

# **CITY OF SALEM**

**COUNTY OF SALEM**

**REPORT OF AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

**CITY OF SALEM**  
**TABLE OF CONTENTS**

<u>Exhibit No.</u>		<u>Page No.</u>
<b><u>PART I</u></b>		
	Independent Auditor's Report	2
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards	5
<b><u>CURRENT FUND</u></b>		
A	Statements of Assets, Liabilities, Reserves and Fund Balance-- Regulatory Basis	7
A-1	Statements of Operations and Changes in Fund Balance-- Regulatory Basis	9
A-2	Statement of Revenues--Regulatory Basis	11
A-3	Statement of Expenditures--Regulatory Basis	13
<b><u>TRUST FUND</u></b>		
B	Statements of Assets, Liabilities, Reserves and Fund Balance-- Regulatory Basis	18
<b><u>GENERAL CAPITAL FUND</u></b>		
C	Statements of Assets, Liabilities, Reserves and Fund Balance-- Regulatory Basis	19
<b><u>WATER AND SEWER UTILITY FUND</u></b>		
D	Statements of Assets, Liabilities, Reserves and Fund Balance-- Regulatory Basis	20
D-1	Water and Sewer Utility Operating Fund--Statements of Operations and Changes in Fund Balance--Regulatory Basis	22
D-2	Water and Sewer Utility Operating Fund--Statement of Revenues-- Regulatory Basis	23
D-3	Water and Sewer Utility Operating Fund--Statement of Expenditures-- Regulatory Basis	24
<b><u>PUBLIC ASSISTANCE FUND</u></b>		
E	Statements of Assets, Liabilities and Reserves--Regulatory Basis	N/A
<b><u>GENERAL FIXED ASSETS ACCOUNG GROUP</u></b>		
F	Statement of General Fixed Assets Group of Account—Regulatory Basis	N/A
	Notes to Financial Statements	25

**CITY OF SALEM**  
**TABLE OF CONTENTS (CONT'D)**

<u>Exhibit No.</u>		<u>Page No.</u>
	<u>SUPPLEMENTAL EXHIBITS</u>	
	<u>CURRENT FUND</u>	
SA-1	Statement of Current Cash	58
SA-2	Statement of Taxes Receivable and Analysis of Property Tax Levy	59
SA-3	Statement of Tax Title Liens	60
SA-4	Statement of Prepaid Taxes	60
SA-5	Statement of Prepaid Debt Service	60
SA-6	Statement of Due to State of New Jersey Senior Citizens' and Veterans' Deductions	61
SA-7	Statement of Revenue Accounts Receivable	62
SA-8	Statement Appropriation Reserves	63
SA-9	Statement of Property Acquired for Taxes--Assessed Valuation	65
SA-10	Statement of Due County Taxes	65
SA-11	Statement of Local District School Tax	66
SA-12	Statement of Due to Federal & State Grant Fund	67
SA-13	Federal and State Grant Fund--Statement of Federal and State Grants Receivable	68
SA-14	Federal and State Grant Fund--Statement of Reserve for Federal and State Grants--Appropriated	69
SA-15	Federal and State Grant Fund--Statement of Reserve for Federal and State Grants--Unappropriated	70
SA-16	Statement of Due from Utility Operating Fund	70
SA-17	Statement of Reserve for Revaluation	71
	<u>TRUST FUND</u>	
SB-1	Statement of Cash	73
SB-2	Animal Control Fund--Statement of Reserve for Animal Control Expenditures	74
SB-3	Animal Control Fund--Statement of Due to Current Fund	74
SB-4	Animal Control Fund--Statement of Due to State of New Jersey	75
SB-5	Trust Other Funds--Statement of Due from Current Fund	76
SB-6	Trust Other Funds--Statement of Changes in Reserves	77
	<u>GENERAL CAPITAL FUND</u>	
SC-1	Statement of Cash	79
SC-2	Analysis of General Capital Cash	80
SC-3	Statement of Due From Current Fund	81
SC-4	Statement of Deferred Charges to Future Taxation--Funded	81

**CITY OF SALEM**  
**TABLE OF CONTENTS (CONT'D)**

<u>Exhibit No.</u>		<u>Page No.</u>
<u>GENERAL CAPITAL FUND (CONT'D)</u>		
SC-5	Statement of Deferred Charges to Future Taxation--Unfunded	82
SC-6	Statement of General Serial Bonds	83
SC-7	Statement of Improvement Authorizations	84
SC-8	Statement of Reserve for the Payment of Bonds and Notes	85
SC-9	Statement of Reserve for Payment of Guaranteed Debt	85
SC-10	Statement of Bonds and Notes Authorized But Not Issued	86
<u>WATER AND SEWER UTILITY FUND</u>		
SD-1	Statement of Cash	88
SD-2	Water and Sewer Utility Capital Fund--Analysis of Water and Sewer Capital Cash	89
SD-3	Water and Sewer Utility Operating Fund--Statement of Consumer Accounts Receivable	90
SD-4	Water and Sewer Utility Operating Fund--Statement of Utility Liens Receivable	90
SD-5	Water and Sewer Utility Operating Fund--Statement of Appropriation Reserves	91
SD-6	Water and Sewer Utility Operating Fund--Statement of Accrued Interest on Bonds and Notes	92
SD-7	Water and Sewer Utility Capital Fund--Statement of Due from Utility Operating Fund	93
SD-8	Water and Sewer Utility Capital Fund--Statement of Fixed Capital	94
SD-9	Water and Sewer Utility Capital Fund--Schedule of Fixed Capital Authorized And Uncompleted	95
SD-10	Water and Sewer Utility Capital Fund--Statement of Improvement Authorizations	96
SD-11	Water and Sewer Utility Capital Fund--Statement of Bonds Payable	97
SD-12	Water and Sewer Utility Capital Fund--Statement of Wastewater Improvement Bonds	98
SD-13	Water and Sewer Utility Capital Fund--Statement of USDA Loan Payable	99
SD-14	Water and Sewer Utility Capital Fund--Statement of New Jersey Environmental Infrastructure Trust Loans Payable	100
SD-15	Water and Sewer Utility Capital Fund--Statement of State of New Jersey Loan- Dam Restoration Program	102
SD-16	Water and Sewer Utility Capital Fund--Statement of Capital Improvement Fund	103
SD-17	Water and Sewer Utility Capital Fund--Statement of Deferred Reserve for Amortization	103
SD-18	Water and Sewer Utility Capital Fund--Statement of Reserve for Amortization	104
SD-19	Water and Sewer Utility Capital Fund--Statement of Bonds and Notes Authorized But Not Issued	105

**CITY OF SALEM**  
TABLE OF CONTENTS (CONT'D)

<u>Exhibit No.</u>		<u>Page No.</u>
<b><u>PART II</u></b>		
<b><u>SINGLE AUDIT SECTION</u></b>		
	Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance - Independent Auditor's Report	107
<b><u>SUPPLEMENTAL SCHEDULES</u></b>		
<u>Schedule</u>		
A	Schedule of Expenditures of Federal Awards	109
B	Schedule of Expenditures of State Financial Assistance	N/A
	Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	110
<b><u>PART III</u></b>		
<b><u>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</u></b>		
	Schedule of Findings and Questioned Costs	112
	Summary Schedule of Prior Year Audit Findings and Recommendations as Prepared by Management	120
	OFFICIALS IN OFFICE AND SURETY BONDS	122
	APPRECIATION	123

**PART I**  
**REPORT OF AUDIT OF FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

## **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, 2016 and 2015, 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, 2016, 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, 2016 and 2015, or the results of its operations and changes in fund balance for the years then ended.

