000.00 has been reserved for possible future year deficits.

The City of Salem's 2014 Budget included a budget appropriation of \$105,000.00 to cover any deficit instead of requiring Stand Up For Salem, Inc. to make a withdraw from the Debt Service Reserve Fund. The entire \$105,000.00 budget appropriation has been reserved for possible future deficits.

The City of Salem's 2015 Budget includes a budget appropriation of \$70,000.00 to cover any future deficit instead of requiring Stand Up For Salem, Inc. to make a withdraw from the Debt Service Reserve.

December 31, 2014 Summary of  
City's Reserve

2012	\$ 54,513.00
2013	75,000.00
2014	105,000.00
	\$ 234,513.00

Note 17: **TAX APPEALS**

The City has outstanding tax appeals on properties. The outcomes of these appeals are unknown at this time. However, a reduction in the City's assessable tax base and possible refund of taxes collected, could happen and could be significant.

Note 18: **LITIGATION**

The City is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the City, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

**SUPPLEMENTAL EXHIBITS**

**SUPPLEMENTAL EXHIBITS**  
**CURRENT FUND**

**CITY OF SALEM**  
**CURRENT FUND**  
**Statement of Cash**  
**For the Year Ended December 31, 2014**

Balance December 31, 2013		\$	1,713,725.65
Increased by Receipts:			
Taxes Receivable	\$ 8,446,092.46		
Prepaid Taxes	88,131.32		
Due State of New Jersey Senior Citizens' & Veterans' Deductions	38,625.00		
Miscellaneous Revenue Anticipated	2,180,780.64		
Miscellaneous Revenue Not Anticipated	171,286.93		
Due Federal and State Grant Fund - Received for	313,877.29		
Due Trust -- Other Funds - Received for	18,000.00		
Due Trust -- Other Funds - Received from	92,000.00		
Due General Capital Fund - Received for	235,000.00		
Due Utility Operating Fund - Received from	36,171.93		
Due Utility Capital Fund - Received from	234,184.58		
			11,854,150.15
			13,567,875.80
Decreased by Disbursements:			
Appropriations	5,840,996.48		
Appropriation Reserves	997,846.95		
County Taxes Payable	2,135,163.62		
Local School Taxes Payable	2,310,924.58		
Due Federal and State Grant Fund - Disbursed for	105,763.33		
Due Animal Control Fund - Disbursed for	3,688.50		
Due Trust -- Other Funds - Disbursed to	226,122.85		
Due Trust -- Other Funds - Disbursed for	27,485.00		
Due General Capital Fund - Disbursed to	386.00		
Due General Capital Fund - Disbursed for	110,319.41		
Due Utility Operating Fund - Disbursed to	143,082.35		
Due Utility Operating Fund - Disbursed for	24,056.10		
Refund of Prior Year Revenue	17,324.31		
Insurance Proceeds Receivable	16,902.73		
Prepaid Debt Service	22,675.00		
			11,982,737.21
Balance December 31, 2014		\$	1,585,138.59



**CITY OF SALEM**  
**CURRENT FUND**  
 Statement of Taxes Receivable and Analysis of Property Tax Levy  
 For the Year Ended December 31, 2014

	Balance	Levy	Added / Omitted Taxes	Collected		Due from State of New Jersey	Adjustments and Canceled	Transferred to Liens	Balance
	Dec. 31, 2013			2013	2014				Dec. 31, 2014
Prior	\$ 163,931.97				\$ 14,264.55		\$ 1,769.03		\$ 147,898.39
2013	821,350.72				649,447.12	\$ (125.00)	(9,974.11)	\$ 112,843.13	69,159.58
2014		\$ 8,892,926.27	\$ 68,113.46	\$ 75,789.17	7,782,380.79	39,000.00	79,297.29	384,788.35	599,784.13
	<u>\$ 985,282.69</u>	<u>\$ 8,892,926.27</u>	<u>\$ 68,113.46</u>	<u>\$ 75,789.17</u>	<u>\$ 8,446,092.46</u>	<u>\$ 38,875.00</u>	<u>\$ 71,092.21</u>	<u>\$ 497,631.48</u>	<u>\$ 816,842.10</u>

Analysis of Property Tax Levy

Tax Yield:

General Purpose

\$ 8,892,926.27

Added / Omitted Taxes

68,113.46

\$ 8,961,039.73

Tax Levy:

Local District School Tax

\$ 2,492,394.00

County Taxes:

County Tax

\$ 2,074,982.82

County Open Space Tax

43,808.53

Due County for Added and Omitted Taxes

16,372.27

2,135,163.62

Local Tax for Municipal Purposes

4,209,145.40

Library Tax

71,353.40

Add: Additional Tax Levied - Added and Omitted Taxes

51,741.19

Add: Additional Tax Levied - Rounding

1,242.12

4,333,482.11

\$ 8,961,039.73

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Tax Title Liens  
For the Year Ended December 31, 2014

---

Balance December 31, 2013		\$ 1,241,282.54
Increased by:		
Transfers from Taxes Receivable	\$ 497,631.48	
Interest and Costs - Tax Sale / Adjustments	<u>31,125.13</u>	
		<u>528,756.61</u>
Balance December 31, 2014		<u>\$ 1,770,039.15</u>

## Exhibit SA-4

**CURRENT FUND**  
Statement of Prepaid Taxes  
For the Year Ended December 31, 2014

---

Balance December 31, 2013		\$ 75,789.17
Increased by:		
Collections -- 2015 Taxes		<u>88,131.32</u>
		163,920.49
Decreased by:		
Applied to 2014 Taxes Receivable		<u>75,789.17</u>
Balance December 31, 2014		<u>\$ 88,131.32</u>

## Exhibit SA-5

**CURRENT FUND**  
Statement of Prepaid Debt Service  
For the Year Ended December 31, 2014

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Balance December 31, 2013		\$ 209,250.00
Increased by:		
Cash Disbursements		<u>22,675.00</u>
Balance December 31, 2014		<u>\$ 231,925.00</u>

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Due to State of New Jersey  
Senior Citizens' and Veterans' Deductions  
For the Year Ended December 31, 2014

---

Balance December 31, 2013		\$ 2,078.23
Increased by:		
Cash Received	\$ 38,625.00	
Prior Year Senior Citizens' and Veterans' Deductions Disallowed by Tax Collector	125.00	38,750.00
		40,828.23
Decreased by:		
2014 Levy -- Deductions per Tax Billing	\$ 41,750.00	
2014 Senior Citizens' and Veterans' Deductions Granted by Tax Collector	250.00	42,000.00
2014 Senior Citizens' and Veterans' Deductions Disallowed by Tax Collector	(3,000.00)	39,000.00
Balance December 31, 2014		\$ 1,828.23

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Revenue Accounts Receivable  
For the Year Ended December 31, 2014

<u>Miscellaneous Revenues</u>	Balance <u>Dec. 31, 2013</u>	<u>Accrued</u>	<u>Collected</u>	<u>Applied</u>	Balance <u>Dec. 31, 2014</u>
Fines and Costs - Municipal Court	\$ 5,213.83	88,975.62	\$ 88,512.76		\$ 5,676.69
Interest and Costs on Taxes		140,835.42	140,835.42		
Street Opening Permits		5,750.00	5,750.00		
Cable Television Franchise Fee		54,866.04	54,866.04		
Consolidated Municipal Property Tax Relief Aid		359,163.00	359,163.00		
Energy Receipts Tax		1,036,776.00	1,036,776.00		
Garbage and Trash - Pick up Stickers		83,893.05	83,893.05		
Municipal Alliance on Alcohol and Drug Abuse		7,456.77		\$ 7,456.77	
Clean Communities Program		10,998.14		10,998.14	
New Jersey Motor Vehicle Commission		94,085.04		94,085.04	
NJ DOT		167,940.00		167,940.00	
Whispering Waters Pilot Agreement		312,000.00	312,000.00		
Senior Village Pilot Agreement		15,000.00	15,000.00		
South Jersey Gas Agreement		31,224.37	31,224.37		
Resource Officer		52,760.00	52,760.00		
Reserve for Payment of Bonds and Notes		120,000.00		120,000.00	
<b>Total Miscellaneous Revenue</b>	<b>\$ 5,213.83</b>	<b>\$ 2,581,723.45</b>	<b>\$ 2,180,780.64</b>	<b>\$ 400,479.95</b>	<b>\$ 5,676.69</b>

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Appropriation Reserves  
For the Year Ended December 31, 2014

	Balance December 31, 2013		Balance After Modification	Disbursed	Lapsed to Fund Balance
	<u>Encumbered</u>	<u>Reserved</u>			
<b>OPERATIONS -- WITHIN "CAPS"</b>					
<u>General Government Functions</u>					
Human Resources					
Other Expenses		\$ 580.00	\$ 580.00		\$ 580.00
Mayor and Council:					
Salaries and Wages		2,280.57	2,280.57		2,280.57
Other Expenses	\$ 1,155.00	5,549.39	6,704.39	\$ 1,492.84	5,211.55
Municipal Clerk:					
Salaries and Wages		331.66	331.66		331.66
Other Expenses	3,002.99	5,162.50	8,165.49	2,608.64	5,556.85
Financial Administration:					
Salaries and Wages		37.24	37.24		37.24
Other Expenses	395.00	4,488.58	4,883.58	491.47	4,392.11
Audit Services:					
Other Expenses		32,017.00	32,017.00	25,495.80	6,521.20
Tax Collection:					
Salaries and Wages		82.96	82.96		82.96
Other Expenses	143.34	30.08	173.42	143.34	30.08
Assessment of Taxes:					
Salaries and Wages		21.47	21.47		21.47
Other Expenses	283.50	46.70	330.20	183.50	146.70
Legal Services and Costs:					
Salaries and Wages		13.12	13.12		13.12
Other Expenses		260.24	260.24		260.24
Engineering Services and Costs:					
Other Expenses		7,000.00	7,000.00	3,000.00	4,000.00
Public Buildings and Grounds:					
Other Expenses	558.57	202.43	761.00	508.57	252.43
Housing Enforcement:					
Salaries and Wages		6,382.34	6,382.34		6,382.34
Other Expenses	941.15	14.84	955.99	341.15	614.84
Economic Development:					
Salaries and Wages		5,775.40	5,775.40		5,775.40
Other Expenses		1,000.00	1,000.00		1,000.00
Insurance:					
General Liability		82.68	82.68		82.68
Workers Compensation		171.01	171.01		171.01
Employee Group Health		984,873.23	984,873.23	924,539.48	60,333.75
<u>Land Use Administration</u>					
Planning Board:					
Other Expenses		48.27	48.27		48.27
<u>Public Safety</u>					
Fire:					
Other Expenses	20,376.00	144.70	20,520.70	20,376.00	144.70
Police:					
Salaries and Wages		14,517.92	14,517.92		14,517.92
Other Expenses	2,812.23	21,723.02	24,535.25	9,411.23	15,124.02
Aid to Ambulance Organization:					
Other Expenses	1,345.00	2,383.65	3,728.65	1,345.00	2,383.65
Office of Emergency Management:					
Salaries and Wages		3.97	3.97		3.97
<u>Streets and Roads</u>					
Road Repairs and Maintenance:					
Salaries and Wages		2,813.09	2,813.09		2,813.09
Other Expenses	741.20	50.68	791.88		791.88

