

CITY OF SALEM

COUNTY OF SALEM

REPORT OF AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2015

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CITY OF SALEM
PART I
REPORT OF AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015 and 2014, 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 and statement of expenditures - regulatory basis for the year ended December 31, 2015, 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; this includes 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 City'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.

Opinions

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in note 1 to 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 Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the “*Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America*” 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, 2015 and 2014, or the results of its operations and changes in fund balance for the years then ended.

Basis for Qualified Opinion on General Fixed Assets Group of Accounts - Regulatory Basis

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, as a result of the effects of the matter described in the “*Basis for Qualified Opinion on General Fixed Assets Group of Accounts - Regulatory Basis*” paragraph, the general fixed assets group of accounts - regulatory basis is not presented fairly, in all material respects, for the City of Salem, in the County of Salem, State of New Jersey, as of and for the year ended December 31, 2015 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.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to previously, except for the general fixed assets group of accounts - regulatory basis, 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, 2015 and 2014, 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 and expenditures - regulatory basis of the various funds, for the year ended December 31, 2015 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.

Emphasis of Matter

Adoption of New Accounting Principles

As discussed in note 1 to the financial statements, during the year ended December 31, 2015, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. As a result of the regulatory basis of accounting, described in the previous paragraph, the implementation of these Statements only required financial statement disclosures. Our opinions are not modified with respect to this matter.

Other Matters

Other Information


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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2016 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 and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Henry J. Ludwigsen
Certified Public Accountant
Registered Municipal Accountant

Woodbury, New Jersey
July 26, 2016

**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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 26, 2016. 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 of accounts as required by the New Jersey Administrative Code. In addition, our report on the financial statements also included an emphasis of matter paragraph describing the adoption of new accounting principles.

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 of Salem'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 Recommendations*, 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 entity'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 Recommendations* to be material weaknesses as findings no.: 2015-001, 2015-002, and 2015-005.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying *Schedule of Findings and Recommendations* to be a significant deficiency as finding no. 2016-006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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* and 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 Recommendations* as findings no.: 2015-003 and 2015-004.

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 Recommendations*. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity'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. Ludwigsen
Certified Public Accountant
Registered Municipal Accountant

Woodbury, New Jersey
July 26, 2016

CITY OF SALEM
CURRENT FUND
 Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
 As of December 31, 2015 and 2014

ASSETS:	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
Regular Fund:			
Cash	SA-1	\$ 849,812.14	\$ 1,585,138.59
Cash -- Change Fund	A	200.00	200.00
Prepaid Debt Service	SA-5	284,225.00	231,925.00
		<u>1,134,237.14</u>	<u>1,817,263.59</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	SA-2	1,158,002.39	816,842.10
Tax Title Liens	SA-3	1,874,685.03	1,770,039.15
Property Acquired for Taxes -- Assessed Valuation	SA-9	2,719,600.00	280,700.00
Revenue Accounts Receivable	SA-7	4,081.47	5,676.69
Insurance Proceeds Receivable	SA-1	55,759.49	16,902.73
Due from Trust -- Animal Control Fund	SB-3	15,955.79	
Due from Trust -- Other Funds	SB-6		190,008.79
Due from Utility Operating Fund	SA-16	224.65	
		<u>5,828,308.82</u>	<u>3,080,169.46</u>
Deferred Charges:			
Operating Deficit	A-1	155,944.90	
Total Regular Fund		<u>7,118,490.86</u>	<u>4,897,433.05</u>
Federal and State Grant Fund:			
Due from Current Fund	SA-12	3,425.28	259,747.06
Federal and State Grants Receivable	SA-13	135,593.80	79,993.65
Over expenditure Appropriated Grants	A-3, SA-14	8,451.78	4,162.72
Total Federal and State Grant Fund		<u>147,470.86</u>	<u>343,903.43</u>
		<u>\$ 7,265,961.72</u>	<u>\$ 5,241,336.48</u>

(Continued)

CITY OF SALEM
CURRENT FUND

Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
As of December 31, 2015 and 2014

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
LIABILITIES, RESERVES			
AND FUND BALANCE:			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3, SA-8	\$ 561,032.84	\$ 767,497.38
Reserve for Encumbrances	A-3, SA-8	18,174.42	20,232.29
Prepaid Taxes	SA-4	82,586.37	88,131.32
Due to State of NJ Senior Citizens/Veterans Deductions	SA-6	2,078.23	1,828.23
Local District School Taxes Payable	SA-11	419,507.94	221,266.36
Due to Federal and State Grant Fund	SA-12	3,425.28	259,747.06
Due to Trust -- Animal Control Fund	SB-3		44.61
Due to Trust -- Other Funds	SB-6	121,305.28	
Due to General Capital Fund	SC-3	3,236.81	86,121.47
Reserve for Demolition Fund	SA-1	6,440.00	
		<u>1,217,787.17</u>	<u>1,444,868.72</u>
Reserves for Receivables and Other Assets	A	5,828,308.82	3,080,169.46
Fund Balance	A-1	<u>72,394.87</u>	<u>372,394.87</u>
Total Regular Fund		<u>7,118,490.86</u>	<u>4,897,433.05</u>
Federal and State Grant Fund:			
Appropriated Reserves	SA-14	126,821.52	263,998.61
Unappropriated Reserves	SA-15	<u>20,649.34</u>	<u>79,904.82</u>
Total Federal and State Grant Fund		<u>147,470.86</u>	<u>343,903.43</u>
		<u>\$ 7,265,961.72</u>	<u>\$ 5,241,336.48</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
REVENUE AND OTHER INCOME REALIZED:		
Fund Balance Anticipated	\$ 300,000.00	\$ 475,000.00
Miscellaneous Revenues Anticipated	2,740,098.22	2,581,260.59
Receipts from Delinquent Taxes and Tax Title Liens	495,021.32	663,711.67
Receipts from Current Taxes	7,202,345.45	7,897,169.96
Non-Budget Revenue	162,274.61	171,285.85
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	123,735.77	177,054.62
Canceled Grants	10,545.25	
Liquidation of Interfund:		
Trust -- Animal Control Fund		14,766.89
Trust -- Other Funds	190,008.79	
Utility Operating Fund		59,535.59
Utility Capital Fund		173,936.96
	<hr/>	<hr/>
Total Income	11,224,029.41	12,213,722.13
	<hr/>	<hr/>
EXPENDITURES:		
Budget Appropriations:		
Within "CAPS":		
Operations:		
Salaries and Wages	2,733,249.00	2,759,428.00
Other Expenses	2,606,494.00	2,543,300.00
Deferred Charges and Statutory Expenditures	669,045.72	698,527.21
Excluded from "CAPS":		
Operations:		
Other Expenses	513,948.70	564,152.95
Capital Improvements		40,000.00
Municipal Debt Service	461,633.75	496,785.15
Deferred Charges	26,000.00	22,875.42
Transferred to Board of Education for Use of Local School	15,800.00	15,911.00
Local District School Tax	2,490,268.00	2,492,394.00
County Taxes	1,805,733.09	2,118,791.35
Due County for Added and Omitted Taxes		16,372.27
Refund of Prior Year Revenue	2,685.61	17,324.31
Creation of Interfund and Other Assets:		
Insurance Proceeds Receivable	38,856.76	16,902.73
Trust -- Animal Control Fund	15,955.79	
Trust -- Other Funds	79.24	143,606.77
Utility Operating Fund	224.65	
Prior Year Senior Citizens & Veterans' Deductions Disallowed		125.00
	<hr/>	<hr/>
Total Expenditures	11,379,974.31	11,946,496.16
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(Continued)

CITY OF SALEM
CURRENT FUND
 Statements of Operations and Changes in Fund Balance -- Regulatory Basis
 For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Excess (Deficit) in Revenue	\$ (155,944.90)	\$ 267,225.97
Adjustment to Income Before Fund Balance:		
Expenditures Included Above Which Are By		
Statute Deferred Charges to Budget of Succeeding Year	<u>155,944.90</u>	<u> </u>
Statutory Excess to Fund Balance	(0.00)	267,225.97
Fund Balance January 1,	<u>372,394.87</u>	<u>580,168.90</u>
	372,394.87	847,394.87
Decreased by:		
Utilized as Anticipated Revenue	<u>300,000.00</u>	<u>475,000.00</u>
Fund Balance December 31,	<u>\$ 72,394.87</u>	<u>\$ 372,394.87</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, 2015

	Anticipated		Realized	Excess or (Deficit)
	Budget	Special N.J.S. 40A: 4-87		
Surplus Anticipated	\$ 300,000.00		\$ 300,000.00	
Miscellaneous Revenues				
Local Revenues				
Fines and Costs: Municipal Court	88,296.00		65,114.89	\$ (23,181.11)
Interest and Costs on Taxes	140,835.00		99,326.38	(41,508.62)
Street Opening Permits	5,750.00		5,500.00	(250.00)
Cable Television Franchise Fee	53,151.00		55,325.76	2,174.76
State Aid Without Offsetting Appropriations				
Transitional Aid	300,000.00		300,000.00	
Consolidated Municipal Property Tax Relief Aid	334,887.00		334,887.00	
Energy Receipts Tax	1,061,052.00		1,061,052.00	
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		86,301.00	4,238.00
Public and Private Revenues Offset with Appropriations				
Municipal Alliance on Alcohol and Drug Abuse	3,425.44		3,425.44	
Clean Communities Program	10,313.76		10,313.76	
New Jersey Motor Vehicle Commission	92,000.00		92,000.00	
Recycling Tonnage	6,717.20		6,717.20	
US Marshalls	56,194.30		56,194.30	
USDA - Police Vehicles		\$ 37,726.00	37,726.00	
Historic Preservation Architectural Survey		24,999.00	24,999.00	
Other Special Items				
Whispering Waters Pilot Agreement	321,000.00		324,480.00	3,480.00
Senior Village Pilot Agreement	15,000.00		16,500.00	1,500.00
County of Salem Pilot Agreement	26,192.00		27,725.53	1,533.53
South Jersey Gas Agreement	31,224.00		31,224.37	0.37
Reserve for Payment of Bonds and Notes	98,031.49		98,031.49	
Unappropriated Grant - Municipal Alliance	982.72		982.72	
Unappropriated Grant - Body Armor	2,271.38		2,271.38	
	2,729,386.29	62,725.00	2,740,098.22	(52,013.07)
Receipts from Delinquent Taxes	663,000.00		495,021.32	(167,978.68)
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes including Reserve for Uncollected Taxes	4,362,062.76		3,997,346.99	(364,715.77)
Budget Totals	8,054,449.05	62,725.00	7,532,466.53	(584,707.52)
Non-Budget Revenue			162,274.61	162,274.61
	\$ 8,054,449.05	\$ 62,725.00	\$ 7,694,741.14	\$ (422,432.91)

(Continued)

CITY OF SALEM
CURRENT FUND
Statement of Revenues -- Regulatory Basis
For the Year Ended December 31, 2015

Analysis of Realized Revenue

Allocation of Current Tax Collections:	
Revenue from Collections	\$ 7,202,345.45
Allocated to County and School Taxes	<u>4,296,001.09</u>
Amount for Support of Municipal Budget Appropriations	2,906,344.36
Add: Appropriation "Reserve for Uncollected Taxes"	<u>1,091,002.63</u>
Amount for Support of Municipal Budget Appropriations	<u><u>\$ 3,997,346.99</u></u>
Receipts from Delinquent Taxes:	
Delinquent Tax Collections	<u><u>\$ 495,021.32</u></u>

Analysis of Non-Budget Revenues

Miscellaneous Revenue not Anticipated:	
Receipts:	
Other Licenses	\$ 170.00
Interest Earnings on Deposits	15.14
Parking Meters	15,708.34
Pennrose PILOT	8,632.00
Pennrose PILOT Prior Years	70,364.00
Certificate of Occupancy	29,372.00
Accident Report and Gun License	1,463.57
Sale of Recyclables	631.81
Registrar of Vital Statistics	7,000.00
Planning and Zoning Fees	3,170.00
Tax Search Fees	20.00
Senior Citizens' and Veterans' Deduction Administration Fee	740.00
Miscellaneous	<u>24,982.38</u>
Total Cash Receipts	162,269.24
Interest Earnings - Trust Other Funds	5.28
Interest Earnings - General Capital Fund	<u>0.09</u>
Total Miscellaneous Revenue not Anticipated	<u><u>\$ 162,274.61</u></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, 2015

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
<u>OPERATIONS -- WITHIN "CAPS"</u>						
<u>General Government Functions</u>						
Human Resources:						
Other Expenses	\$ 3,000.00	\$ 1,000.00			\$ 1,000.00	
Mayor and Council:						
Salaries and Wages	55,000.00	57,000.00	\$ 56,825.17		174.83	
Other Expenses	25,000.00	25,000.00	19,961.63	\$ 1,275.00	3,763.37	
Municipal Clerk:						
Salaries and Wages	83,000.00	88,000.00	87,752.16		247.84	
Other Expenses	28,530.00	20,504.00	13,540.91	2,497.47	4,465.62	
Financial Administration:						
Salaries and Wages	122,500.00	123,000.00	122,207.52		792.48	
Other Expenses	16,020.00	14,520.00	13,043.28	439.67	1,037.05	
Audit:						
Other Expenses	45,000.00	49,500.00	49,433.46		66.54	
Revenue Administration (Tax Collection):						
Salaries and Wages	53,250.00	54,250.00	54,184.00		66.00	
Other Expenses	7,850.00	10,850.00	10,726.05		123.95	
Assessment of Taxes:						
Salaries and Wages	23,508.00	23,508.00	23,506.40		1.60	
Other Expenses	9,000.00	9,600.00	9,591.18		8.82	
Legal Services and Costs:						
Salaries and Wages	77,270.00	78,270.00	78,128.64		141.36	
Other Expenses	1,700.00	600.00	88.96		511.04	
In Rem Foreclosures	45,000.00	38,000.00	19,213.22		18,786.78	
Engineering Services and Costs:						
Other Expenses	12,000.00	12,000.00	11,000.00		1,000.00	
Public Buildings and Grounds:						
Other Expenses	70,000.00	88,000.00	87,426.95	100.00	473.05	
Housing Enforcement:						
Salaries and Wages	60,000.00	55,000.00	49,886.16		5,113.84	
Other Expenses	8,500.00	10,000.00	9,964.37		35.63	
Economic Development:						
Salaries and Wages	6,000.00					
Other Expenses	1,000.00					
Insurance						
General Liability	263,900.00	263,900.00	263,789.67		110.33	
Workers Compensation	112,665.00	112,665.00	112,665.00			
Employee Group Health	1,161,940.00	1,161,940.00	840,926.35		321,013.65	

(Continued)