### *Basis for Qualified Opinion on General Fixed Asset Group of Accounts - Regulatory Basis*

The financial statements referred to above do not include the general fixed asset group of accounts – regulatory basis, 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 asset group of accounts – regulatory basis 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 Asset Group of Accounts - Regulatory Basis*” paragraph, the general fixed asset 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, 2016 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 asset 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, 2016 and 2015, 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, 2016 in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in note 1.



**Other 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The supplemental statements and schedules presented for the various funds and the schedule of expenditures of federal awards 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 24, 2017 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*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

*Fred S. Caltabiano*

Fred S. Caltabiano  
Certified Public Accountant  
Registered Municipal Accountant

Woodbury, New Jersey  
July 24, 2017

**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, 2016, 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 24, 2017. 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 asset group of accounts as required by the New Jersey Administrative Code.

**Internal Control Over Financial Reporting**

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

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

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 Questioned Costs* to be material weaknesses as findings no.: 2016-001, 2016-002, and 2016-005.

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 deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* to be significant deficiencies: 2016-006 and 2016-007.

### 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 Questioned Costs* as findings no.: 2016-003 and 2016-004.

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

The City of Salem's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

*Fred S. Caltabiano*

Fred S. Caltabiano  
Certified Public Accountant  
Registered Municipal Accountant

Woodbury, New Jersey  
July 24, 2017

**CITY OF SALEM**  
**CURRENT FUND**

Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis  
As of December 31, 2016 and 2015

ASSETS:	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Regular Fund:			
Cash	SA-1	\$ 1,082,975.75	\$ 849,812.14
Cash -- Change Fund	A	200.00	200.00
Prepaid Debt Service	SA-5	290,700.00	284,225.00
		<u>1,373,875.75</u>	<u>1,134,237.14</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	SA-2	1,011,732.57	1,158,002.39
Tax Title Liens	SA-3	2,750,683.64	1,874,685.03
Property Acquired for Taxes -- Assessed Valuation	SA-9	2,759,700.00	2,719,600.00
Revenue Accounts Receivable	SA-7	2,942.75	4,081.47
Insurance Proceeds Receivable	SA-1	967.61	55,759.49
Due from Trust -- Animal Control Fund	SB-3	12,136.75	15,955.79
Due from Utility Operating Fund	SA-16	5,202.20	224.65
		<u>6,543,365.52</u>	<u>5,828,308.82</u>
Deferred Charges:			
Operating Deficit	A-3		155,944.90
Special Emergency - Revaluation	A-3	320,000.00	
Overexpenditure of Budget Appropriation	A-3	7,739.00	
Overexpenditures of Appropriation Reserves	SA-8	4,905.40	
Overexpenditure Appropriated Grants	SA-14	26,448.10	
		<u>359,092.50</u>	<u>155,944.90</u>
Total Regular Fund		<u>8,276,333.77</u>	<u>7,118,490.86</u>
Federal and State Grant Fund:			
Due from Current Fund	SA-12	93,569.99	3,425.28
Federal and State Grants Receivable	SA-13	56,838.91	135,593.80
Overexpenditure Appropriated Grants	A-3		8,451.78
Total Federal and State Grant Fund		<u>150,408.90</u>	<u>147,470.86</u>
		<u>\$ 8,426,742.67</u>	<u>\$ 7,265,961.72</u>

(Continued)

**CITY OF SALEM**  
**CURRENT FUND**

Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis  
As of December 31, 2016 and 2015

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE:</b>			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3, SA-8	\$ 353,585.88	\$ 561,032.84
Reserve for Encumbrances	A-3, SA-8	7,299.79	18,174.42
Prepaid Taxes	SA-4	74,643.80	82,586.37
Due to State of NJ Senior Citizens/Veterans Deductions	SA-6	4,828.23	2,078.23
County Taxes Payable	SA-10	44.05	
Local District School Taxes Payable	SA-11	19,642.00	419,507.94
Due to Federal and State Grant Fund	SA-12	93,569.99	3,425.28
Due to Trust -- Other Funds	SB-5	160,738.04	121,305.28
Due to General Capital Fund	SC-3	82,043.28	3,236.81
Due to Volunteer Fire Co	SA-1	3,000.00	
Special Emergency Note Payable - Revaluation	SA-1	320,000.00	
Reserve for Revaluation	SA-17	184,416.26	
Reserve for Demolition Fund	A	6,440.00	6,440.00
		<u>1,310,251.32</u>	<u>1,217,787.17</u>
Reserves for Receivables and Other Assets	A	6,543,365.52	5,828,308.82
Fund Balance	A-1	422,716.93	72,394.87
Total Regular Fund		<u>8,276,333.77</u>	<u>7,118,490.86</u>
Federal and State Grant Fund:			
Appropriated Reserves	SA-14	119,533.86	126,821.52
Unappropriated Reserves	SA-15	30,875.04	20,649.34
Total Federal and State Grant Fund		<u>150,408.90</u>	<u>147,470.86</u>
		<u>\$ 8,426,742.67</u>	<u>\$ 7,265,961.72</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
REVENUE AND OTHER INCOME REALIZED:		
Fund Balance Anticipated		\$ 300,000.00
Miscellaneous Revenues Anticipated	\$ 3,291,177.78	2,740,098.22
Receipts from Delinquent Taxes and Tax Title Liens	757,310.36	495,021.32
Receipts from Current Taxes	6,925,769.53	7,202,345.45
Non-Budget Revenue	156,134.22	162,274.61
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	220,664.45	123,735.77
Canceled Grants		10,545.25
Liquidation of Interfunds	<u>53,633.37</u>	<u>190,008.79</u>
 Total Income	 <u>11,404,689.71</u>	 <u>11,224,029.41</u>
EXPENDITURES:		
Budget Appropriations:		
Within "CAPS":		
Operations:		
Salaries and Wages	2,617,217.00	2,733,249.00
Other Expenses	3,092,699.00	2,606,494.00
Deferred Charges and Statutory Expenditures	852,197.68	669,045.72
Excluded from "CAPS":		
Operations:		
Other Expenses	316,340.41	513,948.70
Municipal Debt Service	371,830.00	461,633.75
Deferred Charges	26,000.00	26,000.00
Transferred to Board of Education for Use of Local School	30,500.00	15,800.00
Local District School Tax	2,473,242.00	2,490,268.00
County Taxes	1,594,249.31	1,805,733.09
Due County for Added and Omitted Taxes	2,328.34	
Refund of Prior Year Revenue	5,485.73	2,685.61
Creation of Interfunds and Other Assets		55,116.44
School Taxes Payable Adjustment	<u>17.18</u>	
 Total Expenditures	 <u>11,382,106.65</u>	 <u>11,379,974.31</u>