(Continued)

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Appropriation Reserves  
For the Year Ended December 31, 2014

	<u>Balance December 31, 2013</u>		<u>Balance After Modification</u>	<u>Disbursed</u>	<u>Lapsed to Fund Balance</u>
	<u>Encumbered</u>	<u>Reserved</u>			
<u>Sanitation</u>					
Street Cleaning:					
Salaries and Wages		\$ 4.48	\$ 4.48		\$ 4.48
Other Expenses		37.44	37.44		37.44
Sanitary Landfill:					
Other Expenses	\$ 5,877.97	157.42	6,035.39	\$ 5,142.97	892.42
Vehicle Maintenance:					
Other Expenses	2,441.89	1,153.17	3,595.06	2,441.89	1,153.17
<u>Health and Welfare</u>					
Board of Health					
Other Expenses		350.00	350.00		350.00
<u>Recreation and Education</u>					
Recreation:					
Other Expenses		7,623.00	7,623.00		7,623.00
<u>Municipal Court</u>					
Municipal Court Administration:					
Salaries and Wages		8,575.08	8,575.08		8,575.08
Other Expenses	500.00	2,985.44	3,485.44		3,485.44
Public Defender:					
Other Expenses		92.80	92.80		92.80
<u>Utility Expenses and Bulk Purchases</u>					
Street Lighting		861.52	861.52		861.52
Telephone	325.07	17.54	342.61	325.07	17.54
Heating Oil		2,311.17	2,311.17		2,311.17
Gasoline		10,481.02	10,481.02		10,481.02
Natural Gas		17.39	17.39		17.39
Electricity		55.85	55.85		55.85
<u>Statutory Expenditures</u>					
Contribution to:					
Public Employees' Retirement System of N.J.		56.67	56.67		56.67
Unemployment and Disability		133.11	133.11		133.11
<u>Operations -- Excluded from "CAPS"</u>					
Aid to Library		852.32	852.32		852.32
<u>ADDITIONAL APPROPRIATIONS OFFSET BY REVENUES</u>					
Garbage and Trash Collections:					
Other Expenses		148.50	148.50		148.50
	<u>\$ 40,898.91</u>	<u>\$ 1,134,002.66</u>	<u>\$ 1,174,901.57</u>	<u>\$ 997,846.95</u>	<u>\$ 177,054.62</u>

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Due County for Added and Omitted Taxes  
For the Year Ended December 31, 2014

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Increased by:		
County General Share of 2014 Added / Omitted Taxes		\$ 16,372.27
Decreased by:		
Cash Disbursements		<u>\$ 16,372.27</u>

Exhibit SA-10

**CURRENT FUND**  
Statement of Due County Taxes  
For the Year Ended December 31, 2014

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Increased by:			
County General Share of 2014 Levy		\$ 2,074,982.82	
County Open Space Preservation Share of 2014 Levy		<u>43,808.53</u>	
			\$ 2,118,791.35
Decreased by:			
Cash Disbursements			<u>\$ 2,118,791.35</u>

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Local District School Tax  
For the Year Ended December 31, 2014

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Balance December 31, 2013		
School Tax Payable	\$ 23,885.94	
School Tax Deferred	<u>1,232,229.00</u>	\$ 1,256,114.94
Increased by:		
Levy -- School Year July 1, 2014 to June 30, 2015	2,492,394.00	
2014 Budget Appropriation Transferred to Board of Education for Use of Local School (N.J.S.A. 40:48-17.1 & 17.3)	<u>15,911.00</u>	<u>2,508,305.00</u>
		3,764,419.94
Decreased by:		
Payments		<u>2,310,924.58</u>
Balance December 31, 2014		
School Tax Payable	221,266.36	
School Tax Deferred	<u>1,232,229.00</u>	<u>\$ 1,453,495.36</u>



**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Due to Federal & State Grant Fund  
For the Year Ended December 31, 2014

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Balance December 31, 2013		\$ 65,528.04
Increased by:		
Collected for Federal & State Grant Fund - Unappropriated Grants	\$ 79,904.80	
Collected for Federal & State Grant Fund - Grant Receivables	<u>233,972.49</u>	
		\$ 313,877.29
Budget Appropriation - Deferred Charge		<u>25,795.06</u>
		<u>339,672.35</u>
		405,200.39
Decreased by:		
Disbursed for Federal & State Grant Fund		105,763.33
Due to General Capital Fund		<u>39,690.00</u>
		<u>145,453.33</u>
Balance December 31, 2014		<u><u>\$ 259,747.06</u></u>

**CITY OF SALEM**  
**FEDERAL AND STATE GRANT FUND**  
Statement of Federal and State Grants Receivable  
For the Year Ended December 31, 2014

<u>Program</u>	<u>Balance Dec. 31, 2013</u>	<u>Revenue Anticipated</u>	<u>Transferred from Unappropriated</u>	<u>Received by Current Fund</u>	<u>Balance Dec. 31, 2014</u>
Municipal Alliance on Alcohol and Drug Abuse		\$ 7,456.77	\$ 7,456.77		
Clean Communities Program		10,998.14	10,998.14		
New Jersey Motor Vehicle Commission		94,085.04		\$ 92,760.19	\$ 1,324.85
National Fish and Wildlife Foundation	\$ 5,800.00				5,800.00
NJ DOT Grieves Parkway Phase I	46,141.10			46,141.10	
NJ DOT Grieves Parkway Phase II		167,940.00		95,071.20	72,868.80
	<u>\$ 51,941.10</u>	<u>\$ 280,479.95</u>	<u>\$ 18,454.91</u>	<u>\$ 233,972.49</u>	<u>\$ 79,993.65</u>

**CITY OF SALEM**  
**FEDERAL AND STATE GRANT FUND**  
Statement of Reserve for Federal and State Grants -- Appropriated  
For the Year Ended December 31, 2014

<u>Program</u>	<u>Balance</u> <u>Dec. 31, 2013</u>	<u>Transferred</u> <u>from</u> <u>Budget</u> <u>Appropriation</u>	<u>Disbursed by</u> <u>Current Fund</u>	<u>Over-</u> <u>Expended</u>	<u>Balance</u> <u>Dec. 31, 2014</u>
<b>Federal Grants:</b>					
U.S. Department of Justice - Local Law Enforcement Block Grant	\$ 483.25				\$ 483.25
State Police SLA Heop Grant	2,405.72				2,405.72
National Fish and Wildlife Foundation	1,331.19				1,331.19
JAG Grant	12,452.00				12,452.00
	<u>16,672.16</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,672.16</u>
<b>State Grants:</b>					
Clean Communities Grant	3,824.10	\$ 10,998.14	\$ 9,772.48		5,049.76
Municipal Alliance on Alcohol and Drug Abuse		7,456.77	8,439.49	\$ 982.72	
Drunk Driving Enforcement Fund	21,006.60		1,074.74		19,931.86
Neighborhood Preservation Program	5,403.26				5,403.26
Motor Vehicle Commission Police		94,085.04	81,665.62		12,419.42
Domestic Violence Training	6,800.00				6,800.00
Recycling Tonnage	13,894.25				13,894.25
N.J. Department of Health - Hepatitis B Vaccine	4,418.40				4,418.40
Body Armor			3,180.00	3,180.00	
NJ DOT Grieves Parkway Phase II		167,940.00			167,940.00
	<u>55,346.61</u>	<u>280,479.95</u>	<u>104,132.33</u>	<u>4,162.72</u>	<u>235,856.95</u>
<b>Other Grants:</b>					
US Marshalls Equitable Sharing	13,100.50		1,631.00		11,469.50
	<u>13,100.50</u>	<u>-</u>	<u>1,631.00</u>	<u>-</u>	<u>11,469.50</u>
	<u>\$ 85,119.27</u>	<u>\$ 280,479.95</u>	<u>\$ 105,763.33</u>	<u>\$ 4,162.72</u>	<u>\$ 263,998.61</u>

**CITY OF SALEM**  
**FEDERAL AND STATE GRANT FUND**  
Statement of Reserve for Federal and State Grants -- Unappropriated  
For the Year Ended December 31, 2014

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<u>Program</u>	<u>Balance</u> <u>Dec. 31, 2013</u>	<u>Received by</u> <u>Current Fund</u>	<u>Realized as</u> <u>Miscellaneous</u> <u>Revenue in</u> <u>Budget</u>	<u>Balance</u> <u>Dec. 31, 2014</u>
Municipal Alliance on Alcohol and Drug Abuse	\$ 7,456.77	\$ 4,408.16	\$ 7,456.77	\$ 4,408.16
Clean Communities Grant	10,998.16	10,313.76	10,998.14	10,313.78
Recycling Tonnage		6,717.20		6,717.20
Body Armor Fund		2,271.38		2,271.38
US Marshalls - 2014		56,194.30		56,194.30
	<u>\$ 18,454.93</u>	<u>\$ 79,904.80</u>	<u>\$ 18,454.91</u>	<u>\$ 79,904.82</u>

**SUPPLEMENTAL EXHIBITS**  
**TRUST FUND**

**CITY OF SALEM**  
**TRUST FUNDS**  
**Statement of Cash**  
**For the Year Ended December 31, 2014**

	<u>Animal Control</u>	<u>Other</u>
Balance December 31, 2013	\$ 18,457.59	\$ 1,104,371.28
Increased by Receipts:		
Dog License Fees Collected	\$ 1,679.00	
Due Current Fund - MRNA Interest Earnings		\$ 11.58
Due Current Fund - Received from Reserve for:		226,122.85
Small Cities Rehab		142,504.00
Developer's Escrow		4,100.00
POAA		765.00
Payroll Withholdings Payable		4,207,769.23
Public Defender		2.09
Landfill		(299.48)
Tax Title Liens		501,926.63
Shade Tree Commission		1,501.19
Off-Duty Police		64,983.43
Municipal Pool Donations Account		19,787.77
	1,679.00	5,169,174.29
	20,136.59	6,273,545.57
Decreased by Disbursements:		
Due State Department of Health	412.80	
Expenditures Under R.S. 4:19-15.11	16,738.01	
Due Current Fund - Disbursed to		92,000.00
Due Current Fund - MRNA Interest Earnings		12.66
Reserve for:		
Small Cities Rehab		146,350.00
Developer's Escrow		1,495.00
Payroll Withholdings Payable		4,170,590.28
Tax Title Liens		354,696.22
Shade Tree Commission		3,600.00
Off-Duty Police		75,435.00
Municipal Pool Donations Account		12,521.49
	17,150.81	4,856,700.65
Balance December 31, 2014	\$ 2,985.78	\$ 1,416,844.92