CITY OF SALEM
Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2015

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget After Modification		Encumbered	Reserved	
<u>OPERATIONS -- WITHIN "CAPS" (Cont'd)</u>						
<u>Land Use Administration</u>						
Planning Board						
Other Expenses	\$ 13,500.00	\$ 17,205.00	\$ 17,204.96		\$ 0.04	
<u>Public Safety</u>						
Fire:						
Other Expenses	45,000.00	45,000.00	37,117.02	\$ 1,955.52	5,927.46	
Police:						
Salaries and Wages	1,755,000.00	1,727,000.00	1,568,689.96		158,310.04	
Other Expenses	78,000.00	78,000.00	71,646.58	233.33	6,120.09	
Aid to Ambulance Organization:						
Other Expenses	10,000.00	10,000.00	7,858.47	1,000.00	1,141.53	
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	365,850.00	364,952.80		897.20	
Other Expenses	27,500.00	54,600.00	46,700.95	5,500.00	2,399.05	
<u>Sanitation</u>						
Street Cleaning:						
Salaries and Wages	50,750.00	51,750.00	51,701.46		48.54	
Other Expenses	700.00	700.00	510.32		189.68	
Sanitary Landfill:						
Salaries and Wages	2,400.00	2,400.00	2,400.00			
Other Expenses	83,600.00	83,600.00	81,522.91		2,077.09	
Vehicle Maintenance:						
Other Expenses	30,675.00	26,875.00	19,946.45	4,648.30	2,280.25	
<u>Health and Welfare</u>						
Board of Health:						
Other Expenses	350.00	350.00			350.00	
Dog Regulation:						
Other Expenses	22,600.00	17,000.00	17,000.00			
<u>Recreation and Education</u>						
Recreation:						
Other Expenses	20,000.00	21,000.00	20,949.19		50.81	

(Continued)

CITY OF SALEM
Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2015

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
<u>OPERATIONS -- WITHIN "CAPS" (Cont'd)</u>						
-						
Salaries and Wages	\$ 98,000.00	\$ 99,021.00	\$ 99,020.32		\$ 0.68	
Other Expenses	17,000.00	18,500.00	17,192.30	\$ 525.13	782.57	
<u>Public Defender:</u>						
Other Expenses	9,730.00	9,730.00	9,728.40		1.60	
<u>Utility Expenses and Bulk Purchases</u>						
Street Lighting	120,000.00	85,000.00	82,180.50		2,819.50	
Telephone	74,000.00	90,100.00	90,011.87		88.13	
Heating Oil	25,000.00	25,000.00	16,671.30		8,328.70	
Gasoline	86,000.00	46,000.00	43,709.44		2,290.56	
Natural Gas	13,755.00	17,755.00	17,590.86		164.14	
Electricity	82,000.00	142,000.00	141,297.88		702.12	
Total Operations -- Within "CAPS"	5,329,743.00	5,339,743.00	4,767,662.22	18,174.42	553,906.36	-
<u>Detail:</u>						
Salaries and Wages	2,759,228.00	2,733,249.00	2,567,451.79	-	165,797.21	-
Other Expenses (Including Contingent)	2,570,515.00	2,606,494.00	2,200,210.43	18,174.42	388,109.15	-
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES -- WITHIN "CAPS"</u>						
<u>Deferred Charges</u>						
Over expenditure of Appropriated Grants	4,162.72	4,162.72	4,162.72			
<u>Statutory Expenditures</u>						
Contribution to:						
Public Employees' Retirement System of N.J.	149,134.00	149,134.00	149,134.00			
Social Security System (O.A.S.I.)	152,300.00	142,300.00	139,051.24		3,248.76	
Police and Firemen's Retirement System of N.J.	371,199.00	371,199.00	371,199.00			
Unemployment & Disability Insurance:	2,250.00	2,250.00	1,701.86		548.14	
Total Deferred Charges and Statutory Expenditures -- Municipal -- Within "CAPS"	679,045.72	669,045.72	665,248.82	-	3,796.90	-
Total General Appropriations for Municipal Purposes Within -- "CAPS"	6,008,788.72	6,008,788.72	5,432,911.04	18,174.42	557,703.26	-

(Continued)

CITY OF SALEM
Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2015

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget After Modification		Encumbered	Reserved	
<u>OPERATIONS -- EXCLUDED FROM "CAPS"</u>						
Aid to Library (N.J.S.A. 40:54-35)	\$ 71,500.00	\$ 71,500.00	\$ 71,500.00			
Total Operations -- Excluded from "CAPS"	71,500.00	71,500.00	71,500.00	-	-	-
<u>INTERLOCAL MUNICIPAL SERVICE AGREEMENTS</u>						
Police Dispatch Service with County of Salem	129,010.00	129,010.00	129,010.00			
Total Interlocal Municipal Service Agreements	129,010.00	129,010.00	129,010.00	-	-	-
<u>ADDITIONAL APPROPRIATIONS OFFSET BY REVENUES</u> <u>(N.J.S. 40A:4-43.3h) -- EXCLUDED FROM "CAPS"</u>						
Garbage and Trash Collection						
Other Expenses	82,063.00	82,063.00	78,733.42		\$ 3,329.58	
Total Additional Appropriations Offset by Revenues (N.J.S. 40A:4-43.3h) -- Excluded from "CAPS"	82,063.00	82,063.00	78,733.42	-	3,329.58	-
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</u> <u>EXCLUDED FROM "CAPS"</u>						
Municipal Alliance on Alcohol and Drug Abuse	3,425.44	3,425.44	3,425.44			
Clean Communities Program	10,313.76	10,313.76	10,313.76			
New Jersey Motor Vehicle Commission	92,000.00	92,000.00	92,000.00			
Recycling Tonnage	6,717.20	6,717.20	6,717.20			
US Marshalls	56,194.30	56,194.30	56,194.30			
USDA - Police Vehicles (NJSA 40A:4-87 \$37,726.00)		37,726.00	37,726.00			
Historic Preservation Architectural Survey (NJSA 40A: 4-87 \$24,999.00)		24,999.00	24,999.00			
Total Public and Private Programs Offset by Revenues -- Excluded from "CAPS"	168,650.70	231,375.70	231,375.70	-	-	-
Total Operations -- Excluded from "CAPS"	451,223.70	513,948.70	510,619.12	-	3,329.58	-
Detail:						
Salaries and Wages	-	-	-	-	-	-
Other Expenses	451,223.70	513,948.70	510,619.12	-	3,329.58	-

(Continued)

CITY OF SALEM
Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2015

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
<u>MUNICIPAL DEBT SERVICE -- EXCLUDED FROM "CAPS"</u>						
Payment of Bond Principal	\$ 296,000.00	\$ 296,000.00	\$ 296,000.00			
Interest on Bonds	95,634.00	95,634.00	95,633.75			\$ 0.25
Debt Service Guarantee	70,000.00	70,000.00	70,000.00			
Total Municipal Debt Service -- Excluded from "CAPS"	461,634.00	461,634.00	461,633.75	-	-	0.25
<u>DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"</u>						
Deferred to Future Taxation Unfunded	26,000.00	26,000.00	26,000.00			
Total Deferred Charges - Municipal - Excluded from "CAPS"	26,000.00	26,000.00	26,000.00	-	-	-
Transferred to Board of Education for Use of Local School (N.J.S.A. 40:48-17.1 & 17.3)	15,800.00	15,800.00	15,800.00			
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	954,657.70	1,017,382.70	1,014,052.87		\$ 3,329.58	0.25
Subtotal General Appropriations	6,963,446.42	7,026,171.42	6,446,963.91	\$ 18,174.42	561,032.84	0.25
Reserve for Uncollected Taxes	1,091,002.63	1,091,002.63	1,091,002.63			
Total	<u>\$ 8,054,449.05</u>	<u>\$ 8,117,174.05</u>	<u>\$ 7,537,966.54</u>	<u>\$ 18,174.42</u>	<u>\$ 561,032.84</u>	<u>\$ 0.25</u>
Adopted Budget		\$ 8,054,449.05				
Appropriation by 40A:4-87		62,725.00				
Reserve for Federal and State Grant Fund--Appropriated			\$ 231,375.70			
Reserve for the Payment of Guaranteed Debt Due General Capital Fund			70,000.00			
Due Trust -- Animal Control Fund			7,000.00			
School Taxes Payable			15,800.00			
Deferred Charges - Due Federal and State Grant Fund			4,162.72			
Deferred to Future Taxation Unfunded - Due General Capital Fund			26,000.00			
Reserve for Uncollected Taxes			1,091,002.63			
Disbursed			6,092,625.49			
		<u>\$ 8,117,174.05</u>	<u>\$ 7,537,966.54</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, 2015 and 2014

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
ASSETS:			
Animal Control Fund:			
Cash	SB-1	\$ 16,810.31	\$ 2,985.78
Due from Current Fund	SB-3		44.61
		<u>16,810.31</u>	<u>3,030.39</u>
Other Funds:			
Cash	SB-1	899,415.22	1,416,844.92
Due from Current Fund	SB-6	121,305.28	
		<u>1,020,720.50</u>	<u>1,416,844.92</u>
		<u>\$ 1,037,530.81</u>	<u>\$ 1,419,875.31</u>
LIABILITIES, RESERVES AND FUND BALANCE:			
Animal Control Fund:			
Due to Current Fund	SB-3	\$ 15,955.79	
Due to State of New Jersey	SB-4	33.00	\$ 38.40
Reserve for Animal Control Expenditures	SB-2	821.52	2,991.99
		<u>16,810.31</u>	<u>3,030.39</u>
Total Animal Control Fund			
Other Funds:			
Due to Current Fund	SB-6		190,008.79
Due to Utility Operating Fund	SB-1		47,868.00
Due to Utility Capital Fund	SB-5	75,275.25	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-7	15,773.79	15,773.79
Small Cities Rehab	SB-7	18,445.63	350.63
Developer's Escrow	SB-7	31,785.91	22,345.01
POAA	SB-7	10,929.39	15,469.95
Payroll Withholdings Payable	SB-7	109,528.82	196,966.53
Public Defender	SB-7	770.33	2,283.25
Landfill	SB-7	91,424.08	92,574.37
Tax Title Liens	SB-7	506,985.87	625,895.86
Unemployment Compensation	SB-7	54,059.04	10,955.24
Accumulated Sick Leave	SB-7	33,350.27	33,350.27
Shade Tree Commission	SB-7	2,188.91	687.90
Proceeds from Mortgage Notes	SB-7		8,361.92
Off-Duty Police	SB-7	3,530.47	1,166.70
Municipal Pool Donations Account	SB-7	30,679.60	16,453.18
		<u>1,020,720.50</u>	<u>1,416,844.92</u>
Total Other Funds		<u>\$ 1,037,530.81</u>	<u>\$ 1,419,875.31</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, 2015 and 2014

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
ASSETS:			
Cash	SC-1	\$ 10,714.06	\$ 2,088.44
State and Federal Grants Receivable	SC-9	440,373.77	513,712.19
Due from Current Fund	SC-3	3,236.81	86,121.47
Due from Utility Capital Fund	C	677,749.10	677,749.10
Deferred Charges to Future Taxation:			
Funded	SC-4	2,670,000.00	2,966,000.00
Unfunded	SC-5	146,099.27	172,099.27
		<u>\$ 3,948,173.01</u>	<u>\$ 4,417,770.47</u>
LIABILITIES, RESERVES AND FUND BALANCE:			
Serial Bonds	SC-6	\$ 2,670,000.00	\$ 2,966,000.00
Improvement Authorizations:			
Funded	SC-7	839,697.99	991,759.19
Unfunded	SC-7	66,568.57	66,568.57
Reserve for the Payment of Bonds & Notes	SC-8	56,495.23	98,031.49
Reserve for Payment of Guaranteed Debt	SC-10	204,513.00	234,513.00
Reserve for Capital Projects - Pennrose Donation	SC-1	50,000.00	
Capital Improvement Fund	C	60,898.22	60,898.22
		<u>\$ 3,948,173.01</u>	<u>\$ 4,417,770.47</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, 2015 and 2014

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
ASSETS:			
Operating Fund:			
Cash	SD-1	\$ 957,129.26	\$ 900,345.16
Due from Trust -- Other Funds	SD-1		47,868.00
Prepaid Debt Service	SD-1	<u>22,298.00</u>	
		<u>979,427.26</u>	<u>948,213.16</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	SD-3	910,704.54	614,783.46
Utility Liens Receivable	SD-4	<u>356,654.06</u>	<u>288,528.25</u>
		<u>1,267,358.60</u>	<u>903,311.71</u>
Deferred Charges:			
Over expenditure of Appropriation Reserves	D-3		29,885.40
Over expenditure of Appropriations	D-3		<u>147,089.31</u>
		<u>-</u>	<u>176,974.71</u>
Total Operating Fund		<u>2,246,785.86</u>	<u>2,028,499.58</u>
Capital Fund:			
Cash	SD-1	43.39	8,360.68
Due from Trust -- Other Funds	SB-5	75,275.25	100,340.39
Due from Utility Operating Fund	SD-16	232,240.27	401,334.24
New Jersey Environmental Infrastructure Trust Receivable	SD-20		312,444.00
Fixed Capital	SD-8	22,203,855.06	22,317,521.06
Fixed Capital Authorized and Uncompleted	SD-9	<u>17,124,150.00</u>	<u>17,124,150.00</u>
Total Capital Fund		<u>39,635,563.97</u>	<u>40,264,150.37</u>
		<u>\$ 41,882,349.83</u>	<u>\$ 42,292,649.95</u>

(Continued)

CITY OF SALEM
WATER AND SEWER UTILITY FUND
 Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
 As of December 31, 2015 and 2014

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
LIABILITIES, RESERVES AND FUND BALANCE:			
Operating Fund:			
Liabilities:			
Appropriation Reserves	D-3	\$ 35,747.59	\$ 16,964.76
Encumbrances	D-3	106.62	14,006.83
Accounts Payable	SD-7	106,897.99	118,155.09
Accrued Interest on Bonds and Notes	SD-6	131,882.82	138,097.73
Due to Current Fund	SA-16	224.65	
Due to Utility Capital Fund	SD-16	232,240.27	401,334.24
		<u>507,099.94</u>	<u>688,558.65</u>
Reserve for Receivables	D	1,267,358.60	903,311.71
Fund Balance	D-1	472,327.32	436,629.22
Total Operating Fund		<u>2,246,785.86</u>	<u>2,028,499.58</u>
Capital Fund:			
Serial Bonds	SD-11	245,000.00	260,000.00
Wastewater Improvement Bonds	SD-12	3,132,958.19	3,258,355.97
USDA Loan Payable	SD-13	751,888.94	764,137.86
New Jersey Environmental Infrastructure Trust Loans Payable	SD-14	5,547,974.40	5,947,532.92
State of New Jersey Loan - Dam Restoration Program	SD-15	495,203.14	524,373.08
Due to General Capital Fund	D	677,749.10	677,749.10
Improvement Authorizations:			
Funded	SD-10	11,313.77	19,876.27
Unfunded	SD-10	3,161,933.52	3,375,847.42
Reserve for Payment of Debt	D-2		168,793.99
Reserve for Amortization	SD-19	18,074,007.93	18,035,020.23
Deferred Reserve for Amortization	SD-18	7,468,983.45	7,183,912.00
Capital Improvement Fund	SD-17	68,551.53	48,551.53
Total Capital Fund		<u>39,635,563.97</u>	<u>40,264,150.37</u>
		<u>\$ 41,882,349.83</u>	<u>\$ 42,292,649.95</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 Fund Balance -- Regulatory Basis
 For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
REVENUE AND OTHER INCOME REALIZED:		
Operating Surplus Anticipated	\$ 200,000.00	\$ 75,000.00
Water and Sewer Rents	3,146,404.13	3,107,990.05
Miscellaneous	463,423.71	486,716.23
Reserve for Payment of Debt	168,793.99	
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	17,831.26	26,579.32
Canceled Accounts Payable	11,257.10	
	<u>4,007,710.19</u>	<u>3,696,285.60</u>
Total Income		
EXPENDITURES:		
Operating	2,425,000.00	2,405,024.11
Capital Improvement Fund	20,000.00	20,000.00
Debt Service	833,313.39	781,834.74
Deferred Charges and Statutory Expenditures	493,698.70	201,190.01
	<u>3,772,012.09</u>	<u>3,408,048.86</u>
Total Expenditures		
Excess in Revenue	235,698.10	288,236.74
Adjustment before Fund Balance:		
Expenditures included above which are by statute deferred to budgets of succeeding years		
Over expenditure of Appropriations		49,924.11
	<u>235,698.10</u>	<u>338,160.85</u>
Statutory Excess to Fund Balance		
FUND BALANCE:		
Balance January 1	436,629.22	173,468.37
	<u>672,327.32</u>	<u>511,629.22</u>
Decreased by:		
Utilized as Revenue	200,000.00	75,000.00
	<u>472,327.32</u>	<u>436,629.22</u>
Balance December 31	<u>\$ 472,327.32</u>	<u>\$ 436,629.22</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, 2015