(Continued)

**CITY OF SALEM**  
**CURRENT FUND**  
 Statements of Operations and Changes in Fund Balance -- Regulatory Basis  
 For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Excess (Deficit) in Revenue	\$ 22,583.06	\$ (155,944.90)
Adjustment to Income Before Fund Balance:		
Expenditures Included Above Which Are By		
Statute Deferred Charges to Budget of Succeeding Year	<u>327,739.00</u>	<u>155,944.90</u>
Statutory Excess to Fund Balance	350,322.06	(0.00)
Fund Balance January 1,	<u>72,394.87</u>	<u>372,394.87</u>
	422,716.93	372,394.87
Decreased by:		
Utilized as Anticipated Revenue	<u>-</u>	<u>300,000.00</u>
Fund Balance December 31,	<u>\$ 422,716.93</u>	<u>\$ 72,394.87</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, 2016

	Anticipated		Realized	Excess or (Deficit)
	Budget	Special N.J.S. 40A: 4-87		
Miscellaneous Revenues				
Local Revenues				
Fines and Costs: Municipal Court	\$ 65,130.00		\$ 50,478.01	\$ (14,651.99)
Interest and Costs on Taxes	99,326.00		161,224.29	61,898.29
Street Opening Permits	5,500.00		4,525.00	(975.00)
Cable Television Franchise Fee	53,401.00		56,427.77	3,026.77
State Aid Without Offsetting Appropriations				
Transitional Aid	1,130,000.00		1,130,000.00	
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		85,246.00	3,183.00
Public and Private Revenues Offset with Appropriations				
Clean Communities Program	12,536.92		12,536.92	
Body Armor	315.49		315.49	
Other Special Items				
Whispering Waters Pilot Agreement	321,000.00		337,464.00	16,464.00
Senior Village Pilot Agreement	16,500.00		18,000.00	1,500.00
County of Salem Pilot Agreement	26,192.00			(26,192.00)
South Jersey Gas Agreement	31,224.00		31,224.37	0.37
Unappropriated Grant - Municipal Alliance	6,096.93		6,096.93	
Unappropriated Grant - Body Armor	1,700.00		1,700.00	
	3,246,924.34	-	3,291,177.78	44,253.44
Receipts from Delinquent Taxes	668,957.00		757,310.36	88,353.36
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes including Reserve for Uncollected Taxes	4,374,080.88		4,166,866.27	(207,214.61)
Budget Totals	8,289,962.22	-	8,215,354.41	(74,607.81)
Non-Budget Revenue			156,134.22	156,134.22
	\$ 8,289,962.22	\$ -	\$ 8,371,488.63	\$ 81,526.41

(Continued)



**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Revenues -- Regulatory Basis  
For the Year Ended December 31, 2016

Analysis of Realized Revenue

Allocation of Current Tax Collections:	
Revenue from Collections	\$ 6,925,769.53
Allocated to County and School Taxes	<u>4,069,819.65</u>
Amount for Support of Municipal Budget Appropriations	2,855,949.88
Add: Appropriation "Reserve for Uncollected Taxes"	<u>1,310,916.39</u>
Amount for Support of Municipal Budget Appropriations	<u><u>\$ 4,166,866.27</u></u>
Receipts from Delinquent Taxes:	
Delinquent Tax Collections	<u><u>\$ 757,310.36</u></u>

Analysis of Non-Budget Revenues

Miscellaneous Revenue not Anticipated:	
Receipts:	
Other Licenses	\$ 230.00
Parking Meters	9,863.84
Pennrose PILOT	15,165.29
Certificate of Occupancy	76,188.00
Accident Report and Gun License	750.00
Sale of Recyclables	331.40
Registrar of Vital Statistics	4,600.70
Planning and Zoning Fees	4,455.00
Senior Citizens' and Veterans' Deduction Administration Fee	725.00
Sale of 238 Wesley	6,500.00
Emergency Management Phone Reimbursement	500.00
Homestead Rebate Admin Fee	158.40
Miscellaneous	<u>36,663.26</u>
Total Cash Receipts	156,130.89
Interest Earnings - Trust Other Funds	<u>3.33</u>
Total Miscellaneous Revenue not Anticipated	<u><u>\$ 156,134.22</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, 2016

	Appropriations		Expended			Unexpended Balance Canceled	Over- Expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
<b>OPERATIONS -- WITHIN "CAPS"</b>							
<b>General Government Functions</b>							
Human Resources:							
Other Expenses	\$ 3,000.00						
Mayor and Council:							
Salaries and Wages	55,000.00	\$ 61,000.00	\$ 60,352.29		\$ 647.71		
Other Expenses	25,000.00	32,500.00	30,364.97	\$ 1,275.00	860.03		
Municipal Clerk:							
Salaries and Wages	86,400.00	92,300.00	92,275.87		24.13		
Other Expenses	28,530.00	28,530.00	27,492.14		1,037.86		
Financial Administration:							
Salaries and Wages	122,914.00	122,914.00	121,306.17		1,607.83		
Other Expenses	16,020.00	16,020.00	14,719.75	93.09	1,207.16		
Audit:							
Other Expenses	45,000.00	45,000.00	40,254.99		4,745.01		
Revenue Administration (Tax Collection):							
Salaries and Wages	39,325.00	47,325.00	46,387.96		937.04		
Other Expenses	7,850.00	10,850.00	6,667.26	677.14	3,505.60		
Assessment of Taxes:							
Salaries and Wages	23,508.00	23,908.00	23,838.32		69.68		
Other Expenses	9,000.00	329,000.00	328,944.66		55.34		
Legal Services and Costs:							
Salaries and Wages	77,270.00	78,270.00	78,153.50		116.50		
Other Expenses	1,700.00	2,600.00	10,339.00				\$ 7,739.00
In Rem Foreclosures	63,200.00	63,200.00	33,308.86		29,891.14		
Engineering Services and Costs:							
Other Expenses	12,000.00	13,000.00	13,000.00				
Public Buildings and Grounds:							
Other Expenses	70,000.00	70,000.00	66,303.28	484.48	3,212.24		
Demolition of Substandard Buildings							
Other Expenses	45,100.00	45,100.00	16,776.72		28,323.28		
Housing Enforcement:							
Salaries and Wages	49,500.00	49,500.00	48,896.62		603.38		
Other Expenses	8,500.00	25,500.00	24,809.83	326.19	363.98		
Economic Development:							
Salaries and Wages	6,000.00						
Other Expenses	1,000.00						
Insurance							
General Liability	263,900.00	208,100.00	208,069.51		30.49		
Workers Compensation	112,665.00	185,665.00	185,631.17		33.83		
Employee Group Health	1,208,585.00	1,208,585.00	1,110,267.88		98,317.12		