**CITY OF SALEM**  
**TRUST -- ANIMAL CONTROL FUND**  
Statement of Reserve for Animal Control Expenditures  
For the Year Ended December 31, 2014

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Balance December 31, 2013		\$ 3,669.70
Increased by:		
Current Fund Budget Appropriation	\$ 18,500.00	
Dog License Fees Collected	1,679.00	
		20,179.00
		23,848.70
Decreased by:		
Transferred to Due to State of New Jersey	430.20	
Due to Current Fund	3,688.50	
Expenditures Under R.S.4:19- 15.11	16,738.01	
		20,856.71
Balance December 31, 2014		\$ 2,991.99

License Fees Collected

<u>Year</u>	<u>Amount</u>
2013	\$ 1,748.40
2012	1,664.80
	\$ 3,413.20

**Exhibit SB-3**

**TRUST -- ANIMAL CONTROL FUND**  
Statement of Due to / from Current Fund  
For the Year Ended December 31, 2014

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Balance December 31, 2013 (Due to)		\$ 14,766.89
Increased by:		
Disbursed by Current Fund		3,688.50
		18,455.39
Decreased by:		
Current Fund Budget Appropriation		18,500.00
Balance December 31, 2014 (Due from)		\$ 44.61

**CITY OF SALEM**  
TRUST -- ANIMAL CONTROL FUND  
Statement of Due to State of New Jersey  
For the Year Ended December 31, 2014

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Balance December 31, 2013	\$ 21.00
Increased by:	
Transferred from Reserve for Animal Control Expenditures	<u>430.20</u>
	451.20
Decreased by:	
Payments	<u>412.80</u>
Balance December 31, 2014	<u><u>\$ 38.40</u></u>



**CITY OF SALEM**  
**TRUST -- OTHER FUNDS**  
Statement of Due to Current Fund  
For the Year Ended December 31, 2014

Balance December 31, 2013		\$ 46,402.02
Increased by:		
Receipts - Interest Earned on Deposits	\$ 11.58	
Disbursed by Current Fund	27,485.00	
Received from Current Fund	226,122.85	
		253,619.43
		300,021.45
Decreased by:		
Receipts Collected by Current Fund	18,000.00	
Disbursed to Current Fund	92,000.00	
Disbursed to Current Fund - MRA Interest Earnings	12.66	
		110,012.66
Balance December 31, 2014		\$ 190,008.79
 <u>Analysis of Balance (Deficit) Dec. 31, 2014</u>		
Construction Code		\$ 2,758.04
Developer's Escrow		3,624.30
POAA		0.13
Payroll		95,327.92
Public Defender		(36,209.75)
Tax Title Liens		145,828.48
Unemployment		(29,241.76)
Small Cities		7,842.21
UDAG		79.22
		\$ 190,008.79

**CITY OF SALEM**  
**TRUST -- OTHER FUNDS**  
**Statement of Changes in Reserves**  
**For the Year Ended December 31, 2014**

	Balance	Increased by		Decreased by		Balance
	<u>Dec. 31, 2013</u>	<u>Receipts</u>	<u>Due Current Fund</u>	<u>Disbursements</u>	<u>Due Current Fund</u>	<u>Dec. 31, 2014</u>
Reserve for:						
Community Development Block Grant of 1974:						
Community Development Housing Equity	\$ 15,773.79					\$ 15,773.79
Small Cities Rehab	4,196.63	\$ 142,504.00		\$ 146,350.00		350.63
Developer's Escrow	19,740.01	4,100.00		1,495.00		22,345.01
POAA	14,704.95	765.00				15,469.95
Payroll Withholdings Payable	141,787.58	4,207,769.23	\$ 18,000.00	4,170,590.28		196,966.53
Public Defender	2,281.16	2.09				2,283.25
Landfill	92,873.85	(299.48)				92,574.37
Tax Title Liens	478,665.45	501,926.63		354,696.22		625,895.86
Unemployment Compensation	10,955.24					10,955.24
Accumulated Sick Leave	33,350.27					33,350.27
Shade Tree Commission	2,786.71	1,501.19		3,600.00		687.90
Proceeds from Mortgage Notes	8,361.92					8,361.92
Off-Duty Police	11,618.27	64,983.43		75,435.00		1,166.70
County Prosecutor Law Enforcement Trust	27,485.00				\$ 27,485.00	
Municipal Pool Donations Account	9,186.90	19,787.77		12,521.49		16,453.18
	<u>\$ 873,767.73</u>	<u>\$ 4,943,039.86</u>	<u>\$ 18,000.00</u>	<u>\$ 4,764,687.99</u>	<u>\$ 27,485.00</u>	<u>\$ 1,042,634.60</u>

**SUPPLEMENTAL EXHIBITS**  
**GENERAL CAPITAL FUND**

**CITY OF SALEM**  
GENERAL CAPITAL FUND  
Statement of Cash  
For the Year Ended December 31, 2014

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Balance December 31, 2013	\$ 1,702.44
Increased by Receipts:	
Due Current Fund - Received from	<u>386.00</u>
Balance December 31, 2014	<u><u>\$ 2,088.44</u></u>

**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
 Analysis of General Capital Cash  
 For the Year Ended December 31, 2014

	Balance	Miscellaneous	Disbursements		Transfers		Balance
	(Deficit)		Receipts	Improvement	Miscellaneous	To	From
	<u>Dec. 31, 2013</u>		<u>Authorizations</u>				<u>Dec. 31, 2014</u>
Capital Improvement Fund	\$ 15,898.22				\$ 45,000.00		\$ 60,898.22
Due Current Fund	(823.80)	\$ 386.00			360,573.90	\$ 446,257.57	(86,121.47)
Due Federal and State Grant Fund	(39,690.00)				39,690.00		
Due Utility Capital Fund	(547,494.61)					130,254.49	(677,749.10)
Federal & State Grants Receivable	(513,712.19)				513,712.19		
Reserve for Payment of Bonds & Notes	218,031.49					120,000.00	98,031.49
Reserve for Payment of Guaranteed Debt	129,513.00				105,000.00		234,513.00
Deferred Charge - Overexpenditure	(3,692.15)				3,692.15		
Improvement Authorizations:							
Ordinance							
<u>Number</u>							
05-08	5,000.00					5,000.00	
05-19, 09-08, 09-09, 09-10	612,973.75					573,439.74	39,534.01
05-28	431,210.80					6,422.30	424,788.50
06-13	(90,459.00)				14,459.00		(76,000.00)
08-09	(2,770.99)				2,770.99		(0.00)
08-10	(29,530.70)						(29,530.70)
08-23	(5,645.43)				5,645.43		
11-01	5,114.80					640.56	4,474.24
11-16	(235,000.00)				235,000.00		
11-20	26,659.25					23,544.00	3,115.25
12-06	6,135.00						6,135.00
12-14	19,985.00					19,985.00	
	<u>\$ 1,702.44</u>	<u>\$ 386.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,325,543.66</u>	<u>\$ 1,325,543.66</u>	<u>\$ 2,088.44</u>

**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
Statement of Capital Improvement Fund  
For the Year Ended December 31, 2014

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Balance December 31, 2013		\$ 15,898.22
Increased by:		
Budget Appropriation	\$ 40,000.00	
Canceled Improvement Authorizations	5,000.00	
		45,000.00
Balance December 31, 2014		\$ 60,898.22

## Exhibit SC-4

**GENERAL CAPITAL FUND**  
Statement of Deferred Charges to Future Taxation -- Funded  
For the Year Ended December 31, 2014

---

Balance December 31, 2013		\$ 3,251,000.00
Decreased by:		
Budget Appropriation - Serial Bonds		285,000.00
Balance December 31, 2014		\$ 2,966,000.00

**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
 Statement of Deferred Charges to Future Taxation -- Unfunded  
 For the Year Ended December 31, 2014

Ordinance Number	Improvement Description	Balance Dec. 31, 2013	Decreased by	Balance Dec. 31, 2014	Expenditures	Analysis of Balance Dec. 31, 2014	
						Financed by Bond Anticipation Notes	Unexpended Improvement Authorization
05-08	Reconstruction of the Finlaw Building	\$ 100,000.00	\$ 100,000.00				
05-28	Improvement of East & West Broadway	3,864.00		\$ 3,864.00			\$ 3,864.00
06-13	Hires Avenue	90,459.00	14,459.00	76,000.00	\$ 76,000.00		
08-09	Improvements to Grieves Parkway	2,770.99	2,770.99				
08-10	Recreation Fields	29,530.70		29,530.70	29,530.70		
08-23	Assistance to Stand up for Salem, Inc.	68,350.00	5,645.43	62,704.57			62,704.57
11-16	Finlaw Building Resurface	235,000.00	235,000.00				
		<u>\$ 529,974.69</u>	<u>\$ 357,875.42</u>	<u>\$ 172,099.27</u>	<u>\$ 105,530.70</u>	<u>\$ -</u>	<u>\$ 66,568.57</u>
	Canceled Improvement Authorizations		\$ 100,000.00				
	Budget Appropriation - Deferred Charge		22,875.42				
	Due from Current Fund - Lawsuit Settlement Proceeds		<u>235,000.00</u>				
			<u>\$ 357,875.42</u>				

**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
Statement of Due from Current Fund  
For the Year Ended December 31, 2014

Balance December 31, 2013		\$ 823.80
Increased by:		
Collected by Current Fund -		
Deferred Charge to Future Taxation - Unfunded	\$ 235,000.00	
Transferred from Due from Federal and State Grant Fund	39,690.00	
Budget Appropriation - Reserve for the Payment of Guaranteed Debt	105,000.00	
Budget Appropriation - Deferred to Future Taxation - Unfunded	22,875.42	
Budget Appropriation - Capital Improvement Fund	40,000.00	
Budget Appropriation - Overexpenditure of Improvement Authorization	3,692.15	
		446,257.57
		447,081.37
Decreased by:		
Reserve for the Payment of Bonds & Notes - Current Fund MRA	120,000.00	
Due from Utility Capital Fund	130,254.49	
Disbursed by Current Fund	110,319.41	
Received from Current Fund	386.00	
		360,959.90
Balance December 31, 2014		\$ 86,121.47