	Anticipated <u>Budget</u>	<u>Realized</u>	Excess/ <u>(Deficit)</u>
Operating Surplus Anticipated	\$ 200,000.00	\$ 200,000.00	
Water and Sewer Rents	3,107,000.00	3,146,404.13	\$ 39,404.13
Miscellaneous	361,204.18	463,423.71	102,219.53
Reserve for Payment of Debt	168,793.99	168,793.99	
	<u>\$ 3,836,998.17</u>	<u>\$ 3,978,621.83</u>	<u>\$ 141,623.66</u>

Analysis of Realized Revenues

Water and Sewer Rents

Receipts:

Water and Sewer Rents Receivable

\$ 3,146,404.13

Miscellaneous:

Receipts:

Fittings

\$ 17,917.91

Permits

1,006.50

Miscellaneous

169,966.92

Septage

16,418.22

Alloway Sewer Project

82,544.01

Quinton Sewer Project

135,492.12

Interest on Utility Bills

40,077.92

463,423.60

Due from Water and Sewer Utility Capital Fund:

Interest on Deposits

0.11

\$ 463,423.71

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, 2015

	Appropriations		Expended			Unexpended Balance Canceled
	Original Budget	Budget After Modification	Paid or Charged	Encumbrances	Reserved	
Operating:						
Salaries and Wages	\$ 925,000.00	\$ 965,000.00	\$ 961,268.71		\$ 3,731.29	
Other Expenses	1,500,000.00	1,460,000.00	1,427,877.08	\$ 106.62	32,016.30	
Total Operating	2,425,000.00	2,425,000.00	2,389,145.79	106.62	35,747.59	-
Capital Improvements:						
Capital Improvement Fund	20,000.00	20,000.00	20,000.00	-	-	-
Debt Service:						
Payment of Bond Principal	529,653.00	529,653.00	529,653.00			
Interest on Bonds	331,292.00	331,292.00	303,660.39			\$ 27,631.61
Total Debt Service	860,945.00	860,945.00	833,313.39	-	-	27,631.61
Deferred Charges and Statutory Expenditures:						
Deferred Charges:						
Over expenditure of Appropriations	184,443.78	184,443.78	147,089.31			37,354.47
Over expenditure of Appropriation Reserves	29,885.40	29,885.40	29,885.40			
Ordinance 07-15, 08-18, 09-15	20,545.15	20,545.15	20,545.15			
Ordinance 05-27 (7.00), 06-08 (148,241.84)	148,248.84	148,248.84	148,248.84			
Statutory Expenditures:						
Public Employees' Retirement System	74,567.00	74,567.00	74,567.00			
Contributions to Social Security System (O.A.S.I.)	73,363.00	73,363.00	73,363.00		-	
Total Deferred Charges and Statutory Expenditures	531,053.17	531,053.17	493,698.70	-	-	37,354.47
	<u>\$ 3,836,998.17</u>	<u>\$ 3,836,998.17</u>	<u>\$ 3,736,157.88</u>	<u>\$ 106.62</u>	<u>\$ 35,747.59</u>	<u>\$ 64,986.08</u>
Accrued Interest on Bonds			\$ 303,660.39			
Capital Improvement Fund - Due Water/Sewer Capital Fund			20,000.00			
Deferred Charges			176,974.71			
Deferred Charges - Due Water/Sewer Capital Fund			168,793.99			
Cash Disbursements			3,066,728.79			
			<u>\$ 3,736,157.88</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, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The City of Salem (hereafter referred to as the "City") 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 2015 census estimate is 4,894.

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 are not presented in accordance with Governmental Accounting Standards Board GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. If the provisions of GASBS No. 14, as amended by GASBS No. 39 and GASBS No. 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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation - The financial statements of the City 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 accounts for its financial transactions through the use of separate funds which are described as follows:

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

Current Fund - The current fund accounts for resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

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 operations.

General Fixed Asset Group of Accounts - The general fixed asset group of accounts is utilized to account for property, land, buildings, and equipment that have been acquired by other governmental funds.

Budgets and Budgetary Accounting - The City 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.

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 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's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Part 200, §200.12), except that the useful life of such property is at least five years. The City has adopted a capitalization threshold of \$5,000.00, 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 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.

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 water/sewer 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 is 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 City 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, 2014 and decreased by the amount deferred at December 31, 2015.

County Taxes - The municipality is responsible for levying, collecting and remitting county taxes for the County of Salem. County taxes are determined on a calendar year by the County Board of Taxation based upon the ratables required to be certified to them on January 10 of each year. 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.

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

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 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.

Impact of Recently Issued Accounting Principles**Recently Issued and Adopted Accounting Pronouncements**

For the year ended December 31, 2015, the City adopted GASB 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. As a result of adopting such Statements, the City was required to measure and disclose liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to their defined benefit pensions. As a result of the regulatory basis of accounting previously described in note 1, the implementation of these Statements only required financial statement disclosures. There exists no impact on the financial statements of the City.

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 \$250,000.00 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 agency 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 classified as uninsured and uncollateralized.

As of December 31, 2015, the City's bank balances of \$2,809,050.40 were exposed to custodial credit risk as follows:

Insured by FDIC and GUDPA	\$2,552,525.20
Uninsured and Uncollateralized	<u>256,525.20</u>
Total	<u>\$2,809,050.40</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 calendar years:

Comparative Schedule of Tax Rates

	<u>Year Ended</u>				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Tax Rate	<u>\$ 3.866</u>	<u>\$ 3.846</u>	<u>\$ 3.823</u>	<u>\$ 3.728</u>	<u>\$ 3.686</u>
Apportionment of Tax Rate:					
Municipal	\$ 1.920	\$ 1.820	\$ 1.780	\$ 1.722	\$ 1.673
Municipal Library	.027	.031	.032	.031	.033
County	.791	.898	.912	.882	.888
County Open Space	.017	.019	.020	.020	.020
Local School	1.111	1.078	1.079	1.073	1.072

Assessed Valuation

<u>Year</u>	<u>Amount</u>
2015	\$ 223,962,313.00
2014	231,225,330.00
2013	231,331,758.00
2012	234,023,857.00
2011	234,662,914.00

Note 3: PROPERTY TAXES (CONT'D)

Five-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four calendar years (cont'd):

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2015	\$ 8,659,607.59	\$ 7,202,345.45	83.17%
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%

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>
2015	\$ 1,874,685.03	\$ 1,158,002.39	\$ 3,032,687.42	35.02%
2014	1,770,039.15	816,842.10	2,586,881.25	28.87%
2013	1,241,282.54	985,282.69	2,226,565.23	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%

The following comparison is made of the number of tax title liens receivable on December 31 for the current and previous four calendar years:

<u>Year</u>	<u>Number</u>
2015	213
2014	224
2013	199
2012	183
2011	164

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>
2015	\$ 2,719,600.00
2014	280,700.00
2013	280,700.00
2012	280,700.00
2011	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>			
2015	\$ 614,783.46	\$ 288,528.25	\$ 3,510,451.02	\$ 4,413,762.73	\$ 3,146,404.13
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

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:

Current Fund

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2015	\$ 72,394.87	\$ - A	0.00%
2014	372,394.87	300,000.00	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%

Water/Sewer Utility Fund

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2015	\$ 472,327.32	\$ 200,000.00 A	42.34%
2014	436,629.22	200,000.00	45.81%
2013	173,468.37	75,000.00	43.24%
2012	11,179.70	-	0.00%
2011	345,101.84	336,000.00	97.36%

A = per introduced 2016 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, 2015:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
Current	\$ 16,180.44	\$ 127,967.37
Federal and State Grant	3,425.28	
Trust - Animal Control		15,955.79
Trust - Other	121,305.28	75,275.25
General Capital	680,985.91	
Utility - Operating		232,464.92
Utility - Capital	307,515.52	677,749.10
	<u>\$ 1,129,412.43</u>	<u>\$ 1,129,412.43</u>

The interfund receivables and payables above predominately resulted from collections and payments made by certain funds on behalf of other funds. During the year 2016, the City expects to liquidate such interfunds, depending upon the availability of cash flow.

Note 8: PENSION PLANS

A substantial number of the City's employees participate in one of the following 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, several City employees participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This plan is administered by Prudential Financial for 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
<http://www.state.nj.us/treasury/pensions>

General Information about the Pension Plans**Plan Descriptions**

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the City, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Note 8: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Plan Descriptions (Cont'd)**

Police and Firemen's Retirement System - The Police and Firemen's Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A. The PFRS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PFRS is mandatory for substantially all full-time police and firemen of the City. The PFRS's Board of Trustees is primarily responsible for the administration of the PFRS.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund 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.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in PFRS after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

Vesting and Benefit Provisions

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A. The PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

Tier Definition

- 1 Members who were enrolled prior to July 1, 2007
- 2 Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3 Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
- 4 Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
- 5 Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

Note 8: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

Police and Firemen's Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except disability benefits, which vest after four years of service.

The following represents the membership tiers for PFRS:

Tier Definition

- 1 Members who were enrolled prior to May 22, 2010
- 2 Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
- 3 Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Defined Contribution Retirement Program - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Contributions

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over seven years beginning in July 2012. The member contribution rate was 6.92% in State fiscal year 2015. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contributions are based on an actuarially determined amount which includes the normal cost and unfunded accrued liability.

The City's contractually required contribution rate for the year ended December 31, 2015 was 13.05% of the City's covered-employee payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Note 8: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

Public Employees' Retirement System (Cont'd) – Based on the most recent PERS measurement date of June 30, 2015, the City's contractually required contribution to the pension plan for the year ended December 31, 2015 is \$223,823.00, and is payable by April 1, 2016. Due to the basis of accounting described in note 1, no liability has been recorded in the financial statements for this amount. Based on the PERS measurement date of June 30, 2014, the City's contractually required contribution to the pension plan for the year ended December 31, 2014 was \$212,515.00, which was paid on April 1, 2015. Employee contributions to the plan during the year ended December 31, 2015 were \$120,808.15.

Police and Firemen's Retirement System - The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 8.5% to 10.0% in October 2011. Employers' contributions are based on an actuarially determined amount which includes the normal cost and unfunded accrued liability.

Special Funding Situation Component - Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a *special funding situation* as defined by GASB Statement No. 68, and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to disclose in the notes to the financial statements of the local participating employers related to this legislation.

The City's contractually required contribution rate for the year ended December 31, 2015 was 29.39% of the City's covered-employee payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Based on the most recent PFRS measurement date of June 30, 2015, the City's contractually required contribution to the pension plan for the year ended December 31, 2015 is \$327,690.00, and is payable by April 1, 2016. Due to the basis of accounting described in note 1, no liability has been recorded in the financial statements for this amount. Based on the PFRS measurement date of June 30, 2014, the City's contractually required contribution to the pension plan for the year ended December 31, 2014 was \$347,528.00, which was paid on April 1, 2015. Employee contributions to the plan during the year ended December 31, 2015 were \$111,512.30.

The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the City, for the year ended December 31, 2015 was 2.75% of the City's covered-employee payroll.

Note 8: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

Police and Firemen's Retirement System (Cont'd) - Based on the most recent PFRS measurement date of June 30, 2015, the State's contractually required contribution, on-behalf of the City, to the pension plan for the year ended December 31, 2015 is \$30,654.00, and is payable by April 1, 2016. Based on the PFRS measurement date of June 30, 2014, the State's contractually required contribution, on-behalf of the City, to the pension plan for the year ended December 31, 2014 was \$25,449.00, which was paid on April 1, 2015.

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. 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 contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the year ended December 31, 2015, employee contributions totaled \$1,940.64, and the City's contributions were \$1,058.64. There were no forfeitures during the year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees' Retirement System - At December 31, 2015, the City's proportionate share of the PERS net pension liability was \$5,844,122.00. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2015 measurement date, the City's proportion was .0260340491%, which was an increase of .0002554564% from its proportion measured as of June 30, 2014.

At December 31, 2015, the City's proportionate share of the PERS pension expense, calculated by the plan as of the June 30, 2015 measurement date is \$386,982.00. This expense is not recognized by the City because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2015, the City's contributions to PERS were \$223,823.00, and were paid on April 1, 2015.

Police and Firemen's Retirement System - At December 31, 2015, the City's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

City's Proportionate Share of Net Pension Liability	\$ 6,714,852.00
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the City	<u>588,870.00</u>
	<u>\$ 7,303,722.00</u>

Note 8: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Police and Firemen's Retirement System (Cont'd) - The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. For the June 30, 2015 measurement date, the City's proportion was .0403136692%, which was a decrease of .0049333034% from its proportion measured as of June 30, 2014. Likewise, at June 30, 2015, the State of New Jersey's proportion, on-behalf of the City, was .0403136692%, which was a decrease of .0049333034% from its proportion, on-behalf of the City, measured as of June 30, 2014.

At December 31, 2015, the City's proportionate share of the PFRS pension expense, calculated by the plan as of the June 30, 2015 measurement date is \$389,339.00. This expense is not recognized by the City because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2015, the City's contributions to PFRS were \$327,690.00, and were paid on April 1, 2015.

At December 31, 2015, the State's proportionate share of the PFRS pension expense, associated with the City, calculated by the plan as of the June 30, 2015 measurement date is \$73,453.00. This on-behalf expense is not recognized by the City because of the regulatory basis of accounting as described in note 1.

Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2015, the City had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>			<u>Deferred Inflows of Resources</u>		
	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between Expected and Actual Experience	\$ 139,420.00	\$ -	\$ 139,420.00	\$ -	\$ 57,918.00	\$ 57,918.00
Changes of Assumptions	627,612.00	1,239,728.00	1,867,340.00	-	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	-	-	93,962.00	116,866.00	210,828.00
Changes in Proportion and Differences between City Contributions and Proportionate Share of Contributions	40,577.00	-	40,577.00	22,151.00	873,585.00	895,736.00
City Contributions Subsequent to the Measurement Date	111,912.00	163,845.00	275,757.00	-	-	-
	<u>\$ 919,521.00</u>	<u>\$ 1,403,573.00</u>	<u>\$ 2,323,094.00</u>	<u>\$ 116,113.00</u>	<u>\$ 1,048,369.00</u>	<u>\$ 1,164,482.00</u>

\$111,912.00 and \$163,845.00 for PERS and PFRS, respectively, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the year ending December 31, 2016. These amounts were based on an estimated April 1, 2017 contractually required contribution, prorated from the pension plans measurement date of June 30, 2015 to the City's year end of December 31, 2015.