(Continued)

**CITY OF SALEM**  
Statement of Expenditures -- Regulatory Basis  
For the Year Ended December 31, 2016

	Appropriations		Expended			Unexpended Balance Canceled	Over- Expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
<b>OPERATIONS -- WITHIN "CAPS" (Cont'd)</b>							
<u>Land Use Administration</u>							
Planning Board							
Other Expenses	\$ 13,500.00	\$ 19,300.00	\$ 19,202.06		\$ 97.94		
<u>Public Safety</u>							
Fire:							
Other Expenses	45,000.00	45,000.00	38,449.35	\$ 325.00	6,225.65		
Police:							
Salaries and Wages	1,743,200.00	1,628,200.00	1,535,654.49		92,545.51		
Other Expenses	78,000.00	78,000.00	55,483.87	330.00	22,186.13		
Aid to Ambulance Organization:							
Other Expenses	10,000.00	15,800.00	15,772.47		27.53		
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	373,850.00	373,363.62		486.38		
Other Expenses	27,500.00	47,500.00	46,484.76	690.00	325.24		
<u>Sanitation</u>							
Street Cleaning:							
Salaries and Wages	50,750.00	52,150.00	52,048.35		101.65		
Other Expenses	700.00	700.00	182.42		517.58		
Sanitary Landfill:							
Salaries and Wages	2,400.00	2,400.00	2,300.00		100.00		
Other Expenses	83,600.00	101,100.00	100,866.46	10.50	223.04		
Vehicle Maintenance:							
Other Expenses	30,675.00	31,875.00	31,312.88	500.00	62.12		
<u>Health and Welfare</u>							
Board of Health:							
Other Expenses	350.00	350.00			350.00		
Dog Regulation:							
Other Expenses	22,600.00	22,600.00	22,600.00				
<u>Recreation and Education</u>							
Recreation:							
Other Expenses	20,000.00	20,000.00	11,587.50	350.00	8,062.50		

(Continued)

**CITY OF SALEM**  
Statement of Expenditures -- Regulatory Basis  
For the Year Ended December 31, 2016

	Appropriations		Expended			Unexpended Balance Canceled	Over- Expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
<b>OPERATIONS -- WITHIN "CAPS" (Cont'd)</b>							
<u>Municipal Court</u>							
Salaries and Wages	\$ 98,000.00	\$ 77,200.00	\$ 70,691.88		\$ 6,508.12		
Other Expenses	17,000.00	17,000.00	15,488.75		1,511.25		
<u>Public Defender:</u>							
Other Expenses	9,730.00	11,130.00	10,037.20		1,092.80		
<u>Utility Expenses and Bulk Purchases</u>							
Street Lighting	120,000.00	20,000.00	19,661.40		338.60		
Telephone	74,000.00	77,200.00	77,143.50		56.50		
Heating Oil	25,000.00	15,000.00	8,399.31		6,600.69		
Gasoline	65,000.00	50,000.00	36,396.21	\$ 2,238.39	11,365.40		
Natural Gas	13,755.00	13,255.00	12,424.87		830.13		
Electricity	103,000.00	215,500.00	215,183.21		316.79		
Total Operations -- Within "CAPS"	5,407,277.00	5,702,177.00	5,367,092.51	7,299.79	335,523.70	-	\$ 7,739.00
<u>Detail:</u>							
Salaries and Wages	2,726,817.00	2,617,217.00	2,513,466.27	-	103,750.73	-	-
Other Expenses (Including Contingent)	2,680,460.00	3,084,960.00	2,853,626.24	7,299.79	216,294.97	-	7,739.00
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES -- WITHIN "CAPS"</b>							
<u>Deferred Charges</u>							
Over expenditure of Appropriated Grants	8,451.78	8,451.78	8,451.78				
Operating Deficit	155,945.64	155,945.64	155,944.90			\$ 0.74	
<u>Statutory Expenditures</u>							
Contribution to:							
Public Employees' Retirement System of N.J.	156,720.00	156,820.00	156,745.66		74.34		
Social Security System (O.A.S.I.)	152,300.00	175,000.00	174,949.73		50.27		
Police and Firemen's Retirement System of N.J.	351,431.00	353,731.00	353,707.25		23.75		
Unemployment & Disability Insurance:	2,250.00	2,250.00	1,584.91		665.09		
Total Deferred Charges and Statutory Expenditures -- Municipal -- Within "CAPS"	827,098.42	852,198.42	851,384.23	-	813.45	0.74	-
Total General Appropriations for Municipal Purposes Within -- "CAPS"	6,234,375.42	6,554,375.42	6,218,476.74	7,299.79	336,337.15	0.74	7,739.00

(Continued)

**CITY OF SALEM**  
Statement of Expenditures -- Regulatory Basis  
For the Year Ended December 31, 2016

	Appropriations		Expended			Unexpended Balance Canceled	Over- Expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
<b><u>OPERATIONS -- EXCLUDED FROM "CAPS"</u></b>							
Aid to Library (N.J.S.A. 40:54-35)	\$ 71,500.00	\$ 71,500.00	\$ 71,500.00				
Employee Group Health	20,915.00	20,915.00	20,915.00				
Total Operations -- Excluded from "CAPS"	92,415.00	92,415.00	92,415.00	-	-	-	-
<b><u>INTERLOCAL MUNICIPAL SERVICE AGREEMENTS</u></b>							
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	-	-	-	-
<b><u>ADDITIONAL APPROPRIATIONS OFFSET BY REVENUES</u></b> <b><u>(N.J.S. 40A:4-43.3h) -- EXCLUDED FROM "CAPS"</u></b>							
Garbage and Trash Collection							
Other Expenses	82,063.00	82,063.00	64,814.27		\$ 17,248.73		
Total Additional Appropriations Offset by Revenues (N.J.S. 40A:4-43.3h) -- Excluded from "CAPS"	82,063.00	82,063.00	64,814.27	-	17,248.73	-	-
<b><u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</u></b> <b><u>EXCLUDED FROM "CAPS"</u></b>							
Clean Communities Program	12,536.92	12,536.92	12,536.92				
Body Armor	315.49	315.49	315.49				
Total Public and Private Programs Offset by Revenues -- Excluded from "CAPS"	12,852.41	12,852.41	12,852.41	-	-	-	-
Total Operations -- Excluded from "CAPS"	316,340.41	316,340.41	299,091.68	-	17,248.73	-	-
Detail:							
Salaries and Wages	-	-	-	-	-	-	-
Other Expenses	316,340.41	316,340.41	299,091.68	-	17,248.73	-	-