**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
Statement of Improvement Authorizations  
For the Year Ended December 31, 2014

Improvement Description	Ordinance Number	Amount	Balance Dec. 31, 2013		Paid or Charged	Adjustment / Canceled	Balance Dec. 31, 2014	
			Funded	Unfunded			Funded	Unfunded
Reconstruction of the Finlaw Building	05-08	\$ 105,000.00	\$ 5,000.00	\$ 100,000.00		\$ 105,000.00		
Hazardous Discharge Site Remediation	05-19, 09-08, 09-09, 09-10	various	612,973.75		\$ 59,727.55		\$ 553,246.20	
Improvement of East & West Broadway	05-28	525,000.00	431,210.80	3,864.00	6,422.30		424,788.50	\$ 3,864.00
Assistance to Stand up for Salem, Inc.	08-23	2,500,000.00		62,704.57				62,704.57
Various Improvements	11-01	50,000.00	5,114.80		640.56		4,474.24	
Various Improvements	11-20	55,000.00	26,659.25		23,544.00		3,115.25	
Municipal Pool Improvements	12-06	10,000.00	6,135.00				6,135.00	
Various Improvements	12-14	50,000.00	19,985.00		19,985.00			
			<u>\$ 1,107,078.60</u>	<u>\$ 166,568.57</u>	<u>\$ 110,319.41</u>	<u>\$ 105,000.00</u>	<u>\$ 991,759.19</u>	<u>\$ 66,568.57</u>
Capital Improvement Fund						\$ 5,000.00		
Deferred to Future Taxation - Unfunded / Bonds and Notes Authorized but Not Issued						100,000.00		
Due Current Fund					<u>\$ 110,319.41</u>			
					<u>\$ 110,319.41</u>	<u>\$ 105,000.00</u>		

**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
**Statement of General Serial Bonds**  
**For the Year Ended December 31, 2014**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Bonds Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>	<u>Paid By Budget Appropriation</u>	<u>Balance Dec. 31, 2014</u>
			<u>Date</u>	<u>Amount</u>				
Various Capital Improvements	1/15/2003	\$ 1,361,000.00	01/15/15	\$ 131,000.00	4.75%	\$ 276,000.00	\$ 145,000.00	\$ 131,000.00
Various Capital Improvements	6/15/2012	3,110,000.00	06/15/15	165,000.00	3.00%			
			06/15/16	215,000.00	3.00%			
			06/15/17	225,000.00	3.00%			
			06/15/18	235,000.00	3.00%			
			06/15/19	245,000.00	3.00%			
			06/15/20	250,000.00	3.00%			
			06/15/21	250,000.00	3.00%			
			06/15/22	250,000.00	3.00%			
			06/15/23	250,000.00	4.00%			
			06/15/24	250,000.00	4.00%			
			06/15/25	250,000.00	4.00%			
			06/15/26	250,000.00	4.00%			
						<u>2,975,000.00</u>	<u>140,000.00</u>	<u>2,835,000.00</u>
						<u>\$ 3,251,000.00</u>	<u>\$ 285,000.00</u>	<u>\$ 2,966,000.00</u>

**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
Statement of Reserve for the Payment of Bonds & Notes  
For the Year Ended December 31, 2014

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Balance December 31, 2013	\$ 218,031.49
Decreased by:	
Due from Current Fund - Miscellaneous Revenue Anticipated	120,000.00
Balance December 31, 2014	\$ 98,031.49

## Exhibit SC-10

**GENERAL CAPITAL FUND**  
State of Due from Utility Capital Fund  
For the Year Ended December 31, 2014

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Balance December 31, 2013	\$ 547,494.61
Increased by:	
Due from Current Fund	130,254.49
Balance December 31, 2014	\$ 677,749.10

## Exhibit SC-11

**GENERAL CAPITAL FUND**  
Statement of Reserve for Payment of Guaranteed Debt  
For the Year Ended December 31, 2014

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Balance December 31, 2013	\$ 129,513.00
Increased by:	
Due from Current Fund - Budget Appropriation	105,000.00
Balance December 31, 2014	\$ 234,513.00

## Exhibit SC-12

**GENERAL CAPITAL FUND**  
Statement of Due from Federal and State Grant Fund  
For the Year Ended December 31, 2014

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Balance December 31, 2013	\$ 39,690.00
Decreased by:	
Transferred to Due from Current Fund	\$ 39,690.00

**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
Statement of Bonds and Notes Authorized But Not Issued  
For the Year Ended December 31, 2014

Ordinance Number	Balance Dec. 31, 2013	Budget Appropriation	Decreased by:		Balance Dec. 31, 2014	
			Lawsuit Settlement Proceeds	Canceled		
05-08	Reconstruction of the Finlaw Building	\$ 100,000.00			\$ 100,000.00	
05-28	Improvement of East & West Broadway	3,864.00				\$ 3,864.00
06-13	Hires Avenue	90,459.00	\$ 14,459.00			76,000.00
08-09	Improvements to Grieves Parkway	2,770.99	2,770.99			
08-10	Recreation Fields	29,530.70				29,530.70
08-23	Assistance to Stand up for Salem, Inc.	68,350.00	5,645.43			62,704.57
11-16	Finlaw Building Resurface	235,000.00		\$ 235,000.00		
		<u>\$ 529,974.69</u>	<u>\$ 22,875.42</u>	<u>\$ 235,000.00</u>	<u>\$ 100,000.00</u>	<u>\$ 172,099.27</u>

**SUPPLEMENTAL EXHIBITS**  
**WATER AND SEWER UTILITY FUND**

**CITY OF SALEM**  
**WATER AND SEWER UTILITY FUND**  
**Statement of Cash**  
**For the Year Ended December 31, 2014**

	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2013	\$ 668,083.08	\$ 11.42
Increased by Receipts:		
Consumer Accounts Receivable	\$ 3,107,990.05	
Miscellaneous Revenue	486,707.05	
New Jersey Environmental Infrastructure Trust Receivable		\$ 616,206.00
Due Current Fund - Received from	143,082.35	
Due Utility Operating Fund - Received from		304,882.14
Due Utility Operating Fund - Interest Earnings		9.18
Due Utility Capital Fund - Received from	<u>217,000.00</u>	
	<u>3,954,779.45</u>	<u>921,097.32</u>
	4,622,862.53	921,108.74
Decreased by Disbursements:		
Budget Appropriations	2,895,443.90	
Appropriation Reserves	50,818.98	
Accounts Payable	188,164.27	
Accrued Interest on Bonds and Notes	247,036.15	
Due Current Fund - Disbursed to	36,171.93	234,184.58
Due Utility Operating Fund - Disbursed to		217,000.00
Due Utility Operating Fund - Disbursed for		39,512.28
Due Utility Capital Fund - Disbursed to	304,882.14	
Improvement Authorizations	<u>422,051.20</u>	
	<u>3,722,517.37</u>	<u>912,748.06</u>
Balance December 31, 2014	<u><u>\$ 900,345.16</u></u>	<u><u>\$ 8,360.68</u></u>

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
 Analysis of Water and Sewer Capital Cash and Investments  
 For the Year Ended December 31, 2014

	Balance (Deficit) <u>Dec. 31, 2013</u>	Miscellaneous <u>Receipts</u>	<u>Disbursements</u>		<u>Transfers</u>		Balance (Deficit) <u>Dec. 31, 2014</u>
			<u>Improvement Authorizations</u>	<u>Miscellaneous</u>	<u>From</u>	<u>To</u>	
Capital Improvement Fund	\$ 35,712.40				\$ 9,850.00	\$ 22,689.13	\$ 48,551.53
Due Current Fund	173,936.96			\$ 234,184.58	130,254.49	190,502.11	
Due Trust -- Other Funds	(100,340.39)						(100,340.39)
Due General Capital Fund	547,494.61					130,254.49	677,749.10
Due Utility Operating Fund	(199,211.17)	\$ 304,891.32		256,512.28	250,502.11		(401,334.24)
Reserve for Encumbrances	15,566.80				15,566.80		
Reserve for Payment of Debt						168,793.99	168,793.99
Improvement Authorizations:							
02-10, 04-23	962.00				962.00		
02-12	2,202.80				2,202.80		
02-18	92,236.41				92,236.41		
02-31	70,089.49				70,089.49		
03-18, 04-06	2,669.55				2,669.55		
04-20	402.04				402.04		
05-27	(7.00)						(7.00)
06-08	(146,241.84)		\$ 5,000.00			3,000.00	(148,241.84)
07-15, 08-18, 09-15	(345,824.86)	616,206.00	416,101.20			52,566.80	(93,153.26)
07-20	231.70				231.70		
08-13	9,313.00						9,313.00
09-14	(163,533.48)						(163,533.48)
11-83	188.83				188.83		
11-148	1,663.27		950.00			9,850.00	10,563.27
11-169	2,500.30				2,500.30		
	<u>\$ 11.42</u>	<u>\$ 921,097.32</u>	<u>\$ 422,051.20</u>	<u>\$ 490,696.86</u>	<u>\$ 577,656.52</u>	<u>\$ 577,656.52</u>	<u>\$ 8,360.68</u>

**CITY OF SALEM**  
**WATER AND SEWER UTILITY OPERATING FUND**  
**Statement of Consumer Accounts Receivable**  
**For the Year Ended December 31, 2014**

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Balance December 31, 2013		\$ 854,357.76
Increased by:		
Water and Sewer Rents Levied - Net of Adjustments		2,948,782.76
		3,803,140.52
Decreased by:		
Collected by Utility Operating Fund	\$ 3,107,990.05	
Transferred to Utility Liens Receivable	80,367.01	
		3,188,357.06
Balance December 31, 2014		\$ 614,783.46

## Exhibit SD-4

**WATER AND SEWER UTILITY OPERATING FUND**  
**Statement of Utility Liens Receivable**  
**For the Year Ended December 31, 2014**

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Balance December 31, 2013		\$ 208,161.24
Increased by:		
Transferred from Consumer Accounts Receivable		80,367.01
Balance December 31, 2014		\$ 288,528.25



**CITY OF SALEM**  
**WATER AND SEWER UTILITY OPERATING FUND**  
**Statement of Appropriation Reserves**  
**For the Year Ended December 31, 2014**