Note 8: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - The City will amortize the above other deferred outflow of resources and deferred inflows of resources related to pensions over the following number of years:

	<u>PERS</u>		<u>PFRS</u>	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience				
Year of Pension Plan Deferral:				
June 30, 2014	-	-	-	-
June 30, 2015	5.72	-	-	5.53
Changes of Assumptions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	-	6.17	-
June 30, 2015	5.72	-	5.53	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments				
Year of Pension Plan Deferral:				
June 30, 2014	-	5.00	-	5.00
June 30, 2015	-	5.00	-	5.00
Changes in Proportion and Differences between City Contributions and Proportionate Share of Contributions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	6.44	6.17	6.17
June 30, 2015	5.72	5.72	5.53	5.53

Note 8: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - Other amounts included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

<u>Year Ending Dec 31,</u>	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
2016	\$ 126,042.00	\$ 3,622.00	\$ 129,664.00
2017	126,042.00	3,622.00	129,664.00
2018	126,044.00	3,620.00	129,664.00
2019	197,950.00	148,826.00	346,776.00
2020	115,418.00	31,669.00	147,087.00
	<u>\$ 691,496.00</u>	<u>\$ 191,359.00</u>	<u>\$ 882,855.00</u>

Actuarial Assumptions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PERS</u>	<u>PFRS</u>
Inflation	3.04%	3.04%
Salary Increases:		
2012-2021	2.15% - 4.40% Based on Age	2.60% - 9.48% Based on Age
Thereafter	3.15% - 5.40% Based on Age	3.60% - 10.48% Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience		
Study upon which Actuarial		
Assumptions were Based	July 1, 2008 - June 30, 2011	July 1, 2010 - June 30, 2013

For PERS, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

Note 8: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)**

For PFRS, mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and one year using Projection Scale BB for male service retirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB for female service retirements and beneficiaries with adjustments for mortality improvements from the base year of 2014 based on Projection Scale BB.

For PERS and PFRS, in accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's and PFRS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds / Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex U.S.	3.50%	-0.40%
REIT	4.25%	5.12%
	<u>100.00%</u>	

Note 8: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)**

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2015 was 4.90% for PERS and 5.79% for PFRS. For both PERS and PFRS, the respective single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and for PFRS, the non-employer contributing entity, will be made based on the average of the last five years of contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033 for PERS and through 2045 for PFRS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033 for PERS and through 2045 for PFRS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

Sensitivity of City's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

Public Employees' Retirement System (PERS) - The following presents the City's proportionate share of the net pension liability at June 30, 2015, the plans measurement date, calculated using a discount rate of 4.90%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease <u>(3.90%)</u>	Current Discount Rate <u>(4.90%)</u>	1% Increase <u>(5.90%)</u>
City's Proportionate Share of the Net Pension Liability	\$ 7,263,529.00	\$ 5,844,122.00	\$ 4,654,102.00

Police and Firemen's Retirement System (PFRS) - As previously mentioned, PFRS has a special funding situation, where the State of New Jersey pays a portion of the City's annual required contribution. As such, the net pension liability as of June 30, 2015, the plans measurement date, for the City and the State of New Jersey, calculated using a discount rate of 5.79%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	1% Decrease <u>(4.79%)</u>	Current Discount Rate <u>(5.79%)</u>	1% Increase <u>(6.79%)</u>
City's Proportionate Share of the Net Pension Liability	\$ 8,852,307.00	\$ 6,714,852.00	\$ 4,971,949.00
State of New Jersey's Proportionate Share of Net Pension Liability associated with the City	<u>776,318.00</u>	<u>588,870.00</u>	<u>436,023.00</u>
	<u>\$ 9,628,625.00</u>	<u>\$ 7,303,722.00</u>	<u>\$ 5,407,972.00</u>

Note 8: PENSION PLANS (CONT'D)**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in the separately issued New Jersey Division of Pension and Benefits financial report. Information on where to obtain the report is indicated at the beginning of this note.

Supplementary Pension Information

In accordance with GASB 68, the following information is also presented for the PERS and PFRS Pension Plans. These schedules are presented to illustrate the requirements to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

Schedule of the City's Proportionate Share of the Net Pension Liability - Public Employees' Retirement System (PERS) (Last Three Years)

	<u>Measurement Date Ended June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's Proportion of the Net Pension Liability	0.0260340491%	0.0257785927%	0.0259466887%
City's Proportionate Share of the Net Pension Liability	\$ 5,844,122.00	\$ 4,826,458.00	\$ 4,958,928.00
City's Covered-Employee Payroll	\$ 1,686,724.00	\$ 1,750,944.00	\$ 1,683,892.00
City's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	346.48%	275.65%	294.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%

Schedule of the City's Contributions - Public Employees' Retirement System (PERS) (Last Three Years)

	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's Contractually Required Contribution	\$ 223,823.00	\$ 212,515.00	\$ 195,503.00
City's Contribution in Relation to the Contractually Required Contribution	<u>(223,823.00)</u>	<u>(212,515.00)</u>	<u>(195,503.00)</u>
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 1,714,672.00	\$ 1,687,530.00	\$ 1,677,341.00
City's Contributions as a Percentage of it's Covered-Employee Payroll	13.05%	12.59%	11.66%

Note 8: PENSION PLANS (CONT'D)**Supplementary Pension Information (Cont'd)*****Schedule of the City's Proportionate Share of the Net Pension Liability - Police and Firemen's Retirement System (PFRS) (Last Three Years)***

	<u>Measurement Date Ended June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's Proportion of the Net Pension Liability	0.0403136692%	0.0452469726%	0.0489470796%
City's Proportionate Share of the Net Pension Liability	\$ 6,714,852.00	\$ 5,691,649.00	\$ 6,507,073.00
State's Proportionate Share of the Net Pension Liability associated with the City	<u>588,870.00</u>	<u>612,895.00</u>	<u>606,538.00</u>
Total	<u>\$ 7,303,722.00</u>	<u>\$ 6,304,544.00</u>	<u>\$ 7,113,611.00</u>
City's Covered-Employee Payroll	\$ 1,274,744.00	\$ 1,513,080.00	\$ 1,519,788.00
City's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	526.76%	376.16%	428.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.31%	62.41%	58.70%

Schedule of the City's Contributions - Police and Firemen's Retirement System (PFRS) (Last Three Years)

	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's Contractually Required Contribution	\$ 327,690.00	\$ 347,528.00	\$ 357,107.00
City's Contribution in Relation to the Contractually Required Contribution	<u>(327,690.00)</u>	<u>(347,528.00)</u>	<u>(357,107.00)</u>
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 1,115,123.00	\$ 1,304,666.00	\$ 1,432,978.00
City's Contributions as a Percentage of it's Covered-Employee Payroll	29.39%	26.64%	24.92%

Note 8: PENSION PLANS (CONT'D)**Other Notes to Supplementary Pension Information*****Public Employees' Retirement System (PERS)***

Changes in Benefit Terms - None

Changes in Assumptions - The discount rate changed from 5.39% as of June 30, 2014, to 4.90% as of June 30, 2015, in accordance with Paragraph 44 of GASB Statement No. 67.

Other Changes in Assumptions – New assumptions related to future increases on Social Security Wage Base and the 401(a) (17) compensation limit have been added as follows:

401(a) (17) Pay Limit – 3.00 per annum
Social Security Wage Base – 4.00 per annum

Police and Firemen's Retirement System (PFRS)

Changes in Benefit Terms - None

Changes in Assumptions - The discount rate changed from 6.32% as of June 30, 2014, to 5.79% as of June 30, 2015, in accordance with Paragraph 44 of GASB Statement No. 67.

Other Changes in Assumptions – Demographic assumptions with respect to no-vested withdrawal, disability, service retirement, active death, salary increases rates and inactive mortality were revised in accordance with the results of the July1, 2010 – June 30, 2013 experience study and approved by the Board of Trustees of the PERS Pension Plan at its February 9, 2015 Board Meeting.

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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 must adopt a resolution to participate in the SHBP. The City authorized participation in the SHBP's post-retirement benefit program through resolution. The City provides postemployment health care benefits, at its cost, to all City retirees who at the date of retirement have the required number of years of service credit. Benefits provided include health insurance, dental coverage, and prescription coverage for retirees and their dependents only during the retired employees' life.

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/.

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)

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 funds these benefits on a pay-as-you-go basis and, therefore, does not record accrued expenses related to these benefits. The City's contributions to SHBP for the years ended December 31, 2015, 2014, and 2013, were approximately \$540,306.90, \$457,459.80, and \$430,925.29, respectively, which equaled the required contributions each year. There were approximately 30 retired participants eligible at December 31, 2015.

Note 10: 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 \$15,000.00. 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, 2015 the balance of the fund was \$33,350.27. It is estimated that, at December 31, 2015, accrued benefits for compensated absences are valued at \$653,762.51.

Note 11: 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 12: CAPITAL DEBT**General Debt - Serial Bonds**

General Serial Bonds, Series 2012 - On June 15, 2012, the City issued \$3,110,000.00 of general serial bonds, with interest rates of 3.00-4.00%. The bonds were issued for the purpose of funding various capital projects. The final maturity of the bonds is June 15, 2026.

The following schedule represents the remaining debt service, through maturity, for the general serial bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 215,000.00	\$ 86,828.46	\$ 301,828.46
2017	225,000.00	80,242.57	305,242.57
2018	235,000.00	73,382.28	308,382.28
2019	245,000.00	66,247.57	311,247.57
2020	250,000.00	58,907.06	308,907.06
2021-2025	1,250,000.00	170,981.40	1,420,981.40
2026-2030	250,000.00	5,030.88	255,030.88
	<u>\$ 2,670,000.00</u>	<u>\$ 541,620.22</u>	<u>\$ 3,211,620.22</u>

Water/Sewer Debt - Serial Bonds

Water/Sewer Serial Bonds, Series 2012 - On June 15, 2012, the City issued \$290,000.00 of water/sewer serial bonds, with interest rates of 3.00-4.00%. The bonds were issued for the purpose of funding various capital projects. The final maturity of the bonds is June 15, 2026.

The following schedule represents the remaining debt service, through maturity, for the water/sewer serial bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 20,000.00	\$ 8,096.54	\$ 28,096.54
2017	20,000.00	7,482.43	27,482.43
2018	20,000.00	6,842.72	26,842.72
2019	20,000.00	6,177.43	26,177.43
2020	20,000.00	5,492.94	25,492.94
2021-2025	120,000.00	15,943.60	135,943.60
2026-2030	25,000.00	469.12	25,469.12
	<u>\$ 245,000.00</u>	<u>\$ 50,504.78</u>	<u>\$ 295,504.78</u>

Note 12: CAPITAL DEBT (CONT'D)**Water/Sewer Debt – Wastewater Improvement Bonds**

On August 1, 1991, the City issued \$4,939,700.00 of water/sewer wastewater improvement bonds, with an interest rate of 5.00%. The bonds were issued for the purpose of funding treatment system capital projects. The final maturity of the bonds is August 1, 2031.

The following schedule represents the remaining debt service, through maturity, for the water/sewer wastewater improvement bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 131,747.42	\$ 155,054.58	\$ 286,802.00
2017	138,418.57	148,383.43	286,802.00
2018	145,427.54	141,374.46	286,802.00
2019	152,791.40	134,010.60	286,802.00
2020	160,528.14	126,273.86	286,802.00
2021-2025	933,119.07	500,890.93	1,434,010.00
2026-2030	1,194,533.65	239,476.35	1,434,010.00
2031-2035	276,392.40	10,409.61	286,802.01
	<u>\$ 3,132,958.19</u>	<u>\$ 1,455,873.82</u>	<u>\$ 4,588,832.01</u>

Water/Sewer Debt – USDA Loan

On May 16, 2005, the City entered into a loan agreement for a \$854,000.00 water/sewer USDA loan, with an interest rate of 4.25%. The proceeds were used for various capital projects. The final maturity of the loan is July 1, 2045.

The following schedule represents the remaining debt service, through maturity, for the water/sewer USDA loan:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 12,775.03	\$ 31,820.97	\$ 44,596.00
2017	13,323.74	31,272.26	44,596.00
2018	13,896.01	30,699.99	44,596.00
2019	14,492.87	30,103.13	44,596.00
2020	15,115.35	29,480.65	44,596.00
2021-2025	85,891.18	137,088.82	222,980.00
2026-2030	105,991.07	116,988.93	222,980.00
2031-2035	130,794.66	92,185.34	222,980.00
2036-2040	161,402.66	61,577.34	222,980.00
2041-2045	198,206.37	23,806.63	222,013.00
	<u>\$ 751,888.94</u>	<u>\$ 585,024.06</u>	<u>\$ 1,336,913.00</u>

Note 12: CAPITAL DEBT (CONT'D)**Water/Sewer Debt - New Jersey Environmental Infrastructure Loans**

On March 10, 2010, the City entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$4,043,875.00, at no interest, from the fund loan, and \$3,235,000.00 at interest rates ranging from 3.0% to 5.0% from the trust loan. The proceeds were used to fund the water plant and pumping station projects. Semiannual debt payments are due February 1st and August 1st through 2029.

The following schedule represents the remaining debt service, through maturity, for the water/sewer New Jersey Environmental Infrastructure loans:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 352,835.52	\$ 117,680.00	\$ 470,515.52
2017	357,835.52	110,680.00	468,515.52
2018	362,835.52	103,430.00	466,265.52
2019	372,835.52	95,930.00	468,765.52
2020	382,835.52	89,530.00	472,365.52
2021-2025	2,014,177.60	338,950.00	2,353,127.60
2026-2030	1,704,619.20	129,945.00	1,834,564.20
	<u>\$ 5,547,974.40</u>	<u>\$ 986,145.00</u>	<u>\$ 6,534,119.40</u>

Water/Sewer Debt – State of NJ Dam Restoration Loan

On July 31, 2012, the City entered into a loan agreement for a \$581,000.00 water/sewer State of NJ dam restoration loan, with an interest rate of 2.00%. The proceeds were used for the Quinton / Elkinton Dams project. The final maturity of the loan is April 30, 2030.