(Continued)

**CITY OF SALEM**  
Statement of Expenditures -- Regulatory Basis  
For the Year Ended December 31, 2016

	Appropriations		Expended			Unexpended Balance Canceled	Over- Expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
<b><u>MUNICIPAL DEBT SERVICE -- EXCLUDED FROM "CAPS"</u></b>							
Payment of Bond Principal	\$ 215,000.00	\$ 215,000.00	\$ 215,000.00				
Interest on Bonds	86,830.00	86,830.00	86,830.00				
Debt Service Guarantee	70,000.00	70,000.00	70,000.00				
Total Municipal Debt Service -- Excluded from "CAPS"	371,830.00	371,830.00	371,830.00	-	-	-	-
<b><u>DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"</u></b>							
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)	30,500.00	30,500.00	30,500.00				
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	744,670.41	744,670.41	727,421.68		\$ 17,248.73	-	-
Subtotal General Appropriations	6,979,045.83	7,299,045.83	6,945,898.42	\$ 7,299.79	353,585.88	\$ 0.74	\$ 7,739.00
Reserve for Uncollected Taxes	1,310,916.39	1,310,916.39	1,310,916.39				
<b>Total</b>	<b>\$ 8,289,962.22</b>	<b>\$ 8,609,962.22</b>	<b>\$ 8,256,814.81</b>	<b>\$ 7,299.79</b>	<b>\$ 353,585.88</b>	<b>\$ 0.74</b>	<b>\$ 7,739.00</b>
Adopted Budget		\$ 8,289,962.22					
Appropriation by 40A:4-53		320,000.00					
Reserve for Federal and State Grant Fund--Appropriated			\$ 12,852.41				
Reserve for the Payment of Guaranteed Debt Due General Capital Fund			20,000.00				
School Taxes Payable			30,500.00				
Deferred Charges			155,944.90				
Deferred Charges - Due Federal and State Grant Fund			8,451.78				
Deferred to Future Taxation Unfunded - Due General Capital Fund			26,000.00				
Due Trust - Animal Control Fund			5,600.00				
Reserve for Revaluation			320,000.00				
Reserve for Uncollected Taxes			1,310,916.39				
Disbursed			6,366,549.33				
		<u>\$ 8,609,962.22</u>	<u>\$ 8,256,814.81</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, 2016 and 2015

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS:</b>			
Animal Control Fund:			
Cash	SB-1	\$ 8,470.09	\$ 16,810.31
Deferred Charges:			
Deficit - Reserve for Animal Control Expenditures	SB-2	3,699.66	
Total Animal Control Fund		<u>12,169.75</u>	<u>16,810.31</u>
Other Funds:			
Cash	SB-1	997,020.00	899,415.22
Due from Current Fund	SB-5	160,738.04	121,305.28
Total Other Funds		<u>1,157,758.04</u>	<u>1,020,720.50</u>
		<u>\$ 1,169,927.79</u>	<u>\$ 1,037,530.81</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE:</b>			
Animal Control Fund:			
Due to Current Fund	SB-3	\$ 12,136.75	\$ 15,955.79
Due to State of New Jersey	SB-4	33.00	33.00
Reserve for Animal Control Expenditures	SB-2		821.52
Total Animal Control Fund		<u>12,169.75</u>	<u>16,810.31</u>
Other Funds:			
Due to Utility Capital Fund	B	75,275.25	75,275.25
Due to State of New Jersey - Criminal Disposition and Revenue Collection Fund	B	35,993.14	35,993.14
Reserve for:			
Community Development Housing Equity	SB-6	15,773.79	15,773.79
Small Cities Rehab	SB-6	10,779.10	18,445.63
Developer's Escrow	SB-6	34,024.25	31,785.91
POAA	SB-6	11,018.39	10,929.39
Payroll Withholdings Payable	SB-6	313,438.37	109,528.82
Public Defender	SB-6	749.30	770.33
Landfill	SB-6	92,260.34	91,424.08
Tax Title Liens	SB-6	464,956.46	506,985.87
Unemployment Compensation	SB-6	54,059.04	54,059.04
Accumulated Sick Leave	SB-6	33,350.27	33,350.27
Shade Tree Commission	SB-6	1,060.65	2,188.91
Off-Duty Police	SB-6	643.47	3,530.47
Municipal Pool Donations Account	SB-6	14,376.22	30,679.60
Total Other Funds		<u>1,157,758.04</u>	<u>1,020,720.50</u>
		<u>\$ 1,169,927.79</u>	<u>\$ 1,037,530.81</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, 2016 and 2015

ASSETS:	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Cash	SC-1	\$ 9,011.53	\$ 10,714.06
State and Federal Grants Receivable	C	440,373.77	440,373.77
Due from Current Fund	SC-3	82,043.28	3,236.81
Due from Utility Capital Fund	C	677,749.10	677,749.10
Deferred Charges to Future Taxation:			
Funded	SC-4	2,455,000.00	2,670,000.00
Unfunded	SC-5	120,099.27	146,099.27
Deferred Charges:			
Overexpenditure of Improvement Authorization	SC-7	<u>251,138.86</u>	<u>                    </u>
		<u>\$ 4,035,415.81</u>	<u>\$ 3,948,173.01</u>
LIABILITIES, RESERVES AND FUND BALANCE:			
Serial Bonds	SC-6	\$ 2,455,000.00	\$ 2,670,000.00
Improvement Authorizations:			
Funded	SC-7	502,968.96	839,697.99
Unfunded	SC-7	62,704.57	66,568.57
Reserve for the Payment of Bonds & Notes	SC-8	679,331.06	56,495.23
Reserve for Payment of Guaranteed Debt	SC-9	224,513.00	204,513.00
Reserve for Capital Projects - Pennrose Donation	C	50,000.00	50,000.00
Capital Improvement Fund	C	<u>60,898.22</u>	<u>60,898.22</u>
		<u>\$ 4,035,415.81</u>	<u>\$ 3,948,173.01</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, 2016 and 2015