	Balance December 31, 2013		Balance After Transfers	Disbursed	Overexpended	Lapsed to Fund Balance
	<u>Reserved</u>	<u>Encumbered</u>				
Operating:						
Salaries and Wages	\$ 25,460.61		\$ 25,460.61			\$ 25,460.61
Other Expenses		\$ 20,933.58	20,933.58	\$ 50,818.98	\$ 29,885.40	
Statutory Expenditures:						
Contributions to Social Security System (O.A.S.I.)	<u>1,118.71</u>		<u>1,118.71</u>			<u>1,118.71</u>
	<u>\$ 26,579.32</u>	<u>\$ 20,933.58</u>	<u>\$ 47,512.90</u>	<u>\$ 50,818.98</u>	<u>\$ 29,885.40</u>	<u>\$ 26,579.32</u>

**CITY OF SALEM**  
**WATER AND SEWER UTILITY OPERATING FUND**  
**Statement of Accrued Interest on Bonds and Notes**  
**For the Year Ended December 31, 2014**

Balance December 31, 2013		\$ 157,165.70
Increased by:		
Charged to Budget Appropriation - Interest on Bonds	\$ 348,347.98	
EIT Earnings Credits	<u>(84,042.57)</u>	
		<u>264,305.41</u>
		421,471.11
Decreased by:		
Due to Current Fund	9,056.10	
Due to Water/Sewer Capital Fund	10,917.10	
Prepaid Debt Service Applied	16,364.03	
Cash Disbursements	<u>247,036.15</u>	
		<u>283,373.38</u>
Balance December 31, 2014		<u><u>\$ 138,097.73</u></u>

Analysis of Accrued Interest December 31, 2014

Bonds and Notes Outstanding <u>Dec. 31, 2014</u>	Interest Rate	From	To	Period	Amount
Wastewater Improvement Bonds	5.00%	08/01/14	12/31/14	150 days	\$ 67,896.94
USDA Loan	4.25%	07/01/14	12/31/14	180 days	16,237.93
EIT Loan	5.00%	08/01/14	12/31/14	150 days	51,845.83
State of New Jersey Loan	2.00%	11/01/14	12/31/14	60 days	1,747.91
Bonds Payable	3.00%	12/15/14	12/31/14	16 days	<u>369.11</u>
					<u><u>\$ 138,097.73</u></u>

**CITY OF SALEM**  
**WATER AND SEWER UTILITY OPERATING FUND**  
 Statement of Due to Current Fund  
 For the Year Ended December 31, 2014

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Balance December 31, 2013		\$ 59,535.59
Increased by:		
Payment of Bond Principal - Paid by Current Fund	\$ 15,000.00	
Interest on Bonds - Paid by Current Fund	<u>9,056.10</u>	
	\$ 24,056.10	
Received from Current Fund		<u>143,082.35</u>
		<u>167,138.45</u>
		226,674.04
Decreased by:		
Disbursed to Current Fund	36,171.93	
Transferred to Due to Utility Capital Fund	<u>190,502.11</u>	
		<u>\$ 226,674.04</u>

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
Statement of Fixed Capital  
For the Year Ended December 31, 2014

<u>Account</u>	<u>Balance</u> <u>Dec. 31, 2013</u>	<u>Increases</u>	<u>Balance</u> <u>Dec. 31, 2014</u>
Reservation Land	\$ 16,924.00		\$ 16,924.00
Impounding Reservoirs	22,986.00		22,986.00
Lake and River Cribs	2,615.00		2,615.00
Spring and Wells	81,919.00		81,919.00
Infiltration Structures	32,025.00		32,025.00
Collecting Reservoirs	3,242.00		3,242.00
Intake and Supply Mains	1,306.00		1,306.00
Settling Basins	3,084.00		3,084.00
Filters	3,239.00		3,239.00
Ozone Sterilizing and Aeration Plant	1,896.00		1,896.00
Chemical Treatment Plant	11,505.00		11,505.00
Pumping Station Structure	35,552.00		35,552.00
Electric Power Pumping Equipment	12,518.00		12,518.00
Other Power Pumping Equipment	35,985.00		35,985.00
Storage Reservoirs, Standpipe, Etc.	62,099.00		62,099.00
Distribution Mains and Accessories	380,979.00		380,979.00
Service Pipes and Stops	3,667.00		3,667.00
Meters, Meter Boxes and Vaults	83,264.00		83,264.00
Fire Hydrants	1,899.00		1,899.00
General Structures	2,673.00		2,673.00
General Equipment	7,520.00		7,520.00
Engineering	33,433.00		33,433.00
Legal	72.00		72.00
Miscellaneous Construction Expenditures	3,103.00		3,103.00
Expenditures Prior to 1913	55,327.00		55,327.00
Major Improvements and Extension of Water System	1,870,398.00		1,870,398.00
Wastewater System Upgrade	14,174,950.00		14,174,950.00
Sewer Capital	122,423.00		122,423.00
New Sewer Disposal Plant	283,408.00		283,408.00
Repairs to Sewer Plant	72,597.00		72,597.00
Miscellaneous Machinery and Equipment	114,462.00		114,462.00
Water System Extension to Mannington Township	181,910.00		181,910.00
Water and Sewer Line to High School	100,000.00		100,000.00
Oak Street Water Line Extension	35,013.00		35,013.00
Sanitary Sewer Line - Hancock Street	17,742.00		17,742.00
Water Mains and Testing Equipment	44,869.00		44,869.00
Extension and Enlargement of 8" Water Line	215,884.00		215,884.00
Water System Repairs and Replacements	106,076.00		106,076.00
Purchase of Land - Upgrade Wastewater System	40,407.00		40,407.00
Purchase of Vehicles	98,330.00		98,330.00
Purchase of Computer	15,000.00		15,000.00
Emergency Repair Well #2	15,491.00		15,491.00
Town Bank Pump Repair	37,394.06		37,394.06
Improvements to Seventh Street Ordinance 00-10	471,050.00		471,050.00
Various Water and Sewer Capital Improvements Ordinance 01-13	225,000.00		225,000.00
Various Improvements - Pennsville Interconnection Ordinance 0-18	40,000.00		40,000.00
Various Water and Sewer Capital Improvements Ordinance 02-09	200,000.00		200,000.00
Various Improvements - Pennsville Interconnection Ordinance 02-11	25,000.00		25,000.00
Various Water and Sewer Capital Improvements Ordinance 02-25	175,000.00		175,000.00
Various Water and Sewer Capital Improvements Ordinance 02-10		\$ 120,000.00	120,000.00
Various Water and Sewer Capital Improvements Ordinance 02-12		150,000.00	150,000.00
Improvements to Carpenter Street Ordinance 02-18		455,805.00	455,805.00
Various Water and Sewer Capital Improvements Ordinance 02-31		1,600,000.00	1,600,000.00
Various Water and Sewer Capital Improvements Ordinance 05-18		8,000.00	8,000.00
Various Water and Sewerage System Improvements Ordinance 05-27		310,000.00	310,000.00
Various Water and Sewer Capital Improvements Ordinance 07-20		20,000.00	20,000.00
Various Water and Sewer Capital Improvements Resolution 11-83		37,800.00	37,800.00
Various Water and Sewer Capital Improvements Resolution 11-169		34,680.00	34,680.00
	<u>\$ 19,581,236.06</u>	<u>\$ 2,736,285.00</u>	<u>\$ 22,317,521.06</u>

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
**Statement of Fixed Capital Authorized and Uncompleted**  
**For the Year Ended December 31, 2014**

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2013	Increased by: Authorizations	Decreases	Balance Dec. 31, 2014
2002-10	Various Water and Sewer Capital Improvements	04/01/02	\$ 120,000	\$ 120,000.00		\$ 120,000.00	
2002-12	Various Water and Sewer Capital Improvements	04/15/02	150,000	150,000.00		150,000.00	
2002-18	Improvements to Carpenter Street	09/16/02	455,805	455,805.00		455,805.00	
2002-31	Various Water and Sewer Capital Improvements	12/02/02	1,600,000	1,600,000.00		1,600,000.00	
2005-18	Various Water and Sewer Capital Improvements	05/02/05	8,000	8,000.00		8,000.00	
2005-27	Various Water and Sewerage System Improvements	08/15/05	310,000	310,000.00		310,000.00	
2006-08	Quinton / Elkinton Dams	04/03/06	1,160,000	1,160,000.00			\$ 1,160,000.00
2007-15, 2008-18, 2009-15	Improvement of the Water Supply and Distribution System	05/07/07, 10/09/08, 07/13/09	17,000,000	17,000,000.00		4,600,000.00	12,400,000.00
2007-20	Various Water and Sewer Capital Improvements	06/18/07	20,000	20,000.00		20,000.00	
2008-13	Various Water and Sewer Capital Improvements	08/18/08	20,000	20,000.00			20,000.00
2009-14	Improvements of the Sanitary Sewerage System	07/13/09	3,500,000	3,500,000.00			3,500,000.00
2011-83	Various Water and Sewer Capital Improvements	04/18/11	37,800	37,800.00		37,800.00	
2011-148	Various Water and Sewer Capital Improvements	09/06/11	44,150	34,300.00	\$ 9,850.00		44,150.00
2011-169	Various Water and Sewer Capital Improvements	12/05/11	34,680	34,680.00		34,680.00	
				<u>\$ 24,450,585.00</u>	<u>\$ 9,850.00</u>	<u>\$ 7,336,285.00</u>	<u>\$ 17,124,150.00</u>
	Canceled					\$ 4,600,000.00	
	Transferred to Fixed Capital					<u>2,736,285.00</u>	
						<u>\$ 7,336,285.00</u>	

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
 Statement of Improvement Authorizations  
 For the Year Ended December 31, 2014