The following schedule represents the remaining debt service, through maturity, for the water/sewer State of NJ dam restoration loan:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 29,756.26	\$ 9,756.02	\$ 39,512.28
2017	30,354.36	9,157.92	39,512.28
2018	30,964.48	8,547.80	39,512.28
2019	31,586.87	7,925.41	39,512.28
2020	32,221.76	7,290.51	39,512.27
2021-2025	171,087.99	26,473.39	197,561.38
2026-2030	169,231.42	8,573.82	177,805.24
	<u>\$ 495,203.14</u>	<u>\$ 77,724.87</u>	<u>\$ 572,928.01</u>

Note 12: CAPITAL DEBT (CONT'D)

The following schedule represents the City's summary of debt for the current and two previous years:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 2,670,000.00	\$ 2,966,000.00	\$ 3,251,000.00
Water/Sewer Utility:			
Bonds, Loans and Notes	10,173,024.67	10,754,399.83	11,271,929.16
Total Issued	<u>12,843,024.67</u>	<u>13,720,399.83</u>	<u>14,522,929.16</u>
<u>Authorized but not Issued</u>			
General:			
Bonds, Loans and Notes	146,099.27	172,099.27	529,974.69
Water/Sewer Utility:			
Notes	3,611,989.01	3,468,339.00	8,108,339.00
Total Authorized but not Issued	<u>3,758,088.28</u>	<u>3,640,438.27</u>	<u>8,638,313.69</u>
Total Issued and Authorized but not Issued	<u>16,601,112.95</u>	<u>17,360,838.10</u>	<u>23,161,242.85</u>
<u>Deductions</u>			
General:			
Reserve for Payment of Bonds	56,495.23	98,031.49	218,031.49
Water/Sewer Utility:			
Self-Liquidating	13,785,013.68	14,222,738.83	19,380,268.16
Total Deductions	<u>13,841,508.91</u>	<u>14,320,770.32</u>	<u>19,598,299.65</u>
Net Debt	<u>\$ 2,759,604.04</u>	<u>\$ 3,040,067.78</u>	<u>\$ 3,562,943.20</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 1.534%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Purposes	\$ 2,195,000.00	\$ 2,195,000.00	
Self-Liquidating	13,785,013.68	13,785,013.68	
Guarantee Bonds	18,925,000.00	18,925,000.00	
General	2,816,099.27	56,495.23	\$ 2,759,604.04
	<u>\$ 37,721,112.95</u>	<u>\$ 34,961,508.91</u>	<u>\$ 2,759,604.04</u>

Net debt \$2,759,604.04 divided by the equalized valuation basis per N.J.S.A.40A:2-2, as amended, \$179,941,598.33, equals 1.534%.

Note 12: CAPITAL DEBT (CONT'D)**Borrowing Power Under N.J.S.A. 40A:2-6 as Amended**

3 1/2% of Equalized Valuation Basis (Municipal)	\$	6,297,955.94
Less: Net Debt		<u>2,759,604.04</u>
Remaining Borrowing Power	\$	<u><u>3,538,351.90</u></u>

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

Cash Receipts from Fees, Rents, Fund Balance Anticipated, Interest and Other Investment Income, and Other Charges for the Year	\$	3,978,621.83
Deductions:		
Operating and Maintenance Costs	\$	2,572,930.00
Debt Service		<u>833,313.39</u>
Total Deductions		<u>3,406,243.39</u>
Excess/(Deficit) in Revenue	\$	<u><u>572,378.44</u></u>

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

Note 13: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2015, the following deferred charges are shown on the statement of assets, liabilities, reserves and fund balance of the following fund(s):

<u>Description</u>	<u>Balance December 31, 2015</u>	<u>2016 Budget Appropriation</u>
Current Fund:		
Operating Deficit	\$ 155,944.90	\$ 155,944.90
Federal and State Grant Fund:		
Overexpenditure of Appropriated Grants	8,451.78	8,451.78

The appropriations in the 2016 Introduced Budget are not less than that required by the statutes.

Note 14: SCHOOL TAXES

City of Salem School District 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:

	<u>Balance December 31,</u>	
	<u>2015</u>	<u>2014</u>
Balance of Tax	\$ 1,651,736.94	\$ 1,453,495.36
Deferred	<u>1,232,229.00</u>	<u>1,232,229.00</u>
	<u>\$ 419,507.94</u>	<u>\$ 221,266.36</u>

Note 15: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The City maintains commercial insurance coverage for property, liability, vehicle, surety bonds, etc.

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:

<u>Year</u>	<u>City Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015	\$ 27,408.00	\$ 5,449.79	\$ 27,408.00	\$ 54,059.04
2014	45,795.05	5,416.08	45,795.05	48,609.25
2013	10,927.38	5,576.10	10,927.38	43,193.17

Note 16: CONCENTRATIONS

The City depends on financial resources flowing from, or associated with, both the federal government and the State of New Jersey. As a result of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

Note 17: 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, 2015, \$18,925,000.00 in bonds covered by this agreement was outstanding.

Cash flows from the Finlaw Building Project had 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.

<u>Date</u>	<u>Withdraw Amount</u>
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 through 08-15-15	None
	<u>\$ 1,073,489.08</u>

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 was reserved for possible future year 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 was 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. \$50,000.00 was paid 08/15/15 by the City; the remaining \$55,000.00 was reserved for possible future year deficits.

The City of Salem's 2015 Budget included a budget appropriation of \$70,000.00 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 08/15/15 by the City; the remaining \$20,000.00 was reserved for possible future year deficits.

The City of Salem's 2016 Introduced 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, 2015 Summary of Reserve

2012	\$ 54,513.00
2013	75,000.00
2014	55,000.00
2015	20,000.00
	<u>\$ 204,513.00</u>

Note 18: CONTINGENCIES

Grantor Agencies - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amount, if any, to be immaterial.

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.

Tax Appeals - As of December 31, 2015, several tax appeals were on file against the City. Based upon information provided by the tax assessor, if such appeals are not settled in favor of the City, the estimated impact of the tax refunds could be material.

SUPPLEMENTAL EXHIBITS

SUPPLEMENTAL EXHIBITS
CURRENT FUND

CITY OF SALEM
CURRENT FUND
Statement of Cash
For the Year Ended December 31, 2015

Balance December 31, 2014		\$ 1,585,138.59
Increased by Receipts:		
Taxes Receivable	\$ 7,457,131.26	
Tax Title Liens	115,354.19	
Prepaid Taxes	82,586.37	
Due State of New Jersey Senior Citizens' & Veterans' Deductions	37,000.00	
Miscellaneous Revenue Anticipated	2,407,436.93	
Miscellaneous Revenue Not Anticipated	162,269.24	
Due Federal and State Grant Fund - Received for	57,858.83	
Due Trust -- Other Funds - Received from	348,586.50	
Due General Capital Fund - Received for	66,896.92	
Due Utility Operating Fund - Received from	23,402.85	
Reserve for Demolition Fund	6,440.00	
		10,764,963.09
		12,350,101.68
Decreased by Disbursements:		
Appropriations	6,092,625.49	
Appropriation Reserves	663,993.90	
County Taxes Payable	1,805,733.09	
Local School Taxes Payable	2,307,826.42	
Due Federal and State Grant Fund - Disbursed for	304,543.98	
Due Animal Control Fund - Disbursed to	23,000.00	
Due Animal Control Fund - Disbursed for	0.40	
Due Trust Other Funds - Disbursed for	12,281.25	
Due General Capital Fund - Disbursed to	47,750.00	
Due General Capital Fund - Disbursed for	100,000.00	
Due Utility Operating Fund - Disbursed for	23,627.50	
Due Utility Capital Fund - Disbursed for	25,065.14	
Refund of Prior Year Revenue	2,685.61	
Insurance Proceeds Receivable	38,856.76	
Prepaid Debt Service	52,300.00	
		11,500,289.54
Balance December 31, 2015		\$ 849,812.14

CITY OF SALEM
CURRENT FUND
Statement of Taxes Receivable and Analysis of Property Tax Levy
For the Year Ended December 31, 2015

	Balance Dec. 31, 2014	Levy	Added / Omitted Taxes	Collected		Due from State of New Jersey	Adjustments and Canceled	Transferred to Liens	Balance Dec. 31, 2015
				2014	2015				
Prior	\$ 217,057.97				\$ 14,686.00		\$ (12.87)		\$ 202,384.84
2014	599,784.13				364,981.13		4,821.99	\$ 109,521.26	120,459.75
2015		\$ 8,659,607.59	\$ -	\$ 88,131.32	7,077,464.13	\$ 36,750.00	81,520.63	540,583.71	835,157.80
	<u>\$ 816,842.10</u>	<u>\$ 8,659,607.59</u>	<u>\$ -</u>	<u>\$ 88,131.32</u>	<u>\$ 7,457,131.26</u>	<u>\$ 36,750.00</u>	<u>\$ 86,329.75</u>	<u>\$ 650,104.97</u>	<u>\$ 1,158,002.39</u>

Analysis of Property Tax Levy

Tax Yield:

General Purpose	\$ 8,659,607.59
Added / Omitted Taxes	-
	<u>\$ 8,659,607.59</u>

Tax Levy:

Local District School Tax	\$ 2,490,268.00
County Taxes:	
County Tax	\$ 1,769,520.62
County Open Space Tax	36,212.47
Due County for Added and Omitted Taxes	-
	<u>1,805,733.09</u>
Local Tax for Municipal Purposes	4,301,154.30
Library Tax	60,908.42
Add: Additional Tax Levied - Added and Omitted Taxes	-
Add: Additional Tax Levied - Rounding	1,543.78
	<u>4,363,606.50</u>
	<u>\$ 8,659,607.59</u>

CITY OF SALEM
CURRENT FUND
Statement of Tax Title Liens
For the Year Ended December 31, 2015

Balance December 31, 2014		\$ 1,770,039.15
Increased by:		
Transfers from Taxes Receivable	\$ 650,104.97	
Interest and Costs - Tax Sale / Adjustments	6,633.30	
		656,738.27
		2,426,777.42
Decreased by:		
Transferred to Property Acquired for Taxes -- Assessed Valuation	436,738.20	
Cash Receipts	115,354.19	
		552,092.39
Balance December 31, 2015		\$ 1,874,685.03

Exhibit SA-4

CURRENT FUND
Statement of Prepaid Taxes
For the Year Ended December 31, 2015

Balance December 31, 2014		\$ 88,131.32
Increased by:		
Collections -- 2016 Taxes		82,586.37
		170,717.69
Decreased by:		
Applied to 2015 Taxes Receivable		88,131.32
Balance December 31, 2015		\$ 82,586.37

Exhibit SA-5

CURRENT FUND
Statement of Prepaid Debt Service
For the Year Ended December 31, 2015

Balance December 31, 2014		\$ 231,925.00
Increased by:		
Cash Disbursements		52,300.00
Balance December 31, 2015		\$ 284,225.00

CITY OF SALEM
CURRENT FUND
Statement of Due to State of New Jersey
Senior Citizens' and Veterans' Deductions
For the Year Ended December 31, 2015

Balance December 31, 2014		\$ 1,828.23
Increased by:		
Cash Received	\$ 37,000.00	
Prior Year Senior Citizens' and Veterans' Deductions Disallowed by Tax Collector	-	37,000.00
		38,828.23
Decreased by:		
2015 Levy -- Deductions per Tax Billing	\$ 38,250.00	
2015 Senior Citizens' and Veterans' Deductions Granted by Tax Collector	-	38,250.00
2015 Senior Citizens' and Veterans' Deductions Disallowed by Tax Collector	(1,500.00)	36,750.00
Balance December 31, 2015		\$ 2,078.23

CITY OF SALEM
CURRENT FUND
Statement of Revenue Accounts Receivable
For the Year Ended December 31, 2015

<u>Miscellaneous Revenues</u>	Balance <u>Dec. 31, 2014</u>	<u>Accrued</u>	<u>Collected</u>	<u>Applied</u>	Balance <u>Dec. 31, 2015</u>
Fines and Costs - Municipal Court	\$ 5,676.69	\$ 63,519.67	\$ 65,114.89		\$ 4,081.47
Interest and Costs on Taxes		99,326.38	99,326.38		
Street Opening Permits		5,500.00	5,500.00		
Cable Television Franchise Fee		55,325.76	55,325.76		
Transitional Aid		300,000.00	300,000.00		
Consolidated Municipal Property Tax Relief Aid		334,887.00	334,887.00		
Energy Receipts Tax		1,061,052.00	1,061,052.00		
Garbage and Trash - Pick up Stickers		86,301.00	86,301.00		
Municipal Alliance on Alcohol and Drug Abuse		3,425.44		\$ 3,425.44	
Clean Communities Program		10,313.76		10,313.76	
New Jersey Motor Vehicle Commission		92,000.00		92,000.00	
Recycling Tonnage		6,717.20		6,717.20	
US Marshalls		56,194.30		56,194.30	
USDA - Police Vehicles		37,726.00		37,726.00	
Historic Preservation Architectural Survey		24,999.00		24,999.00	
Whispering Waters Pilot Agreement		324,480.00	324,480.00		
Senior Village Pilot Agreement		16,500.00	16,500.00		
County of Salem Pilot Agreement		27,725.53	27,725.53		
South Jersey Gas Agreement		31,224.37	31,224.37		
Reserve for Payment of Bonds and Notes		98,031.49		98,031.49	
Unappropriated Grant - Municipal Alliance		982.72		982.72	
Unappropriated Grant - Body Armor		2,271.38		2,271.38	
Total Miscellaneous Revenue	\$ 5,676.69	\$ 2,738,503.00	\$ 2,407,436.93	\$ 332,661.29	\$ 4,081.47

CITY OF SALEM
CURRENT FUND
Statement of Appropriation Reserves
For the Year Ended December 31, 2015

	<u>Balance December 31, 2014</u>		<u>Balance After Modification</u>	<u>Disbursed</u>	<u>Lapsed to Fund Balance</u>
	<u>Encumbered</u>	<u>Reserved</u>			
<u>OPERATIONS -- WITHIN "CAPS"</u>					
<u>General Government Functions</u>					
Human Resources					
Other Expenses		\$ 240.00	\$ 240.00		\$ 240.00
Mayor and Council:					
Salaries and Wages		22.48	22.48		22.48
Other Expenses		302.96	302.96		302.96
Municipal Clerk:					
Salaries and Wages		27.84	27.84		27.84
Other Expenses	\$ 251.31	4,168.66	4,419.97	\$ 1,276.80	3,143.17
Financial Administration:					
Salaries and Wages		171.99	171.99		171.99
Other Expenses	521.26	187.32	708.58	18.76	689.82
Audit Services:					
Other Expenses		1,996.40	1,996.40		1,996.40
Tax Collection:					
Salaries and Wages		126.00	126.00		126.00
Other Expenses		173.78	173.78		173.78
Assessment of Taxes:					
Salaries and Wages		3.08	3.08		3.08
Other Expenses	57.81	58.06	115.87	57.81	58.06
Legal Services and Costs:					
Salaries and Wages		41.36	41.36		41.36
Other Expenses		9.07	9.07		9.07
Engineering Services and Costs:					
Other Expenses		1,403.87	1,403.87		1,403.87
Public Buildings and Grounds:					
Other Expenses	605.00	2,410.74	3,015.74	300.00	2,715.74
Housing Enforcement:					
Salaries and Wages		10,452.24	10,452.24	5,000.00	5,452.24
Other Expenses	357.81	634.33	992.14	305.81	686.33
Insurance:					
General Liability		37.14	37.14		37.14
Workers Compensation		12,083.16	12,083.16		12,083.16
Employee Group Health		615,956.59	615,956.59	615,956.59	
<u>Land Use Administration</u>					
Planning Board:					
Other Expenses		52.89	52.89		52.89
<u>Public Safety</u>					
Fire:					
Other Expenses	10,721.88	5,132.91	15,854.79	13,182.83	2,671.96
Police:					
Salaries and Wages		48,396.11	48,396.11		48,396.11
Other Expenses	2,980.10	9,495.55	12,475.65	12,115.88	359.77
Aid to Ambulance Organization:					
Other Expenses	257.04	1,336.03	1,593.07	19.04	1,574.03
Office of Emergency Management:					
Salaries and Wages		2.80	2.80		2.80
<u>Streets and Roads</u>					
Road Repairs and Maintenance:					
Salaries and Wages		624.31	624.31		624.31
Other Expenses	1,995.46	79.93	2,075.39	1,985.46	89.93

(Continued)

CITY OF SALEM
CURRENT FUND
Statement of Appropriation Reserves
For the Year Ended December 31, 2015