ASSETS:	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Operating Fund:			
Cash	SD-1	\$ 917,020.47	\$ 957,129.26
Prepaid Debt Service	D	<u>22,298.00</u>	<u>22,298.00</u>
		<u>939,318.47</u>	<u>979,427.26</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	SD-3	813,178.42	910,704.54
Utility Liens Receivable	SD-4	<u>463,895.67</u>	<u>356,654.06</u>
		<u>1,277,074.09</u>	<u>1,267,358.60</u>
 Total Operating Fund		 <u>2,216,392.56</u>	 <u>2,246,785.86</u>
Capital Fund:			
Cash	SD-1	43.39	43.39
Due from Trust -- Other Funds	D	75,275.25	75,275.25
Due from Utility Operating Fund	SD-7	399,335.27	232,240.27
Fixed Capital	SD-8	22,203,855.06	22,203,855.06
Fixed Capital Authorized and Uncompleted	SD-9	<u>17,124,150.00</u>	<u>17,124,150.00</u>
 Total Capital Fund		 <u>39,802,658.97</u>	 <u>39,635,563.97</u>
		<u>\$ 42,019,051.53</u>	<u>\$ 41,882,349.83</u>

(Continued)

**CITY OF SALEM**  
**WATER AND SEWER UTILITY FUND**  
 Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis  
 As of December 31, 2016 and 2015

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE:</b>			
Operating Fund:			
Liabilities:			
Appropriation Reserves	D-3	\$ 59,983.91	\$ 35,747.59
Encumbrances	D-3	26,218.98	106.62
Accounts Payable	D-1		106,897.99
Accrued Interest on Bonds and Notes	SD-6	125,849.91	131,882.82
Due to Current Fund	SA-16	5,202.20	224.65
Due to Utility Capital Fund	SD-7	399,335.27	232,240.27
		<u>616,590.27</u>	<u>507,099.94</u>
Reserve for Receivables	D	1,277,074.09	1,267,358.60
Fund Balance	D-1	322,728.20	472,327.32
Total Operating Fund		<u>2,216,392.56</u>	<u>2,246,785.86</u>
Capital Fund:			
Serial Bonds	SD-11	225,000.00	245,000.00
Wastewater Improvement Bonds	SD-12	3,001,210.77	3,132,958.19
USDA Loan Payable	SD-13	739,113.91	751,888.94
New Jersey Environmental Infrastructure Trust Loans Payable	SD-14	5,013,138.87	5,547,974.40
State of New Jersey Loan - Dam Restoration Program	SD-15	465,446.88	495,203.14
Due to General Capital Fund	D	677,749.10	677,749.10
Improvement Authorizations:			
Funded	SD-10	11,313.77	11,313.77
Unfunded	SD-10	3,161,933.52	3,161,933.52
Reserve for Amortization	SD-18	18,238,530.38	18,074,007.93
Deferred Reserve for Amortization	SD-17	8,180,670.24	7,468,983.45
Capital Improvement Fund	SD-16	88,551.53	68,551.53
Total Capital Fund		<u>39,802,658.97</u>	<u>39,635,563.97</u>
		<u>\$ 42,019,051.53</u>	<u>\$ 41,882,349.83</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>REVENUE AND OTHER INCOME REALIZED:</b>		
Operating Surplus Anticipated	\$ 200,000.00	\$ 200,000.00
Water and Sewer Rents	2,976,742.77	3,146,404.13
Miscellaneous	400,647.82	463,423.71
Reserve for Payment of Debt		168,793.99
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	16,148.94	17,831.26
Canceled Accounts Payable	106,897.99	11,257.10
	<u>3,700,437.52</u>	<u>4,007,710.19</u>
Total Income		
<b>EXPENDITURES:</b>		
Operating	2,485,000.00	2,425,000.00
Capital Improvement Fund	20,000.00	20,000.00
Debt Service	837,910.18	833,313.39
Deferred Charges and Statutory Expenditures	299,454.00	493,698.70
Refund of Prior Year Revenue	7,672.46	
	<u>3,650,036.64</u>	<u>3,772,012.09</u>
Total Expenditures		
Excess in Revenue	50,400.88	235,698.10
<b>FUND BALANCE:</b>		
Balance January 1	<u>472,327.32</u>	<u>436,629.22</u>
	522,728.20	672,327.32
Decreased by:		
Utilized as Revenue	<u>200,000.00</u>	<u>200,000.00</u>
Balance December 31	<u>\$ 322,728.20</u>	<u>\$ 472,327.32</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, 2016

	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	2,976,742.77	\$ (130,257.23)
Miscellaneous	<u>361,204.00</u>	<u>400,647.82</u>	<u>39,443.82</u>
	<u>\$ 3,668,204.00</u>	<u>\$ 3,577,390.59</u>	<u>\$ (90,813.41)</u>

Analysis of Realized Revenues

Water and Sewer Rents

Receipts:

Consumer Accounts Receivable  
 Utility Liens Receivable

\$ 2,909,662.36  
67,080.41

\$ 2,976,742.77

Miscellaneous:

Receipts:

Permits  
 Miscellaneous  
 Septage  
 Alloway Sewer Project  
 Quinton Sewer Project  
 Interest on Utility Bills

\$ 2,225.00  
 175,871.75  
 22,256.97  
 78,493.41  
 96,066.99  
25,733.70

\$ 400,647.82

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, 2016

	Appropriations		Expended			Unexpended Balance Canceled
	Original Budget	Budget After Modification	Paid or Charged	Encumbrances	Reserved	
Operating:						
Salaries and Wages	\$ 960,000.00	\$ 960,000.00	\$ 921,261.84		\$ 38,738.16	
Other Expenses	1,525,000.00	1,525,000.00	1,480,122.20	\$ 26,218.98	18,658.82	
Total Operating	<u>2,485,000.00</u>	<u>2,485,000.00</u>	<u>2,401,384.04</u>	<u>26,218.98</u>	<u>57,396.98</u>	<u>-</u>
Capital Improvements:						
Capital Improvement Fund	20,000.00	20,000.00	20,000.00			
Debt Service:						
Payment of Bond Principal	547,250.00	547,250.00	547,114.23			\$ 135.77
Interest on Bonds	316,500.00	316,500.00	290,795.95			25,704.05
Total Debt Service	<u>863,750.00</u>	<u>863,750.00</u>	<u>837,910.18</u>	<u>-</u>	<u>-</u>	<u>25,839.82</u>
Deferred Charges and Statutory Expenditures:						
Deferred Charges:						
Ordinance 09-14	147,095.00	147,095.00	147,095.00			
Statutory Expenditures:						
Public Employees' Retirement System	78,359.00	78,359.00	78,359.00			
Contributions to Social Security System (O.A.S.I.)	74,000.00	74,000.00	71,413.07		2,586.93	
Total Deferred Charges and Statutory Expenditures	<u>299,454.00</u>	<u>299,454.00</u>	<u>296,867.07</u>	<u>-</u>	<u>2,586.93</u>	<u>-</u>
	<u>\$ 3,668,204.00</u>	<u>\$ 3,668,204.00</u>	<u>\$ 3,556,161.29</u>	<u>\$ 26,218.98</u>	<u>\$ 59,983.91</u>	<u>\$ 25,839.82</u>
Accrued Interest on Bonds			\$ 290,795.95			
Capital Improvement Fund - Due Water/Sewer Capital Fund			20,000.00			
Deferred Charges - Due Water/Sewer Capital Fund			147,095.00			
Due to Current Fund			23,921.17			
Cash Disbursements			3,074,349.17			
			<u>\$ 3,556,161.29</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, 2016

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**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. According to the 2010 census, the population is 5,146.