Improvement Description	Ordinance Number	Amount	Balance Dec. 31, 2013		Increased by:		Decreased by:		Balance Dec. 31, 2014	
			Funded	Unfunded	Authorizations	Prior Year Encumbrances	Paid or Charged	Canceled	Funded	Unfunded
Various Water and Sewer Capital Improvements	02-10, 04-23	\$ 127,500	\$ 962.00					\$ 962.00		
Various Water and Sewer Capital Improvements	02-12	150,000	2,202.80					2,202.80		
Improvements to Carpenter Street	02-18	455,805	92,236.41					92,236.41		
Various Water and Sewer Capital Improvements	02-31	1,600,000	70,089.49					70,089.49		
Repairs and Improvements to Town Bank	03-18, 04-06	100,000	2,669.55					2,669.55		
Various Water and Sewer Capital Improvements	04-20	60,000	402.04					402.04		
Quinton / Elkinton Dams	06-08	1,160,000		\$ 432,758.16		\$ 3,000.00		\$ 5,000.00		\$ 430,758.16
Improvement of the Water Supply and Distribution System	07-15, 08-18, 09-15	17,000,000		5,775,516.14		12,566.80		416,101.20	4,600,000.00	771,981.74
Various Water and Sewer Capital Improvements	07-20	20,000	231.70					231.70		
Various Water and Sewer Capital Improvements	08-13	20,000	9,313.00						\$ 9,313.00	
Improvements of the Sanitary Sewerage System	09-14	3,500,000		2,173,107.52						2,173,107.52
Various Water and Sewer Capital Improvements	11-83	37,800	188.83					188.83		
Various Water and Sewer Capital Improvements	11-148	44,150	1,663.27		\$ 9,850.00			950.00	10,563.27	
Various Water and Sewer Capital Improvements	11-169	34,680	2,500.30					2,500.30		
			<u>\$ 182,459.39</u>	<u>\$ 8,381,381.82</u>	<u>\$ 9,850.00</u>	<u>\$ 15,566.80</u>	<u>\$ 422,051.20</u>	<u>\$ 4,771,483.12</u>	<u>\$ 19,876.27</u>	<u>\$ 3,375,847.42</u>
Fixed Capital Authorized and Uncompleted/Bonds and Notes Authorized But Not Issued								\$ 4,600,000.00		
Capital Improvement Fund								2,689.13		
Reserve for Payment of Bonds and Notes								168,793.99		
								<u>\$ 4,771,483.12</u>		

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
**Statement of Bonds Payable**  
**For the Year Ended December 31, 2014**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Bonds Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2014</u>
			<u>Date</u>	<u>Amount</u>				
Various Water and Sewerage System Improvements	06/15/12	\$ 290,000.00	6/15/2015	\$ 15,000.00	3.00%			
			6/15/2016	20,000.00	3.00%			
			6/15/2017	20,000.00	3.00%			
			6/15/2018	20,000.00	3.00%			
			6/15/2019	20,000.00	3.00%			
			6/15/2020	20,000.00	3.00%			
			6/15/2021	20,000.00	3.00%			
			6/15/2022	25,000.00	3.00%			
			6/15/2023	25,000.00	4.00%			
			6/15/2024	25,000.00	4.00%			
			6/15/2025	25,000.00	4.00%			
			6/15/2026	25,000.00	4.00%			
						\$ 275,000.00	\$ 15,000.00	\$ 260,000.00

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
**Statement of Water and Sewer Wastewater Improvement Bonds**  
**For the Year Ended December 31, 2014**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Bonds Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2014</u>
			<u>Date</u>	<u>Amount</u>				
Treatment System	08/01/91	\$ 4,939,700.00	2/1/2015	\$ 61,924.67				
			8/1/2015	63,473.11				
			2/1/2016	65,060.28				
			8/1/2016	66,687.14				
			2/1/2017	68,354.67				
			8/1/2017	70,063.90				
			2/1/2018	71,815.88				
			8/1/2018	73,611.66				
			2/1/2019	75,452.34				
			8/1/2019	77,339.06				
			2/1/2020	79,272.95				
			8/1/2020	81,255.19				
			2/1/2021	83,287.01				
			8/1/2021	85,369.63				
			2/1/2022	87,504.33				
			8/1/2022	89,692.40				
			2/1/2023	91,935.19				
			8/1/2023	94,234.07				
			2/1/2024	96,590.42				
			8/1/2024	99,005.70				
			2/1/2025	101,481.37				
			8/1/2025	104,018.95				
			2/1/2026	106,619.98				
			8/1/2026	109,286.05				
			2/1/2027	112,018.78				
			8/1/2027	114,819.85				
			2/1/2028	117,690.96				
			8/1/2028	120,633.87				
			2/1/2029	123,650.36				
			8/1/2029	126,742.28				
			2/1/2030	129,911.52				
			8/1/2030	133,160.00				
			2/1/2031	136,489.71				
			8/1/2031	139,902.69	5.00%	\$ 3,377,710.13	\$ 119,354.16	\$ 3,258,355.97



**CITY OF SALEM**  
 WATER AND SEWER UTILITY CAPITAL FUND  
 Statement of USDA Loan Payable  
 For the Year Ended December 31, 2014

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Bonds Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2014</u>
			<u>Date</u>	<u>Amount</u>				
Capital Improvements	05/16/05	\$ 854,000.00	1/1/2015	\$ 6,060.07				
			7/1/2015	6,188.85				
			1/1/2016	6,320.36				
			7/1/2016	6,454.67				
			1/1/2017	6,591.83				
			7/1/2017	6,731.91				
			1/1/2018	6,874.96				
			7/1/2018	7,021.05				
			1/1/2019	7,170.25				
			7/1/2019	7,322.62				
			1/1/2020	7,478.22				
			7/1/2020	7,637.13				
			1/1/2021	7,799.42				
			7/1/2021	7,965.16				
			1/1/2022	8,134.42				
			7/1/2022	8,307.28				
			1/1/2023 - 7/1/2045	650,079.66	4.25%	<u>\$ 775,882.33</u>	<u>\$ 11,744.47</u>	<u>\$ 764,137.86</u>

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
Statement of Water and Sewer New Jersey Environmental Infrastructure Trust Loans Payable  
For the Year Ended December 31, 2014

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Loans Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2014</u>
			<u>Date</u>	<u>Amount</u>				
Water Plant	03/10/10	\$ 2,890,000.00	8/1/2015	\$ 120,000.00	5.00%			
			8/1/2016	125,000.00	5.00%			
			8/1/2017	130,000.00	5.00%			
			8/1/2018	135,000.00	5.00%			
			8/1/2019	145,000.00	4.00%			
			8/1/2020	150,000.00	5.00%			
			8/1/2021	160,000.00	3.00%			
			8/1/2022	160,000.00	4.00%			
			8/1/2023	170,000.00	4.00%			
			8/1/2024	175,000.00	4.00%			
			8/1/2025	185,000.00	4.00%			
			8/1/2026	190,000.00	3.50%			
			8/1/2027	195,000.00	4.00%			
			8/1/2028	205,000.00	4.00%			
			8/1/2029	215,000.00	4.00%	\$ 2,575,000.00	\$ 115,000.00	\$ 2,460,000.00

Continued

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
 Statement of Water and Sewer New Jersey Environmental Infrastructure Trust Loans Payable  
 For the Year Ended December 31, 2014

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Loans Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2014</u>
			<u>Date</u>	<u>Amount</u>				
Water Plant	03/10/10	\$ 3,701,812.00	2/1/2015	\$ 64,944.07				
			8/1/2015	129,888.14				
			2/1/2016	64,944.07				
			8/1/2016	129,888.14				
			2/1/2017	64,944.07				
			8/1/2017	129,888.14				
			2/1/2018	64,944.07				
			8/1/2018	129,888.14				
			2/1/2019	64,944.07				
			8/1/2019	129,888.14				
			2/1/2020	64,944.07				
			8/1/2020	129,888.14				
			2/1/2021	64,944.07				
			8/1/2021	129,888.14				
			2/1/2022	64,944.07				
			8/1/2022	129,888.14				
			2/1/2023	64,944.07				
			8/1/2023	129,888.14				
			2/1/2024	64,944.07				
			8/1/2024	129,888.14				
			2/1/2025	64,944.07				
			8/1/2025	129,888.14				
			2/1/2026	64,944.07				
			8/1/2026	129,888.14				
			2/1/2027	64,944.07				
			8/1/2027	129,888.14				
			2/1/2028	64,944.07				
			8/1/2028	129,888.14				
			2/1/2029	64,944.07				
			8/1/2029	129,888.15		\$ 3,117,315.37	\$ 194,832.21	\$ 2,922,483.16

Continued

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
Statement of Water and Sewer New Jersey Environmental Infrastructure Trust Loans Payable  
For the Year Ended December 31, 2014

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Loans Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2014</u>
			<u>Date</u>	<u>Amount</u>				
Pumping Station	03/10/10	\$ 345,000.00	8/1/2015	\$ 15,000.00	5.00%			
			8/1/2016	15,000.00	5.00%			
			8/1/2017	15,000.00	5.00%			
			8/1/2018	15,000.00	5.00%			
			8/1/2019	15,000.00	4.00%			
			8/1/2020	20,000.00	5.00%			
			8/1/2021	20,000.00	3.00%			
			8/1/2022	20,000.00	4.00%			
			8/1/2023	20,000.00	4.00%			
			8/1/2024	20,000.00	4.00%			
			8/1/2025	20,000.00	4.00%			
			8/1/2026	25,000.00	3.50%			
			8/1/2027	25,000.00	4.00%			
			8/1/2028	25,000.00	4.00%			
			8/1/2029	25,000.00	4.00%	\$ 310,000.00	\$ 15,000.00	\$ 295,000.00

Continued

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
Statement of Water and Sewer New Jersey Environmental Infrastructure Trust Loans Payable  
For the Year Ended December 31, 2014

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Loans Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2014</u>
			<u>Date</u>	<u>Amount</u>				
Pumping Station	03/10/10	\$ 342,063.00	2/1/2015	\$ 6,001.10				
			8/1/2015	12,002.21				
			2/1/2016	6,001.10				
			8/1/2016	12,002.21				
			2/1/2017	6,001.10				
			8/1/2017	12,002.21				
			2/1/2018	6,001.10				
			8/1/2018	12,002.21				
			2/1/2019	6,001.10				
			8/1/2019	12,002.21				
			2/1/2020	6,001.10				
			8/1/2020	12,002.21				
			2/1/2021	6,001.10				
			8/1/2021	12,002.21				
			2/1/2022	6,001.10				
			8/1/2022	12,002.21				
			2/1/2023	6,001.10				
			8/1/2023	12,002.21				
			2/1/2024	6,001.10				
			8/1/2024	12,002.21				
			2/1/2025	6,001.10				
			8/1/2025	12,002.21				
			2/1/2026	6,001.10				
			8/1/2026	12,002.21				
			2/1/2027	6,001.10				
			8/1/2027	12,002.21				
			2/1/2028	6,001.10				
			8/1/2028	12,002.21				
			2/1/2029	6,001.10				
			8/1/2029	12,002.32		\$ 288,053.07	\$ 18,003.31	\$ 270,049.76
						<u>\$ 6,290,368.44</u>	<u>\$ 342,835.52</u>	<u>\$ 5,947,532.92</u>