	Balance December 31, 2014		Balance After Modification	Disbursed	Lapsed to Fund Balance
	Encumbered	Reserved			
<u>Sanitation</u>					
Street Cleaning:					
Salaries and Wages		\$ 30.60	\$ 30.60		\$ 30.60
Other Expenses		8.00	8.00		8.00
Sanitary Landfill:					
Salaries and Wages		38.88	38.88		38.88
Other Expenses		4.43	4.43		4.43
Vehicle Maintenance:					
Other Expenses	\$ 1,599.87	620.97	2,220.84	\$ 236.00	1,984.84
<u>Health and Welfare</u>					
Board of Health					
Other Expenses		350.00	350.00		350.00
Dog Regulation:					
Other Expenses		4,100.00	4,100.00		4,100.00
<u>Recreation and Education</u>					
Recreation:					
Other Expenses	140.38	12,580.83	12,721.21	12,500.25	220.96
<u>Municipal Court</u>					
Municipal Court Administration:					
Salaries and Wages		2,462.12	2,462.12		2,462.12
Other Expenses	744.37	481.17	1,225.54	744.37	481.17
Public Defender:					
Other Expenses		1,699.34	1,699.34		1,699.34
<u>Utility Expenses and Bulk Purchases</u>					
Street Lighting		774.74	774.74		774.74
Telephone		90.11	90.11		90.11
Heating Oil		100.13	100.13		100.13
Gasoline		3,380.40	3,380.40		3,380.40
Natural Gas		21.41	21.41		21.41
Electricity		1,952.77	1,952.77		1,952.77
<u>Statutory Expenditures</u>					
Contribution to:					
Social Security System (O.A.S.I.)		3,555.66	3,555.66	294.30	3,261.36
Unemployment and Disability		61.90	61.90		61.90
<u>Operations -- Excluded from "CAPS"</u>					
Aid to Library		67.32	67.32		67.32
<u>INTERLOCAL MUNICIPAL SERVICE AGREEMENTS</u>					
Police Dispatch Service with County of Salem		1.00	1.00		1.00
<u>ADDITIONAL APPROPRIATIONS OFFSET BY REVENUES</u>					
Garbage and Trash Collections:					
Other Expenses		19,488.00	19,488.00		19,488.00
	\$ 20,232.29	\$ 767,497.38	\$ 787,729.67	\$ 663,993.90	\$ 123,735.77

CITY OF SALEM
CURRENT FUND
Statement of Property Acquired for Taxes -- Assessed Valuation
For the Year Ended December 31, 2015

Balance December 31, 2014		\$ 280,700.00
Increased by:		
Transferred from Tax Title Liens	\$ 436,738.20	
Adjustment to Assessed Valuation	<u>2,002,161.80</u>	
		<u>2,438,900.00</u>
Balance December 31, 2015		<u><u>\$ 2,719,600.00</u></u>

Exhibit SA-10

CURRENT FUND
Statement of Due County Taxes
For the Year Ended December 31, 2015

Increased by:		
County General Share of 2015 Levy	\$ 1,769,520.62	
County Open Space Preservation Share of 2015 Levy	<u>36,212.47</u>	
		\$ 1,805,733.09
Decreased by:		
Cash Disbursements		<u><u>\$ 1,805,733.09</u></u>

CITY OF SALEM
CURRENT FUND
Statement of Local District School Tax
For the Year Ended December 31, 2015

Balance December 31, 2014		
School Tax Payable	\$ 221,266.36	
School Tax Deferred	<u>1,232,229.00</u>	\$ 1,453,495.36
Increased by:		
Levy -- School Year July 1, 2015 to June 30, 2016	2,490,268.00	
2015 Budget Appropriation Transferred to Board of Education for Use of Local School (N.J.S.A. 40:48-17.1 & 17.3)	<u>15,800.00</u>	<u>2,506,068.00</u>
		3,959,563.36
Decreased by:		
Payments		<u>2,307,826.42</u>
Balance December 31, 2015		
School Tax Payable	419,507.94	
School Tax Deferred	<u>1,232,229.00</u>	<u>\$ 1,651,736.94</u>

CITY OF SALEM
CURRENT FUND
Statement of Due to Federal and State Grant Fund
For the Year Ended December 31, 2015

Balance December 31, 2014		\$ 259,747.06
Increased by:		
Collected for Federal and State Grant Fund - Unappropriated Grants	\$ 20,649.32	
Collected for Federal and State Grant Fund - Grant Receivables	<u>37,209.51</u>	
		\$ 57,858.83
Budget Appropriation - Deferred Charge		<u>4,162.72</u>
		<u>62,021.55</u>
		321,768.61
Decreased by:		
Disbursed for Federal and State Grant Fund		304,543.98
Canceled Grants		10,545.25
Unappropriated Grants Realized as Miscellaneous Revenue		<u>3,254.10</u>
		<u>318,343.33</u>
Balance December 31, 2015		<u><u>\$ 3,425.28</u></u>

CITY OF SALEM
FEDERAL AND STATE GRANT FUND
Statement of Federal and State Grants Receivable
For the Year Ended December 31, 2015

<u>Program</u>	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Revenue</u> <u>Anticipated</u>	<u>Transferred</u> <u>from</u> <u>Unappropriated</u>	<u>Received by</u> <u>Current Fund</u>	<u>Canceled</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
Municipal Alliance on Alcohol and Drug Abuse		\$ 3,425.44	\$ 3,425.44			
Clean Communities Program		10,313.76	10,313.76			
New Jersey Motor Vehicle Commission	\$ 1,324.85	92,000.00		\$ 37,209.51	\$ 56,115.34	
National Fish and Wildlife Foundation	5,800.00				5,800.00	
NJ DOT Grieves Parkway Phase II	72,868.80					\$ 72,868.80
Recycling Tonnage		6,717.20	6,717.20			
US Marshalls		56,194.30	56,194.30			
USDA - Police Vehicles		37,726.00				37,726.00
Historic Preservation Architectural Survey		24,999.00				24,999.00
	<u>\$ 79,993.65</u>	<u>\$ 231,375.70</u>	<u>\$ 76,650.70</u>	<u>\$ 37,209.51</u>	<u>\$ 61,915.34</u>	<u>\$ 135,593.80</u>

CITY OF SALEM
FEDERAL AND STATE GRANT FUND
Statement of Reserve for Federal and State Grants -- Appropriated
For the Year Ended December 31, 2015

<u>Program</u>	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Transferred</u> <u>from</u> <u>Budget</u> <u>Appropriation</u>	<u>Disbursed by</u> <u>Current Fund</u>	<u>Canceled</u>	<u>Over-</u> <u>Expended</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
Federal Grants:						
Local Law Enforcement Block Grant	\$ 483.25		\$ 148.00			\$ 335.25
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			
USDA - Police Vehicles		\$ 37,726.00	37,726.00			
	<u>16,672.16</u>	<u>37,726.00</u>	<u>50,326.00</u>	<u>-</u>	<u>-</u>	<u>4,072.16</u>
State Grants:						
Clean Communities Grant	5,049.76	10,313.76	10,030.03			5,333.49
Municipal Alliance on Alcohol and Drug Abuse		3,425.44	10,177.22		\$ 6,751.78	
Drunk Driving Enforcement Fund	19,931.86		697.66			19,234.20
Neighborhood Preservation Program	5,403.26					5,403.26
Motor Vehicle Commission Police	12,419.42	92,000.00	31,958.83	\$ 72,460.59		
Domestic Violence Training	6,800.00					6,800.00
Recycling Tonnage	13,894.25	6,717.20				20,611.45
N.J. Department of Health - Hepatitis B Vaccine	4,418.40					4,418.40
Body Armor			1,700.00		1,700.00	
NJ DOT Grieves Parkway Phase II	167,940.00		146,829.33			21,110.67
Historic Preservation Architectural Survey		24,999.00	24,663.95			335.05
	<u>235,856.95</u>	<u>137,455.40</u>	<u>226,057.02</u>	<u>72,460.59</u>	<u>8,451.78</u>	<u>83,246.52</u>
Other Grants:						
US Marshalls Equitable Sharing	11,469.50		11,469.50			
US Marshalls		56,194.30	16,691.46			39,502.84
	<u>11,469.50</u>	<u>56,194.30</u>	<u>28,160.96</u>	<u>-</u>	<u>-</u>	<u>39,502.84</u>
	<u>\$ 263,998.61</u>	<u>\$ 231,375.70</u>	<u>\$ 304,543.98</u>	<u>\$ 72,460.59</u>	<u>\$ 8,451.78</u>	<u>\$ 126,821.52</u>

CITY OF SALEM
FEDERAL AND STATE GRANT FUND
Statement of Reserve for Federal and State Grants -- Unappropriated
For the Year Ended December 31, 2015

<u>Program</u>	<u>Balance</u> <u>Dec. 31, 2014</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, 2015</u>
Municipal Alliance on Alcohol and Drug Abuse	\$ 4,408.16	\$ 6,096.91	\$ 4,408.14	\$ 6,096.93
Clean Communities Grant	10,313.78	12,536.92	10,313.78	12,536.92
Recycling Tonnage	6,717.20		6,717.20	
Body Armor Fund	2,271.38	2,015.49	2,271.38	2,015.49
US Marshalls - 2014	56,194.30		56,194.30	
	<u>\$ 79,904.82</u>	<u>\$ 20,649.32</u>	<u>\$ 79,904.80</u>	<u>\$ 20,649.34</u>
Miscellaneous Revenue Anticipated			\$ 3,254.10	
Federal and State Grants Anticipated			<u>76,650.70</u>	
			<u>\$ 79,904.80</u>	

Exhibit SA-16

CURRENT FUND
Statement of Due from Utility Operating Fund
For the Year Ended December 31, 2015

Increased by:		
Due Utility Operating Fund - Disbursed for		\$ 23,627.50
Decreased by:		
Due Utility Operating Fund - Received from		<u>23,402.85</u>
Balance December 31, 2015		<u>\$ 224.65</u>

SUPPLEMENTAL EXHIBITS
TRUST FUND

CITY OF SALEM
TRUST FUNDS
Statement of Cash
For the Year Ended December 31, 2015

	<u>Animal Control</u>	<u>Other</u>
Balance December 31, 2014	\$ 2,985.78	\$ 1,416,844.92
Increased by Receipts:		
Dog License Fees Collected	\$ 1,393.80	
Current Fund Budget Appropriation	10,000.00	
Due Current Fund - MRNA Interest Earnings		\$ 5.28
Due Current Fund - Received from Reserve for:	23,000.00	
Small Cities Rehab		18,095.00
Developer's Escrow		12,438.40
POAA		272.00
Payroll Withholdings Payable		4,302,785.83
Public Defender		2.08
Landfill		3.34
Tax Title Liens		663,440.63
Shade Tree Commission		1,501.01
Off-Duty Police		10,301.00
Municipal Pool Donations Account		65,092.15
	34,393.80	5,073,936.72
	37,379.58	6,490,781.64
Decreased by Disbursements:		
Due State Department of Health	314.40	
Expenditures Under R.S. 4:19-15.11	20,254.87	
Due Current Fund - Disbursed to as MRNA		79.24
Due Current Fund - Disbursed to		348,586.50
Due Utility Operating Fund - Disbursed to		47,868.00
Reserve for:		
Developer's Escrow		2,997.50
POAA		4,812.56
Payroll Withholdings Payable		4,336,353.49
Landfill		1,153.63
Tax Title Liens		782,350.62
Proceeds from Mortgage Notes		8,361.92
Off-Duty Police		7,937.23
Municipal Pool Donations Account		50,865.73
	20,569.27	5,591,366.42
Balance December 31, 2015	\$ 16,810.31	\$ 899,415.22

CITY OF SALEM
 TRUST -- ANIMAL CONTROL FUND
 Statement of Reserve for Animal Control Expenditures
 For the Year Ended December 31, 2015

Balance December 31, 2014		\$ 2,991.99
Increased by:		
Current Fund Budget Appropriation	\$ 10,000.00	
Due from Current Fund - Budget Appropriation	7,000.00	
Total Current Fund Budget Appropriation	17,000.00	
Dog License Fees Collected	1,393.80	18,393.80
		21,385.79
Decreased by:		
Transferred to Due to State of New Jersey	309.00	
Due to Current Fund	0.40	
Expenditures Under R.S.4:19- 15.11	20,254.87	20,564.27
Balance December 31, 2015		\$ 821.52

License Fees Collected

<u>Year</u>	<u>Amount</u>
2014	\$ 1,679.00
2013	1,748.40
	\$ 3,427.40

Exhibit SB-3

TRUST -- ANIMAL CONTROL FUND
 Statement of Due from / to Current Fund
 For the Year Ended December 31, 2015

Balance December 31, 2014 (Due from)		\$ 44.61
Increased by:		
Due from Current Fund - Budget Appropriation		7,000.00
		7,044.61
Decreased by:		
Received from Current Fund	\$ 23,000.00	
Disbursed by Current Fund	0.40	23,000.40
Balance December 31, 2015 (Due to)		\$ 15,955.79

CITY OF SALEM
 TRUST -- ANIMAL CONTROL FUND
 Statement of Due to State of New Jersey
 For the Year Ended December 31, 2015

Balance December 31, 2014	\$	38.40
Increased by:		
Transferred from Reserve for Animal Control Expenditures		309.00
		347.40
Decreased by:		
Payments		314.40
Balance December 31, 2015	\$	33.00

Exhibit SB-5

TRUST -- OTHER FUNDS
 Statement of Due to Utility Capital Fund
 For the Year Ended December 31, 2015

Balance December 31, 2014	\$	100,340.39
Decreased by:		
Transferred to Due Current Fund		25,065.14
Balance December 31, 2015	\$	75,275.25

CITY OF SALEM
TRUST -- OTHER FUNDS
Statement of Due to / from Current Fund
For the Year Ended December 31, 2015

Balance December 31, 2014 (Due to)		\$ 190,008.79
Increased by:		
Receipts - Interest Earned on Deposits	\$ 5.28	
Transferred from Due Utility Capital Fund	25,065.14	
Disbursed by Current Fund	12,281.25	
		37,351.67
		227,360.46
Decreased by:		
Disbursed to Current Fund - MRNA	79.24	
Disbursed to Current Fund	348,586.50	
		348,665.74
Balance December 31, 2015 (Due from)		\$ 121,305.28
 <u>Analysis of Balance (Deficit) Dec. 31, 2015</u>		
Developer's Escrow		\$ (3,626.62)
POAA		(2.03)
Payroll		(31,159.24)
Public Defender		34,694.75
Tax Title Liens		100,000.00
Unemployment		29,240.63
Small Cities		(7,842.21)
		\$ 121,305.28

CITY OF SALEM
TRUST -- OTHER FUNDS
Statement of Changes in Reserves
For the Year Ended December 31, 2015