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* ("Requirements") 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* 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; therefore, unrealized gains or losses on investments have not been recorded.

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 acquisition value as of the date of the transaction. 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 asset group of accounts, 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 include 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 asset group of accounts. If such property is converted to a municipal use, it will be recorded in the general fixed asset group of accounts.

**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 to 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, 2015 and decreased by the amount deferred at December 31, 2016.

**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.

**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, 2016, the City's bank balances of \$3,037,081.09 were exposed to custodial credit risk as follows:

Insured by FDIC and GUDPA	\$ 2,624,916.96
Uninsured and Uncollateralized	<u>412,164.13</u>
Total	<u>\$ 3,037,081.09</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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Tax Rate	<u>\$ 3.916</u>	<u>\$ 3.866</u>	<u>\$ 3.846</u>	<u>\$ 3.823</u>	<u>\$ 3.728</u>
Apportionment of Tax Rate:					
Municipal	\$ 2.005	\$ 1.920	\$ 1.820	\$ 1.780	\$ 1.722
Municipal Library	.023	.027	.031	.032	.031
County	.726	.791	.898	.912	.882
County Open Space	.014	.017	.019	.020	.020
Local School	1.148	1.111	1.078	1.079	1.073

**Assessed Valuation**

<u>Year</u>	<u>Amount</u>
2016	\$ 215,567,834.00
2015	223,962,313.00
2014	231,225,330.00
2013	231,331,758.00
2012	234,023,857.00

**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>
2016	\$ 8,475,936.47	\$ 6,925,769.53	81.71%
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%

**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>
2016	\$ 2,750,683.64	\$ 1,011,732.57	\$ 3,762,416.21	44.39%
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%

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>
2016	386
2015	213
2014	224
2013	199
2012	183

**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>
2016	\$ 2,759,700.00
2015	2,719,600.00
2014	280,700.00
2013	280,700.00
2012	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>			
2016	\$ 910,704.54	\$ 356,654.06	\$ 2,986,458.26	\$ 4,253,816.86	\$ 2,909,662.35
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

**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>
2016	\$ 422,716.93	\$ 190,000.00 A	44.95%
2015	72,394.87	-	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%

**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>
2016	\$ 322,728.20	\$ 200,908.00 A	62.25%
2015	472,327.32	200,000.00	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%

A = per introduced 2017 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, 2016:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
Current	\$ 17,338.95	\$ 336,351.31
Federal and State Grant	93,569.99	
Trust - Animal Control		12,136.75
Trust - Other	160,738.04	75,275.25
General Capital	759,792.38	
Utility - Operating		404,537.47
Utility - Capital	474,610.52	677,749.10
	<u>\$ 1,506,049.88</u>	<u>\$ 1,506,049.88</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 2017, 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.nj.gov/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 and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after 10 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 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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 10 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 10 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 non-forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non-forfeitable 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 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. 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' contribution amounts are based on an actuarially determined rate. The City's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

The City's contractually required contribution rate for the year ended December 31, 2016 was 14.42% of the City's covered 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, 2016, the City's contractually required contribution to the pension plan for the year ended December 31, 2016 is \$234,947.00, and is payable by April 1, 2017. 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, 2015, the City's contractually required contribution to the pension plan for the year ended December 31, 2015 was \$223,823.00, which was paid on April 1, 2016. Employee contributions to the plan during the year ended December 31, 2016 were \$117,038.69.

**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, 2016 was 23.27% of the City's covered 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, 2016, the City's contractually required contribution to the pension plan for the year ended December 31, 2016 is \$275,805.00, and is payable by April 1, 2017. 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, 2015, the City's contractually required contribution to the pension plan for the year ended December 31, 2015 was \$327,690.00, which was paid on April 1, 2016. Employee contributions to the plan during the year ended December 31, 2016 were \$121,673.34.

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, 2016 was 1.75% of the City's covered 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, 2016, the State's contractually required contribution, on-behalf of the City, to the pension plan for the year ended December 31, 2016 is \$20,792.00 and is payable by April 1, 2017. Based on the 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 was \$30,654.00, which was paid on April 1, 2016.

**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, 2016, 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, 2016, the City's proportionate share of the PERS net pension liability was \$7,832,697.00. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. 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, 2016. 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, 2016 measurement date, the City's proportion was 0.0264465080%, which was an increase of 0.0004124589% from its proportion measured as of June 30, 2015.

At December 31, 2016, the City's proportionate share of the PERS pension expense, calculated by the plan as of the June 30, 2016 measurement date is \$766,120.00. 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, 2016, the City's contribution to PERS was \$223,823.00, and was paid on April 1, 2016.

**Police and Firemen's Retirement System** - At December 31, 2016, 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	\$ 6,461,816.00
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the City	542,632.00
	<u>\$ 7,004,448.00</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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. 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, 2016. 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, 2016 measurement date, the City's proportion was 0.0338269678%, which was a decrease of 0.0064867014% from its proportion measured as of June 30, 2015. Likewise, at June 30, 2016, the State of New Jersey's proportion, on-behalf of the City, was 0.0338269678%, which was a decrease of 0.0064867014% from its proportion, on-behalf of the City, measured as of June 30, 2015.

At December 31, 2016, the City's proportionate share of the PFRS pension expense, calculated by the plan as of the June 30, 2016 measurement date is \$329,291.00. 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, 2016, the City's contribution to PFRS was \$327,690.00, and was paid on April 1, 2016.

At December 31, 2016, the State's proportionate share of the PFRS pension expense, associated with the City, calculated by the plan as of the June 30, 2016 measurement date is \$69,307.00. 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, 2016, the City had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	PERS	PFRS	Total	PERS	PFRS	Total
Differences between Expected and Actual Experience	\$ 145,664.00	\$ -	\$ 145,664.00	\$ -	\$ 42,358.00	\$ 42,358.00
Changes of Assumptions	1,622,516.00	895,015.00	2,517,531.00	-	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	298,668.00	452,766.00	751,434.00	-	-	-
Changes in Proportion and Differences between City Contributions and Proportionate Share of Contributions	99,197.00	-	99,197.00	17,162.00	1,420,585.00	1,437,747.00
City Contributions Subsequent to the Measurement Date	117,474.00	137,903.00	255,377.00	-	-	-
	<u>\$ 2,283,519.00</u>	<u>\$ 1,485,684.00</u>	<u>\$ 3,769,203.00</u>	<u>\$ 17,162.00</u>	<u>\$ 1,462,943.00</u>	<u>\$ 1,480,105.00</u>

\$117,474.00 and \$137,903.00 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, 2017. These amounts were based on an estimated April 1, 2018 contractually required contribution, prorated from the pension plans measurement date of June 30, 2016 to the City's year end of December 31, 2016.