**CITY OF SALEM**  
 WATER AND SEWER UTILITY CAPITAL FUND  
 Statement of State of New Jersey Loan - Dam Restoration Program  
 For the Year Ended December 31, 2014

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Loans</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2014</u>
			<u>Date</u>	<u>Outstanding Amount</u>				
Quinton / Elkinton Dams	07/31/12	\$ 581,000.00	4/30/2015	\$ 29,169.94	2.00%			
			4/30/2016	29,756.26	2.00%			
			4/30/2017	30,354.36	2.00%			
			4/30/2018	30,964.48	2.00%			
			4/30/2019	31,586.87	2.00%			
			4/30/2020	32,221.76	2.00%			
			4/30/2021	32,869.41	2.00%			
			4/30/2022	33,530.10	2.00%			
			4/30/2023	34,204.05	2.00%			
			4/30/2024	34,891.55	2.00%			
			4/30/2025	35,592.88	2.00%			
			4/30/2026	36,308.28	2.00%			
			4/30/2027	37,038.09	2.00%			
			4/30/2028	37,782.55	2.00%			
			4/30/2029	38,541.98	2.00%			
			4/30/2030	19,560.52	2.00%			
						<u>\$ 552,968.26</u>	<u>\$ 28,595.18</u>	<u>\$ 524,373.08</u>

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
**Statement of Due from Utility Operating Fund**  
**For the Year Ended December 31, 2014**

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Balance December 31, 2013		\$ 199,211.17
Increased by:		
Payment of Bond Principal - Water/Sewer Capital Fund	\$ 28,595.18	
Interest on Bonds - Paid by Water/Sewer Capital Fund	<u>10,917.10</u>	
		\$ 39,512.28
Disbursed to Utility Operating Fund		217,000.00
Transferred from Due from Utility Operating Fund		190,502.11
Budget Appropriations -		
Capital Improvement Fund		20,000.00
Ordinance 07-15, 08-18, 09-15		<u>40,000.00</u>
		<u>507,014.39</u>
		706,225.56
Decreased by:		
Received from Utility Operating Fund		304,882.14
Utility Capital Fund Interest Earnings		<u>9.18</u>
		<u>304,891.32</u>
Balance December 31, 2014		<u>\$ 401,334.24</u>

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
 Statement of Capital Improvement Fund  
 For the Year Ended December 31, 2014

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Balance December 31, 2013		\$ 35,712.40
Increased by:		
Canceled - Improvement Authorizations	\$ 2,689.13	
Budget Appropriation	20,000.00	
		22,689.13
		58,401.53
Decreased by:		
Improvement Authorizations		9,850.00
Balance December 31, 2014		\$ 48,551.53

## Exhibit SD-18

**WATER AND SEWER UTILITY CAPITAL FUND**  
 Statement of Deferred Reserve for Amortization  
 For the Year Ended December 31, 2014

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Balance December 31, 2013		\$ 9,584,076.97
Increased by:		
Paid by Utility Operating Fund:		
USDA Loan	\$ 11,744.47	
EIT Loan	342,835.52	
Bonds Payable	15,000.00	
State of New Jersey Loan	28,595.18	
Budget Appropriation - Ordinance 07-15, 08-18, 09-15	40,000.00	
Authorizations	9,850.00	
		448,025.17
		10,032,102.14
Decreased by:		
Transferred to Reserve for Amortization		2,848,190.14
Balance December 31, 2014		\$ 7,183,912.00



**CITY OF SALEM**  
**WATER AND SEWER UTILITY OPERATING FUND**  
Statement of Deferred Charges: Overexpenditure of Appropriations  
For the Year Ended December 31, 2014

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Balance December 31, 2013		\$ 97,165.20
Increased by:		
2014 Budget Overexpenditures		49,924.11
Balance December 31, 2014		\$ 147,089.31

## Exhibit SD-20

**WATER AND SEWER UTILITY CAPITAL FUND**  
Statement of Due to Current Fund  
For the Year Ended December 31, 2014

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Balance December 31, 2013		\$ 173,936.96
Increased by:		
Transferred from Due from Utility Operating Fund		190,502.11
		364,439.07
Decreased by:		
Transferred to Due General Capital Fund	\$ 130,254.49	
Disbursed to Current Fund	234,184.58	
		\$ 364,439.07

## Exhibit SD-21

**WATER AND SEWER UTILITY CAPITAL FUND**  
Statement of Reserve for Amortization  
For the Year Ended December 31, 2014

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Balance December 31, 2013		\$ 15,067,475.93
Increased by:		
Paid by Utility Operating Fund:		
Wastewater Improvement Bonds	\$ 119,354.16	
Transferred from Reserve for Deferred Amortization	2,848,190.14	
		2,967,544.30
Balance December 31, 2014		\$ 18,035,020.23

**CITY OF SALEM**  
**WATER AND SEWER UTILITY OPERATING FUND**  
 Statement of Accounts Payable  
 For the Year Ended December 31, 2014

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Balance December 31, 2013	\$ 217,253.56
Increased by:	
Transferred from Budget Appropriation	89,065.80
	306,319.36
Decreased by:	
Cash Disbursements	188,164.27
Balance December 31, 2014	\$ 118,155.09

## Exhibit SD-23

**WATER AND SEWER UTILITY OPERATING FUND**  
 Statement of Deferred Charges: Overexpenditure of Appropriation Reserves  
 For the Year Ended December 31, 2014

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Balance December 31, 2013	\$ 18,733.01
Increased by:	
Appropriation Reserves	29,885.40
	48,618.41
Decreased by:	
Budget Appropriation 2014	18,733.01
Balance December 31, 2014	\$ 29,885.40

## Exhibit SD-24

**WATER AND SEWER UTILITY CAPITAL FUND**  
 Statement of Due to General Capital Fund  
 For the Year Ended December 31, 2014

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Balance December 31, 2013	\$ 547,494.61
Increased by:	
Transferred from Due to Current Fund	130,254.49
Balance December 31, 2014	\$ 677,749.10

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
**Statement of Bonds and Notes Authorized But Not Issued**  
**For the Year Ended December 31, 2014**

Ordinance Number		Balance	Decreased by:		Balance
		<u>Dec. 31, 2013</u>	<u>Canceled</u>	<u>Budget Appropriation</u>	<u>Dec. 31, 2014</u>
05-27	Various Water and Sewerage System Improvements	\$ 7.00			\$ 7.00
06-08	Quinton / Elkinton Dams	579,000.00			579,000.00
07-15, 08-18, 09-15	Improvement of the Water Supply and Distribution System	5,400,521.00	\$ 4,600,000.00	\$ 40,000.00	760,521.00
09-14	Improvements of the Sanitary Sewerage System	2,128,811.00			2,128,811.00
		<u>\$ 8,108,339.00</u>	<u>\$ 4,600,000.00</u>	<u>\$ 40,000.00</u>	<u>\$ 3,468,339.00</u>

**CITY OF SALEM**  
**PART 2**  
**SINGLE AUDIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND STATE OF NEW JERSEY CIRCULAR 15-08-OMB**

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and  
Members of the City Council  
City of Salem  
Salem, New Jersey 08079

***Report on Compliance for Each Major State Program***

We have audited the City of Salem's, in the County of Salem, State of New Jersey, compliance with the types of compliance requirements described in the New Jersey State Grant Compliance Supplement that could have a direct and material effect on each of the City's major state programs for the year ended December 31, 2014. The City's major state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and State of New Jersey Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133 and State of New Jersey Circular 15-08-OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major State Program***

In our opinion, City of Salem complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for year ended December 31, 2014.

***Report on Internal Control Over Compliance***

Management of City of Salem is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey Circular 15-08-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Salem's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and State of New Jersey Circular 15-08-OMB. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants



Henry J. Ludwigsen  
Certified Public Accountant  
Registered Municipal Accountant

Woodbury, New Jersey  
June 27, 2015

**CITY OF SALEM**  
 Schedule of Expenditures of State Financial Assistance  
 For the Year Ended December 31, 2014

State Grantor/ Program Title	State GMIS Number	Grant Number	Program/ Award Amount	Matching Contribution	Grant Period		Balance Dec. 31, 2013	Revenue Realized	Expended	Balance Dec. 31, 2014	(Memo Only)	
					From	To					Cash Received	Accumulated Expenditures
<b>Department of Environmental Protection</b>												
Clean Communities	042-4900-765-004	N/A	\$ 9,367.47	N/A	01/01/12	12/31/12	\$ 3,824.10		\$ 3,824.10			\$ 9,367.47
Clean Communities	042-4900-765-004	N/A	10,998.14	N/A	01/01/13	12/31/13		\$ 10,998.14	5,948.38	\$ 5,049.76		5,948.38
Clean Communities	042-4900-765-004	N/A	10,313.76	N/A	01/01/14	12/31/14					\$ 10,313.76	
							<u>3,824.10</u>	<u>10,998.14</u>	<u>9,772.48</u>	<u>5,049.76</u>	<u>10,313.76</u>	<u>15,315.85</u>
<b>Department of Law &amp; Public Safety</b>												
Drunk Driving Enforcement Fund	066-xxxx-xxx-xxx	N/A	10,343.41	N/A	01/01/03	12/31/03	5,308.71		1,074.74	4,233.97		6,109.44
Drunk Driving Enforcement Fund	066-xxxx-xxx-xxx	N/A	5,600.73	N/A	01/01/05	12/31/05	5,600.73			5,600.73		
Drunk Driving Enforcement Fund	066-xxxx-xxx-xxx	N/A	1,883.31	N/A	01/01/07	12/31/07	1,883.31			1,883.31		
Drunk Driving Enforcement Fund	066-xxxx-xxx-xxx	N/A	105.14	N/A	01/01/08	12/31/08	105.14			105.14		
Drunk Driving Enforcement Fund	066-xxxx-xxx-xxx	N/A	1,290.86	N/A	01/01/09	12/31/09	1,290.86			1,290.86		
Drunk Driving Enforcement Fund	066-xxxx-xxx-xxx	N/A	5,015.71	N/A	01/01/10	12/31/10	5,015.71			5,015.71		
Drunk Driving Enforcement Fund	066-xxxx-xxx-xxx	N/A	1,802.14	N/A	01/01/11	12/31/11	1,802.14			1,802.14		
Body Armor Fund	066-1020-718-001	N/A	2,271.38	N/A	01/01/14	12/31/14		2,271.38	2,271.38		2,271.38	2,271.38
							<u>21,006.60</u>	<u>2,271.38</u>	<u>3,346.12</u>	<u>19,931.86</u>	<u>2,271.38</u>	<u>8,380.82</u>
<b>Department of Transportation</b>												
Division of Motor Vehicle	078-6400-100-255	N/A	94,085.04	N/A	01/01/14	12/31/14		94,085.04	81,665.62	12,419.42	92,760.19	81,665.62
							<u>-</u>	<u>94,085.04</u>	<u>81,665.62</u>	<u>12,419.42</u>	<u>92,760.19</u>	<u>81,665.62</u>
<b>New Jersey Environmental Infrastructure Trust</b>												
Water Plant	N/A	N/A	5,593,686.00	N/A	01/01/10	proj. close		616,206.00	616,206.00		616,206.00	5,486,135.00
							<u>-</u>	<u>616,206.00</u>	<u>616,206.00</u>	<u>-</u>	<u>616,206.00</u>	<u>5,486,135.00</u>
<b>Department of Treasury</b>												
Pass through County of Salem:												
Drug and Alcohol Grant (Municipal Alliance)	N/A	N/A	8,439.49	\$ 2,109.87	01/01/14	12/31/14		8,439.49	8,439.49		4,408.16	19,103.12
							<u>-</u>	<u>8,439.49</u>	<u>8,439.49</u>	<u>-</u>	<u>4,408.16</u>	<u>19,103.12</u>
Total State Financial Assistance							<u>\$ 24,830.70</u>	<u>\$ 732,000.05</u>	<u>\$ 719,429.71</u>	<u>\$ 37,401.04</u>	<u>\$ 725,959.49</u>	<u>\$ 5,610,600.41</u>

The accompanying Notes to Financial Statements and the Schedule of Expenditures of State Financial Assistance are integral parts of this schedule.