	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Increased by</u> <u>Receipts</u>	<u>Transfer</u>	<u>Decreased by</u> <u>Disbursements</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
Reserve for:					
Community Development Block Grant of 1974:					
Community Development Housing Equity	\$ 15,773.79				\$ 15,773.79
Small Cities Rehab	350.63	\$ 18,095.00			18,445.63
Developer's Escrow	22,345.01	12,438.40		\$ 2,997.50	31,785.91
POAA	15,469.95	272.00		4,812.56	10,929.39
Payroll Withholdings Payable	196,966.53	4,302,785.83	\$ (43,103.80)	4,336,353.49	109,528.82
Public Defender	2,283.25	2.08			770.33
Landfill	92,574.37	3.34		1,153.63	91,424.08
Tax Title Liens	625,895.86	663,440.63		782,350.62	506,985.87
Unemployment Compensation	10,955.24		43,103.80		54,059.04
Accumulated Sick Leave	33,350.27				33,350.27
Shade Tree Commission	687.90	1,501.01			2,188.91
Proceeds from Mortgage Notes	8,361.92			8,361.92	
Off-Duty Police	1,166.70	10,301.00		7,937.23	3,530.47
Municipal Pool Donations Account	16,453.18	65,092.15		50,865.73	30,679.60
	<u>\$ 1,042,634.60</u>	<u>\$ 5,073,931.44</u>	<u>\$ -</u>	<u>\$ 5,194,832.68</u>	<u>\$ 909,452.11</u>

SUPPLEMENTAL EXHIBITS
GENERAL CAPITAL FUND

CITY OF SALEM
GENERAL CAPITAL FUND
Statement of Cash
For the Year Ended December 31, 2015

Balance December 31, 2014		\$ 2,088.44
Increased by:		
Due Current Fund - Received from	\$ 47,750.00	
Reserve for Capital Projects - Pennrose Donation	50,000.00	
State and Federal Grants Receivable	62,936.73	
Due Current Fund - Interest Earnings	0.09	
		160,686.82
		162,775.26
Decreased by:		
Improvement Authorizations		152,061.20
Balance December 31, 2015		\$ 10,714.06

CITY OF SALEM
GENERAL CAPITAL FUND
 Analysis of General Capital Cash
 For the Year Ended December 31, 2015

	Balance	Miscellaneous	Improvement	Transfers		Balance
	(Deficit)			Receipts	Authorization	To
	<u>Dec. 31, 2014</u>		<u>Disbursements</u>			<u>Dec. 31, 2015</u>
Due Current Fund	\$ (86,121.47)	\$ 47,750.09		\$ 128,031.49	\$ 92,896.92	\$ (3,236.81)
Due Utility Capital Fund	(677,749.10)					(677,749.10)
Reserve for Payment of Bonds & Notes	98,031.49			56,495.23	98,031.49	56,495.23
Reserve for Payment of Guaranteed Debt	234,513.00				30,000.00	204,513.00
Reserve for Capital Projects - Pennrose Donation		50,000.00				50,000.00
Capital Improvement Fund	60,898.22					60,898.22
Improvement Authorizations:						
Ordinance						
<u>Number</u>						
05-19, 09-08, 09-09, 09-10	39,534.01	62,936.73	\$ 64,001.73	10,401.69		48,870.70
05-28	424,788.50		88,059.47			336,729.03
06-13	(76,000.00)			26,000.00		(50,000.00)
08-10	(29,530.70)					(29,530.70)
11-01	4,474.24					4,474.24
11-20	3,115.25					3,115.25
12-06	6,135.00					6,135.00
	<u>\$ 2,088.44</u>	<u>\$ 160,686.82</u>	<u>\$ 152,061.20</u>	<u>\$ 220,928.41</u>	<u>\$ 220,928.41</u>	<u>\$ 10,714.06</u>

CITY OF SALEM
GENERAL CAPITAL FUND
Statement of Due from Current Fund
For the Year Ended December 31, 2015

Balance December 31, 2014		\$ 86,121.47
Increased by:		
Budget Appropriation - Reserve for the Payment of Guaranteed Debt	\$ 70,000.00	
Budget Appropriation - Deferred to Future Taxation - Unfunded	26,000.00	
Reserve for the Payment of Bonds & Notes Collected by Current Fund	56,495.23	
State and Federal Grants Receivable Collected by Current Fund	10,401.69	
		162,896.92
		249,018.39
Decreased by:		
Reserve for the Payment of Bonds & Notes - Current Fund MRA	98,031.49	
Due Current Fund - Interest Earnings as MRNA	0.09	
Disbursed by Current Fund	100,000.00	
Received from Current Fund	47,750.00	
		245,781.58
Balance December 31, 2015		\$ 3,236.81

GENERAL CAPITAL FUND
Statement of Deferred Charges to Future Taxation -- Funded
For the Year Ended December 31, 2015

Balance December 31, 2014		\$ 2,966,000.00
Decreased by:		
Budget Appropriation - Serial Bonds		296,000.00
Balance December 31, 2015		\$ 2,670,000.00

CITY OF SALEM
GENERAL CAPITAL FUND
 Statement of Deferred Charges to Future Taxation -- Unfunded
 For the Year Ended December 31, 2015

Ordinance Number	Improvement Description	Balance Dec. 31, 2014	Decreases	Balance Dec. 31, 2015	Analysis of Balance Dec. 31, 2015		
					Expenditures	Financed by Bond Anticipation Notes	Unexpended Improvement Authorization
05-28	Improvement of East & West Broadway	\$ 3,864.00		\$ 3,864.00			\$ 3,864.00
06-13	Hires Avenue	76,000.00	\$ 26,000.00	50,000.00	\$ 50,000.00		
08-10	Recreation Fields	29,530.70		29,530.70	29,530.70		
08-23	Assistance to Stand up for Salem, Inc.	62,704.57		62,704.57			62,704.57
		<u>\$ 172,099.27</u>	<u>\$ 26,000.00</u>	<u>\$ 146,099.27</u>	<u>\$ 79,530.70</u>	<u>\$ -</u>	<u>\$ 66,568.57</u>
	Budget Appropriation - Deferred Charge		<u>\$ 26,000.00</u>				

CITY OF SALEM
GENERAL CAPITAL FUND
Statement of General Serial Bonds
For the Year Ended December 31, 2015

<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, 2014</u>	<u>Paid By Budget Appropriation</u>	<u>Balance Dec. 31, 2015</u>
			<u>Date</u>	<u>Amount</u>				
Various Capital Improvements	1/15/2003	\$ 1,361,000.00				\$ 131,000.00	\$ 131,000.00	
Various Capital Improvements	6/15/2012	3,110,000.00	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>2,835,000.00</u>	<u>165,000.00</u>	<u>\$ 2,670,000.00</u>
						<u>\$ 2,966,000.00</u>	<u>\$ 296,000.00</u>	<u>\$ 2,670,000.00</u>

CITY OF SALEM
GENERAL CAPITAL FUND
 Statement of Improvement Authorizations
 For the Year Ended December 31, 2015

<u>Improvement Description</u>	<u>Ordinance</u>		<u>Balance Dec. 31, 2014</u>		<u>Paid or Charged</u>	<u>Balance Dec. 31, 2015</u>	
	<u>Number</u>	<u>Amount</u>	<u>Funded</u>	<u>Unfunded</u>		<u>Funded</u>	<u>Unfunded</u>
Hazardous Discharge Site Remediation	05-19, 09-08, 09-09, 09-10	various	\$ 553,246.20		\$ 64,001.73	\$ 489,244.47	
Improvement of East & West Broadway	05-28	\$ 525,000.00	424,788.50	\$ 3,864.00	88,059.47	336,729.03	\$ 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	4,474.24			4,474.24	
Various Improvements	11-20	55,000.00	3,115.25			3,115.25	
Municipal Pool Improvements	12-06	10,000.00	6,135.00			6,135.00	
			<u>\$ 991,759.19</u>	<u>\$ 66,568.57</u>	<u>\$ 152,061.20</u>	<u>\$ 839,697.99</u>	<u>\$ 66,568.57</u>

CITY OF SALEM
GENERAL CAPITAL FUND
Statement of Reserve for the Payment of Bonds & Notes
For the Year Ended December 31, 2015

Balance December 31, 2014	\$ 98,031.49
Increased by:	
Due Current Fund (collected by Current Fund)	56,495.23
	154,526.72
Decreased by:	
Due Current Fund - Miscellaneous Revenue Anticipated	98,031.49
Balance December 31, 2015	\$ 56,495.23

Exhibit SC-9

GENERAL CAPITAL FUND
Statement of State and Federal Grants Receivable
For the Year Ended December 31, 2015

Balance December 31, 2014	\$ 513,712.19
Decreased by:	
Cash Receipts	\$ 62,936.73
Due Current Fund (collected by Current Fund)	10,401.69
	73,338.42
Balance December 31, 2015	\$ 440,373.77

Exhibit SC-10

GENERAL CAPITAL FUND
Statement of Reserve for Payment of Guaranteed Debt
For the Year Ended December 31, 2015

Balance December 31, 2014	\$ 234,513.00
Increased by:	
Due Current Fund - Budget Appropriation	70,000.00
	304,513.00
Decreased by:	
Due Current Fund (disbursed by Current Fund)	100,000.00
Balance December 31, 2015	\$ 204,513.00

CITY OF SALEM
GENERAL CAPITAL FUND
Statement of Bonds and Notes Authorized But Not Issued
For the Year Ended December 31, 2015

Ordinance Number		Balance Dec. 31, 2014	Decreased by Budget Appropriation	Balance Dec. 31, 2015
05-28	Improvement of East & West Broadway	\$ 3,864.00		\$ 3,864.00
06-13	Hires Avenue	76,000.00	\$ 26,000.00	50,000.00
08-10	Recreation Fields	29,530.70		29,530.70
08-23	Assistance to Stand up for Salem, Inc.	62,704.57		62,704.57
		<u>\$ 172,099.27</u>	<u>\$ 26,000.00</u>	<u>\$ 146,099.27</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, 2015

	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2014	\$ 900,345.16	\$ 8,360.68
Increased by Receipts:		
Consumer Accounts Receivable	\$ 3,146,404.13	
Miscellaneous Revenue	463,423.60	
Due Trust -- Other Funds - Received from	47,868.00	
Due Utility Operating Fund - Received from		\$ 208,850.00
Due Utility Operating Fund - Interest Earnings		0.11
	<u>3,657,695.73</u>	<u>208,850.11</u>
	4,558,040.89	217,210.79
Decreased by Disbursements:		
Budget Appropriations	3,066,728.79	
Appropriation Reserves	13,140.33	
Accrued Interest on Bonds and Notes	266,491.66	
Due Current Fund - Disbursed to	23,402.85	
Due Utility Capital Fund - Disbursed to	208,850.00	
Prepaid Debt Service	22,298.00	
Due Utility Operating Fund - Disbursed for Improvement Authorizations		19,756.14
		<u>197,411.26</u>
	<u>3,600,911.63</u>	<u>217,167.40</u>
Balance December 31, 2015	<u>\$ 957,129.26</u>	<u>\$ 43.39</u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
 Analysis of Water and Sewer Capital Cash
 For the Year Ended December 31, 2015

	Balance	Miscellaneous	Improvement	Transfers		Balance
	(Deficit)			Receipts	Authorizations	From
	<u>Dec. 31, 2014</u>		<u>Disbursements</u>			<u>Dec. 31, 2015</u>
Capital Improvement Fund	\$ 48,551.53				\$ 20,000.00	\$ 68,551.53
Due Trust -- Other Funds	(100,340.39)				25,065.14	(75,275.25)
Due General Capital Fund	677,749.10					677,749.10
Due Utility Operating Fund	(401,334.24)	\$ 208,850.11	\$ 19,756.14	\$ 188,793.99	168,793.99	(232,240.27)
Reserve for Payment of Debt	168,793.99			168,793.99		
Improvement Authorizations:						
05-27	(7.00)				7.00	
06-08	(148,241.84)				148,241.84	
07-15, 08-18, 09-15	(93,153.26)		188,848.76	25,065.14	20,545.15	(286,522.01)
08-13	9,313.00					9,313.00
09-14	(163,533.48)					(163,533.48)
11-148	10,563.27		8,562.50			2,000.77
	<u>\$ 8,360.68</u>	<u>\$ 208,850.11</u>	<u>\$ 217,167.40</u>	<u>\$ 382,653.12</u>	<u>\$ 382,653.12</u>	<u>\$ 43.39</u>

CITY OF SALEM
WATER AND SEWER UTILITY OPERATING FUND
Statement of Consumer Accounts Receivable
For the Year Ended December 31, 2015

Balance December 31, 2014		\$ 614,783.46
Increased by:		
Water and Sewer Rents Levied - Net of Adjustments		3,510,451.02
		4,125,234.48
Decreased by:		
Collected by Utility Operating Fund	\$ 3,146,404.13	
Transferred to Utility Liens Receivable	68,125.81	
		3,214,529.94
Balance December 31, 2015		\$ 910,704.54

Exhibit SD-4

WATER AND SEWER UTILITY OPERATING FUND
Statement of Utility Liens Receivable
For the Year Ended December 31, 2015

Balance December 31, 2014		\$ 288,528.25
Increased by:		
Transferred from Consumer Accounts Receivable		68,125.81
Balance December 31, 2015		\$ 356,654.06

CITY OF SALEM
WATER AND SEWER UTILITY OPERATING FUND
Statement of Appropriation Reserves
For the Year Ended December 31, 2015

	Balance December 31, 2014		Balance After Transfers	Disbursed	Lapsed to Fund Balance
	<u>Reserved</u>	<u>Encumbered</u>			
Operating:					
Salaries and Wages	\$ 14,017.22		\$ 14,017.22		\$ 14,017.22
Other Expenses		\$ 14,006.83	14,006.83	\$ 13,140.33	866.50
Statutory Expenditures:					
Contributions to Social Security System (O.A.S.I.)	<u>2,947.54</u>		<u>2,947.54</u>		<u>2,947.54</u>
	<u>\$ 16,964.76</u>	<u>\$ 14,006.83</u>	<u>\$ 30,971.59</u>	<u>\$ 13,140.33</u>	<u>\$ 17,831.26</u>

CITY OF SALEM
WATER AND SEWER UTILITY OPERATING FUND
Statement of Accrued Interest on Bonds and Notes
For the Year Ended December 31, 2015

Balance December 31, 2014		\$ 138,097.73
Increased by:		
Charged to Budget Appropriation - Interest on Bonds		303,660.39
		441,758.12
Decreased by:		
Due to Water/Sewer Capital Fund	\$ 19,756.14	
Due to Current Fund	23,627.50	
Cash Disbursements	266,491.66	
		309,875.30
Balance December 31, 2015		\$ 131,882.82

Analysis of Accrued Interest December 31, 2015

Bonds and Notes Outstanding <u>Dec. 31, 2015</u>	Interest <u>Rate</u>	<u>From</u>	<u>To</u>	<u>Period</u>	<u>Amount</u>	
Wastewater Improvement Bonds	\$ 3,132,958.19	5.00%	08/01/15	12/31/15	150 days	\$ 65,283.93
USDA Loan	751,888.94	4.25%	07/01/15	12/31/15	180 days	15,977.64
EIT Loan	2,620,000.00	5.00%	08/01/15	12/31/15	150 days	49,033.33
Bonds Payable	245,000.00	3.00%	12/15/15	12/31/15	16 days	349.91
State of New Jersey Loan	495,203.14	2.00%	11/01/15	12/31/15	60 days	1,238.01
						\$ 131,882.82

CITY OF SALEM
WATER AND SEWER UTILITY OPERATING FUND
Statement of Accounts Payable
For the Year Ended December 31, 2015

Balance December 31, 2014	\$ 118,155.09
Decreased by:	
Canceled to Fund Balance	<u>11,257.10</u>
Balance December 31, 2015	<u><u>\$ 106,897.99</u></u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of Fixed Capital
For the Year Ended December 31, 2015