**CITY OF SALEM**  
Notes to Schedule of Expenditures of State Financial Assistance  
For the Year Ended December 31, 2014

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Note 1: **GENERAL**

The accompanying schedule of expenditures of state financial assistance present the activity of all state financial assistance programs of the City of Salem, County of Salem, State of New Jersey. The City is defined in the Notes to the Financial Statements, Note 1.

Note 2: **BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of state financial assistance is presented using the modified accrual basis of accounting as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, which is described in the Notes to the Financial Statements, Note 1.

Note 3: **RELATIONSHIP TO FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedule agree with amounts reported in the City's financial statements. Expenditures from awards are reported in the City's financial statements as follows:

<b><u>Fund</u></b>	<b><u>Amount</u></b>
Federal and State Grant Fund	\$ 103,223.71
Utility Capital Fund	<u>616,206.00</u>
	<u>\$ 719,429.71</u>

Note 4: **MAJOR PROGRAMS**

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

**CITY OF SALEM**  
**PART 3**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**CITY OF SALEM**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2014

**Section 1- Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued Qualified \_\_\_\_\_

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal Awards - Not Applicable**

Internal control over compliance:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified?  yes  none reported

Type of auditor's report issued on compliance for major programs \_\_\_\_\_

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?  yes  no

Identification of major programs:

**CFDA Numbers**

**Name of Federal Program or Cluster**

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Dollar threshold used to determine Type A programs \$ \_\_\_\_\_

Auditee qualified as low-risk auditee?  yes  no



**CITY OF SALEM**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2014

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***Section 2 - Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Finding No. 2014-001**

**Criteria or Specific Requirement**

The New Jersey Administrative Code (N.J.A.C.) section 5:30-5.6 requires municipalities to maintain a fixed asset ledger.

**Condition**

A fixed asset ledger was not maintained for the year 2014.

**Context**

A fixed asset ledger was not provided for examination.

**Effect**

The lack of a fixed asset ledger impairs the ability of the City to maintain control over its fixed assets. It is also a matter of non-compliance with N.J.A.C. section 5:30-5.6.

**Cause**

Failure to maintain a fixed asset ledger.

**Recommendation**

That a fixed asset ledger be maintained in accordance with the New Jersey Administrative Code section 5:30-5.6.

**View of Responsible Officials and Planned Corrective Action**

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**CITY OF SALEM**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2014

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***Section 2 - Schedule of Financial Statement Findings (Cont'd)***

**Finding No. 2014-002**

**Criteria or Specific Requirement**

Tax title lien redemption fund acts as an agency fund to account for individuals depositing money with the City for the City to payback a lien-holder on behalf of that individual, for the tax certificate the lien-holder bought at a tax sale.

**Condition**

An analysis of the balance in the trust other fund's - reserve for tax title liens redemption is not maintained.

**Context**

An analysis of the undisbursed liens that agrees with the cash balance in the tax title lien redemption fund could not be provided for examination.

**Effect**

Un-disbursed prior year funds are being held in the Tax Title Lien Account.

**Cause**

Inadequate control over accounting records.

**Recommendation**

That the balance of the trust other fund's - reserve for tax title liens redemption be analyzed and proper disposition made.

**View of Responsible Officials and Planned Corrective Action**

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**CITY OF SALEM**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2014

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***Section 2 - Schedule of Financial Statement Findings (Cont'd)***

**Finding No. 2014-003**

**Criteria or Specific Requirement**

New Jersey Statutes Annotated (N.J.S.A.) 40A: 5-17 requires that claims shall only be approved upon the determination of proper and sufficient appropriation for the payments to be made.

**Condition**

Budget Line Items were over-expended prior to transfers. Appropriated grants and Utility Operating Fund other expenses were over-expended.

**Context**

A review of Budget Account Status Reports showed over-expenditures.

**Effect**

This non-compliance with N.J.S.A. 40A: 5-17 resulted in over-expenditures that were required to be raised in the succeeding year's budget.

**Cause**

Expenditures were approved without having sufficient appropriation.

**Recommendation**

That the City establish a procedure to prevent over-expenditures.

**View of Responsible Officials and Planned Corrective Action**

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**CITY OF SALEM**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2014

---

***Section 2 - Schedule of Financial Statement Findings (Cont'd)***

**Finding No. 2014-004**

**Criteria or Specific Requirement**

Expenditures posted to budget appropriations should be accurately and timely classified to properly measure financial results.

**Condition**

Health benefit and other expenditures were not always paid on a timely basis and posted to the proper budget year.

**Context**

A review of health benefit and other invoices revealed they were not always paid on a timely basis and posted to the proper budget year.

**Effect**

Budget appropriations could be over/under stated.

**Cause**

Failure to properly post health benefit and other expenditures to the proper budget year and pay them on a timely basis.

**Recommendation**

That health benefit and other expenditures be paid on a timely basis and posted to the proper budget year.

**View of Responsible Officials and Planned Corrective Action**

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

***Section 3- Schedule of Federal Award Findings and Questioned Costs***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal programs, as required by OMB Circular A-133.

Not Applicable.

***Section 4- Schedule of State Financial Assistance Findings and Questioned Costs***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major State programs, as required by OMB Circular A-133 and State of New Jersey Circular 15-08-OMB.

No Current Year Findings.



**CITY OF SALEM**  
Summary Schedule of Prior Year Audit Findings  
as Prepared by Management

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This section identifies the status of prior year findings related to the financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with Government Auditing Standards, OMB Circular A-133 and State of New Jersey Circular 15-08-OMB.

**FINANCIAL STATEMENT FINDINGS**

**Finding No. 2013-001**

**Condition**

The following internal control deficiencies have been identified:

General ledgers for all funds were not properly maintained.

General and utility capital budget status reports are not properly maintained.

No written procedures are maintained by the City for cash receipts or disbursements, including payroll procedures.

**Current Status**

This condition has been resolved.

**Finding No. 2013-002**

**Condition**

A fixed asset ledger was not maintained for the year 2013.

**Current Status**

This condition still exists and is current year finding 2014-001.

**Corrective Action Planned**

Fixed asset inventory will be performed by outside company.

**Finding No. 2013-003**

**Condition**

An analysis of the balance in the trust other fund's - reserve for tax title liens redemption is not maintained.

**Current Status**

This condition still exists and is current year finding 2014-002.

**Corrective Action Planned**

Balance will be analyzed and proper disposition made.

**CITY OF SALEM**  
Summary Schedule of Prior Year Audit Findings  
as Prepared by Management

---

**FINANCIAL STATEMENT FINDINGS (CONT'D)****Finding No. 2013-004****Condition**

Budget Line Items were over-expended prior to transfers. A General Capital Fund improvement authorization, four appropriated grants, and Utility Operating Fund other expenses were over-expended.

**Current Status**

This condition still exists and is current year finding 2014-003.

**Corrective Action Planned**

Procedures will be established in an attempt to prevent over-expenditures.

**Finding No. 2013-005****Condition**

Health benefit and other expenditures were not always paid on a timely basis and posted to the proper budget year.

**Current Status**

This condition still exists and is current year finding 2014-004.

**Corrective Action Planned**

Health Benefit bills will be paid timely.

**Finding No. 2013-006****Condition**

Municipal Court Cash is not reconciled properly and timely, and funds are not turned over to the proper agencies on or before the 15<sup>th</sup> of each month.

**Current Status**

This condition has been resolved.

**FEDERAL AWARDS**

None

**STATE FINANCIAL ASSISTANCE PROGRAMS**

None

**CITY OF SALEM**  
 Officials in Office and Surety Bonds

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

<u>Name</u>	<u>Title</u>	<u>Amount of Surety Bond</u>
Charles Washington, Jr.	Mayor	
Karen Roots	President of Council	
Ruth Carter	Councilperson	
Vaughn Groce	Councilperson	
Sherman Hampton	Councilperson	
Charles Hassler	Councilperson	
Horace H. Johnson	Councilperson	
Robert Lanard	Councilperson	
James G. Waddington	Councilperson	
Kathleen L. Keen	City Clerk	
David Crescenzi	Chief Financial Officer, Tax Collector, Water/Sewer Collector	\$ 300,000 (A)
Marie L. Procacci	Tax Assessor	
Jason D. Witcher	Municipal Judge	36,000 (A)
Tiffany Arrowood (1/1/14 – 7/14/14)	Court Administrator	40,000 (A)
Tierra Jennings (8/4/14 – 12/31/14)	Court Administrator	40,000 (A)
David Puma	Solicitor	
Remington & Vernick	City Engineer	

(A) Selective Insurance Company

(B) All employees are covered under a Blanket Surety Bond by Selective Insurance Company in the amount of \$250,000.

**APPRECIATION**

I express my appreciation for the assistance and courtesies rendered by the City officials during the course of the audit.

Respectfully submitted,

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

A handwritten signature in black ink, appearing to read "Henry J. Ludwigsen". The signature is fluid and cursive, with a prominent initial "H" and a long, sweeping underline.

Henry J. Ludwigsen  
Certified Public Accountant  
Registered Municipal Accountant