<u>Account</u>	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Decrease</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
Reservation Land	\$ 16,924.00		\$ 16,924.00
Impounding Reservoirs	22,986.00		22,986.00
Spring and Wells	81,919.00		81,919.00
Infiltration Structures	32,025.00		32,025.00
Collecting Reservoirs, Intake and Supply Mains, Settling Basins, Filters	10,871.00	\$ 10,871.00	
Lake and River Cribs, Ozone Sterilizing and Aeration Plant	4,511.00	4,511.00	
Service Pipes and Stops, Fire Hydrants, General Structures, Legal	8,311.00	8,311.00	
General Equipment, Miscellaneous Construction Expenditures	10,623.00	10,623.00	
Expenditures Prior to 1913	55,327.00	55,327.00	
Chemical Treatment Plant, Electric Power Pumping Equipment	24,023.00	24,023.00	
Pumping Station Structure	35,552.00		35,552.00
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
Meters, Meter Boxes and Vaults	83,264.00		83,264.00
Engineering	33,433.00		33,433.00
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>\$ 22,317,521.06</u>	<u>\$ 113,666.00</u>	<u>\$ 22,203,855.06</u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
 Schedule of Fixed Capital Authorized and Uncompleted
 As of December 31, 2015

<u>Improvement Description</u>	<u>Ordinance Date</u>	<u>Ordinance Number</u>	<u>Balance Dec. 31, 2015</u>
Quinton / Elkinton Dams	04/03/06	2006-08	\$ 1,160,000.00
Improvement of the Water Supply & Distribution System	05/07/07, 10/09/08, 07/13/09	2007-15, 2008-18, 2009-15	12,400,000.00
Various Water and Sewer Capital Improvements	08/18/08	2008-13	20,000.00
Improvements of the Sanitary Sewerage System	07/13/09	2009-14	3,500,000.00
Various Water and Sewer Capital Improvements	09/06/11	2011-148	44,150.00
			<u>\$ 17,124,150.00</u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
 Statement of Improvement Authorizations
 For the Year Ended December 31, 2015

<u>Improvement Description</u>	<u>Ordinance</u>		<u>Balance Dec. 31, 2014</u>		<u>Paid or Charged</u>	<u>Balance Dec. 31, 2015</u>	
	<u>Number</u>	<u>Amount</u>	<u>Funded</u>	<u>Unfunded</u>		<u>Funded</u>	<u>Unfunded</u>
Quinton / Elkinton Dams	06-08	\$ 1,160,000.00		\$ 430,758.16			\$ 430,758.16
Improvement of the Water Supply & Distribution System	07-15, 08-18, 09-15	12,400,000.00		771,981.74	\$ 213,913.90		558,067.84
Various Water and Sewer Capital Improvements	08-13	20,000.00	\$ 9,313.00			\$ 9,313.00	
Improvements of the Sanitary Sewerage System	09-14	3,500,000.00		2,173,107.52			2,173,107.52
Various Water and Sewer Capital Improvements	11-148	44,150.00	10,563.27		8,562.50	2,000.77	
			<u>\$ 19,876.27</u>	<u>\$ 3,375,847.42</u>	<u>\$ 222,476.40</u>	<u>\$ 11,313.77</u>	<u>\$ 3,161,933.52</u>
Cash Disbursements					\$ 197,411.26		
Due Current Fund					25,065.14		
					<u>\$ 222,476.40</u>		

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of Bonds Payable
For the Year Ended December 31, 2015

<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, 2014</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2015</u>
			<u>Date</u>	<u>Amount</u>				
Various Water and Sewerage System Improvements	06/15/12	\$ 290,000.00	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%			
						\$ 260,000.00	\$ 15,000.00	\$ 245,000.00

CITY OF SALEM
 WATER AND SEWER UTILITY CAPITAL FUND
 Statement of Wastewater Improvement Bonds
 For the Year Ended December 31, 2015

<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, 2014</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2015</u>
			<u>Date</u>	<u>Amount</u>				
Treatment System	08/01/91	\$ 4,939,700.00	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%	\$ 3,258,355.97	\$ 125,397.78	\$ 3,132,958.19

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of USDA Loan Payable
For the Year Ended December 31, 2015

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Loan Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2014</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2015</u>
			<u>Date</u>	<u>Amount</u>				
Various Capital Improvements	05/16/05	\$ 854,000.00	1/1/2016	\$ 6,320.36	4.25%			
			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				

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of New Jersey Environmental Infrastructure Trust Loans Payable
For the Year Ended December 31, 2015

<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, 2014</u>	<u>Decreases</u>	<u>Balance Dec. 31, 2015</u>
			<u>Date</u>	<u>Amount</u>				
Water Plant	03/10/10	\$ 2,890,000.00	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%	\$ 2,460,000.00	\$ 120,000.00	\$ 2,340,000.00
Water Plant	03/10/10	\$ 3,701,812.00	2/1/2016	64,944.07	none			
			8/1/2016	129,888.14	none			
			2/1/2017	64,944.07	none			
			8/1/2017	129,888.14	none			
			2/1/2018	64,944.07	none			
			8/1/2018	129,888.14	none			
			2/1/2019	64,944.07	none			
			8/1/2019	129,888.14	none			
			2/1/2020	64,944.07	none			
			8/1/2020	129,888.14	none			
			2/1/2021	64,944.07	none			
			8/1/2021	129,888.14	none			
			2/1/2022	64,944.07	none			
			8/1/2022	129,888.14	none			
			2/1/2023	64,944.07	none			
			8/1/2023	129,888.14	none			
			2/1/2024	64,944.07	none			
			8/1/2024	129,888.14	none			
			2/1/2025	64,944.07	none			
			8/1/2025	129,888.14	none			
2/1/2026	64,944.07	none						
8/1/2026	129,888.14	none						
2/1/2027	64,944.07	none						
8/1/2027	129,888.14	none						
2/1/2028	64,944.07	none						
8/1/2028	129,888.14	none						
2/1/2029	64,944.07	none						
8/1/2029	78,165.15	none	2,922,483.16	246,555.21	2,675,927.95			

Continued

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of New Jersey Environmental Infrastructure Trust Loans Payable
For the Year Ended December 31, 2015

Purpose	Date of Issue	Original Issue	Maturity of Loans Outstanding		Interest Rate	Balance Dec. 31, 2014	Decreases	Balance Dec. 31, 2015
			Date	Amount				
Pumping Station	03/10/10	\$ 345,000.00	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%			
						\$ 295,000.00	\$ 15,000.00	\$ 280,000.00
Pumping Station	03/10/10	\$ 342,063.00	2/1/2016	6,001.10	none			
			8/1/2016	12,002.21	none			
			2/1/2017	6,001.10	none			
			8/1/2017	12,002.21	none			
			2/1/2018	6,001.10	none			
			8/1/2018	12,002.21	none			
			2/1/2019	6,001.10	none			
			8/1/2019	12,002.21	none			
			2/1/2020	6,001.10	none			
			8/1/2020	12,002.21	none			
			2/1/2021	6,001.10	none			
			8/1/2021	12,002.21	none			
			2/1/2022	6,001.10	none			
			8/1/2022	12,002.21	none			
			2/1/2023	6,001.10	none			
			8/1/2023	12,002.21	none			
			2/1/2024	6,001.10	none			
			8/1/2024	12,002.21	none			
			2/1/2025	6,001.10	none			
			8/1/2025	12,002.21	none			
2/1/2026	6,001.10	none						
8/1/2026	12,002.21	none						
2/1/2027	6,001.10	none						
8/1/2027	12,002.21	none						
2/1/2028	6,001.10	none						
8/1/2028	12,002.21	none						
2/1/2029	6,001.10	none						
8/1/2029	12,002.32	none						
						270,049.76	18,003.31	252,046.45
						<u>\$ 5,947,532.92</u>	<u>\$ 399,558.52</u>	<u>\$ 5,547,974.40</u>
							\$ 347,835.52	
							51,723.00	
							<u>\$ 399,558.52</u>	

Paid by Budget Appropriation \$ 347,835.52
EIT Receivable Canceled 51,723.00
\$ 399,558.52

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, 2015

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Loan</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2014</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2015</u>
			<u>Date</u>	<u>Outstanding Amount</u>				
Quinton / Elkinton Dams	07/31/12	\$ 581,000.00	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>\$ 524,373.08</u>	<u>\$ 29,169.94</u>	<u>\$ 495,203.14</u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of Due from Utility Operating Fund
For the Year Ended December 31, 2015

Balance December 31, 2014		\$ 401,334.24
Increased by:		
Interest on Bonds - Paid by Water/Sewer Capital Fund	\$ 19,756.14	
Budget Appropriations -		
Capital Improvement Fund	20,000.00	
Deferred Charges	<u>168,793.99</u>	
		<u>208,550.13</u>
		609,884.37
Decreased by:		
Reserve for Payment of Debt - Anticipated as Operating Fund Revenue	168,793.99	
Cash Received from Utility Operating Fund	208,850.00	
Utility Capital Fund Interest Earnings	<u>0.11</u>	
		<u>377,644.10</u>
Balance December 31, 2015		<u><u>\$ 232,240.27</u></u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
 Statement of Capital Improvement Fund
 For the Year Ended December 31, 2015

Balance December 31, 2014		\$ 48,551.53
Increased by:		
Budget Appropriation		20,000.00
Balance December 31, 2015		\$ 68,551.53

Exhibit SD-18

WATER AND SEWER UTILITY CAPITAL FUND
 Statement of Deferred Reserve for Amortization
 For the Year Ended December 31, 2015

Balance December 31, 2014		\$ 7,183,912.00
Increased by:		
Paid by Utility Operating Fund:		
EIT Loan	\$ 347,835.52	
State of New Jersey Loan	29,169.94	
Budget Appropriations	168,786.99	
		545,792.45
		7,729,704.45
Decreased by:		
New Jersey Environmental Infrastructure Trust Receivable		260,721.00
Balance December 31, 2015		\$ 7,468,983.45

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of Reserve for Amortization
For the Year Ended December 31, 2015

Balance December 31, 2014		\$ 18,035,020.23
Increased by:		
Paid by Utility Operating Fund:		
Bonds Payable	\$ 15,000.00	
Wastewater Improvement Bonds	125,397.78	
USDA Loan	12,248.92	
Budget Appropriations	7.00	
		152,653.70
		18,187,673.93
Decreased by:		
Fixed Capital Adjustment		113,666.00
Balance December 31, 2015		\$ 18,074,007.93

Exhibit SD-20

WATER AND SEWER UTILITY CAPITAL FUND
Statement of New Jersey Environmental Infrastructure Trust Receivable
For the Year Ended December 31, 2015

Balance December 31, 2014		\$ 312,444.00
Decreased by:		
Canceled		
New Jersey Environmental Infrastructure Trust Loans Payable	\$ 51,723.00	
Deferred Reserve for Amortization	260,721.00	
		\$ 312,444.00

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of Bonds and Notes Authorized But Not Issued
For the Year Ended December 31, 2015

<u>Ordinance Number</u>		<u>Balance Dec. 31, 2014</u>	<u>Increased by NJEIT Receivable Canceled</u>	<u>Decreased by Budget Appropriation</u>	<u>Balance Dec. 31, 2015</u>
05-27	Various Water and Sewerage System Improvements	\$ 7.00		\$ 7.00	
06-08	Quinton / Elkinton Dams	579,000.00		148,241.84	\$ 430,758.16
07-15, 08-18, 09-15	Improvement of the Water Supply & Distribution System	760,521.00	\$ 312,444.00	20,545.15	1,052,419.85
09-14	Improvements of the Sanitary Sewerage System	2,128,811.00			2,128,811.00
		<u>\$ 3,468,339.00</u>	<u>\$ 312,444.00</u>	<u>\$ 168,793.99</u>	<u>\$ 3,611,989.01</u>
	Reserve for Amortization			\$ 7.00	
	Reserve for Deferred Amortization			168,786.99	
				<u>\$ 168,793.99</u>	

CITY OF SALEM
PART II
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

CITY OF SALEM
Schedule of Findings and Recommendations
For the Year Ended December 31, 2015

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. 2015-001

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 2015.

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 Recommendations
For the Year Ended December 31, 2015

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2015-002

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 Recommendations
For the Year Ended December 31, 2015

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2015-003

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 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.

Finding No. 2015-004

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.

CITY OF SALEM
Schedule of Findings and Recommendations
For the Year Ended December 31, 2015

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2015-005

Criteria or Specific Requirement

A sound framework of internal control requires:

A properly maintained general ledger for all funds.
Written procedures for all financial transactions.

Condition

The following internal control deficiencies have been identified:

General ledgers for all funds were not properly maintained.
No written procedures are maintained by the City for cash receipts or disbursements, including payroll procedures.

Context

Balanced general ledgers were not provided for examination.
Written procedures for all financial transactions were not provided for examination.

Effect

Errors are more likely to occur in the City's financial transactions and not be detected on a timely basis.

Cause

Failures to:

Properly maintain a general ledger for all funds.
Prepare written procedures.

Recommendation

That general ledgers for all funds are properly maintained, and written procedures for all financial transactions are prepared.

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 Recommendations
For the Year Ended December 31, 2015

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2015-006

Criteria or Specific Requirement

Duties of the Tax Collector require properly maintaining special charges (arrears) and lien ledgers.

Condition

The special charges (arrears) and lien ledgers were not properly maintained.

Context

Tax balances on multiple tax levy years have not been transferred to the special charges ledger.

Lien ledgers contain properties that have been foreclosed on.

Properties in bankruptcy on the special charges ledger have not been adequately reviewed to determine if they are eligible for tax sale.

In a few instances, it was noted a property was on the prior year ledger but not the current.

Effect

Non-compliance with duties of the Tax Collector.

Cause

Failure to properly maintain the special charges (arrears) and lien ledgers.

Recommendation

That the special charges (arrears) and lien ledgers are properly maintained.

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
Summary Schedule of Prior Year Audit Findings
and Recommendations as Prepared by Management

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

FINANCIAL STATEMENT FINDINGS

Finding No. 2014-001

Condition

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

Current Status

This condition still exists and is current year finding 2015-001.

Corrective Action Planned

Fixed asset inventory will be performed by outside company.

Finding No. 2014-002

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 2015-002.

Corrective Action Planned

Balance will be analyzed and proper disposition made.

Finding No. 2014-003

Condition

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

Current Status

A similar condition still exists and is current year finding 2015-003.

Corrective Action Planned

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

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

FINANCIAL STATEMENT FINDINGS (CONT'D)

Finding No. 2014-004

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 2015-004.

Corrective Action Planned

Health Benefit and other expenditures bills will be paid timely and properly posted.

FEDERAL AWARDS

None

STATE FINANCIAL ASSISTANCE PROGRAMS

None

CITY OF SALEM
 Officials in Office and Surety Bonds

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

<u>Name</u>	<u>Title</u>	<u>Amount of Surety Bond</u>
Charles Washington, Jr.	Mayor	
Karen Roots	President of Council	
Ruth Carter	Councilperson	
Earl Gage	Councilperson	
Vaughn Groce	Councilperson	
Sherman Hampton (1/1/15 to 8/1/15)	Councilperson	
Charles Hassler	Councilperson	
Horace H. Johnson	Councilperson	
Lydia Y. Thompson (9/21/15 to 12/31/15)	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)
Tierra Jennings	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 written in a cursive style with a prominent initial "H".

Henry J. Ludwigsen
Certified Public Accountant
Registered Municipal Accountant