**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 Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience				
Year of Pension Plan Deferral:				
June 30, 2014	-	-	-	-
June 30, 2015	5.72	-	-	5.53
June 30, 2016	5.57	-	-	5.58
Changes of Assumptions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	-	6.17	-
June 30, 2015	5.72	-	5.53	-
June 30, 2016	5.57	-	5.58	-
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
June 30, 2016	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
June 30, 2016	5.57	5.57	5.58	5.58

**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:

<b>Year Ending Dec 31,</b>	<b><u>PERS</u></b>	<b><u>PFRS</u></b>	<b><u>Total</u></b>
2017	\$ 483,648.00	\$ (49,614.00)	\$ 434,034.00
2018	483,648.00	(49,614.00)	434,034.00
2019	557,419.00	58,941.00	616,360.00
2020	471,627.00	9,190.00	480,817.00
2021	152,541.00	(84,065.00)	68,476.00
	<u>\$ 2,148,883.00</u>	<u>\$ (115,162.00)</u>	<u>\$ 2,033,721.00</u>

**Actuarial Assumptions**

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. 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, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<b><u>PERS</u></b>	<b><u>PFRS</u></b>
Inflation	3.08%	3.08%
Salary Increases:		
Through 2026	1.65% - 4.15% Based on Age	2.10% - 8.98% Based on Age
Thereafter	2.65% - 5.15% Based on Age	3.10% - 9.98% Based on Age
Investment Rate of Return	7.65%	7.65%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience		
Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014	July 1, 2010 - June 30, 2013

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

For PERS, pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. Mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

For PFRS, pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Postretirement mortality rates for female service retirements and beneficiaries were based the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

For PERS and PFRS, in accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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, 2016 are summarized in the following table:

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds / Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

**Discount Rate** - The discount rate used to measure the total pension liability at June 30, 2016 was 3.98% for PERS and 5.55% 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 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, 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 the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined 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 2034 for PERS and through 2050 for PFRS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 for PERS and through 2050 for PFRS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

**Note 8: PENSION PLANS (CONT'D)****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, 2016, the plans measurement date, calculated using a discount rate of 3.98%, 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:

	<b>PERS</b>		
	<b>1% Decrease (2.98%)</b>	<b>Current Discount Rate (3.98%)</b>	<b>1% Increase (4.98%)</b>
City's Proportionate Share of the Net Pension Liability	\$ 9,598,056.00	\$ 7,832,697.00	\$ 6,375,240.00

**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, 2016, the plans measurement date, for the City and the State of New Jersey, calculated using a discount rate of 5.55%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	<b>PFRS</b>		
	<b>1% Decrease (4.55%)</b>	<b>Current Discount Rate (5.55%)</b>	<b>1% Increase (6.55%)</b>
City's Proportionate Share of the Net Pension Liability	\$ 8,332,038.00	\$ 6,461,816.00	\$ 4,936,763.00
State of New Jersey's Proportionate Share of Net Pension Liability associated with the City	699,684.18	542,632.00	414,565.40
	<u>\$ 9,031,722.18</u>	<u>\$ 7,004,448.00</u>	<u>\$ 5,351,328.40</u>

**Pension Plan Fiduciary Net Position**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the PERS and PFRS and additions to/deductions from PERS and PFRS' respective fiduciary net position have been determined on the same basis as they are reported by PERS and PFRS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS and PFRS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at [www.nj.gov/treasury/pensions](http://www.nj.gov/treasury/pensions).



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

	<u>Measurement Date Ended June 30,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's Proportion of the Net Pension Liability	0.0264465080%	0.0260340491%	0.0257785927%	0.0259466887%
City's Proportionate Share of the Net Pension Liability	\$ 7,832,697.00	\$ 5,844,122.00	\$ 4,826,458.00	\$ 4,958,928.00
City's Covered Payroll (Plan Measurement Period)	\$ 1,714,708.00	\$ 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 its Covered Payroll	456.79%	346.48%	275.65%	294.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.93%	52.08%	48.72%

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

	<u>Year Ended December 31,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's Contractually Required Contribution	\$ 234,947.00	\$ 223,823.00	\$ 212,515.00	\$ 195,503.00
City's Contribution in Relation to the Contractually Required Contribution	(234,947.00)	(223,823.00)	(212,515.00)	(195,503.00)
City's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll (Calendar Year)	\$ 1,629,568.00	\$ 1,714,672.00	\$ 1,687,530.00	\$ 1,677,341.00
City's Contributions as a Percentage of its Covered Payroll	14.42%	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 Four Years)***

	<u>Measurement Date Ended June 30,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's Proportion of the Net Pension Liability	0.0338269678%	0.0403136692%	0.0452469726%	0.0489470796%
City's Proportionate Share of the Net Pension Liability	\$ 6,461,816.00	\$ 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	542,632.00	588,870.00	612,895.00	606,538.00
Total	<u>\$ 7,004,448.00</u>	<u>\$ 7,303,722.00</u>	<u>\$ 6,304,544.00</u>	<u>\$ 7,113,611.00</u>
City's Covered Payroll (Plan Measurement Period)	\$ 1,104,788.00	\$ 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 its Covered Payroll	584.89%	526.76%	376.16%	428.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.01%	56.31%	62.41%	58.70%

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

	<u>Year Ended December 31,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's Contractually Required Contribution	\$ 275,805.00	\$ 327,690.00	\$ 347,528.00	\$ 357,107.00
City's Contribution in Relation to the Contractually Required Contribution	(275,805.00)	(327,690.00)	(347,528.00)	(357,107.00)
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll (Calendar Year)	\$ 1,185,130.00	\$ 1,115,123.00	\$ 1,304,666.00	\$ 1,432,978.00
City's Contributions as a Percentage of its Covered Payroll	23.27%	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 - For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

***Police and Firemen's Retirement System (PFRS)***

Changes in Benefit Terms - None

Changes in Assumptions - For 2016, the discount rate changed to 5.55%, the long-term expected rate of return changed to 7.65%, and the mortality improvement scale incorporated the plan actuary's modified 2014 projection scale. Further, salary increases were assumed to increase between 2.10% and 8.98% (based on age) through fiscal year 2026 and 3.10% and 9.98% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 5.79% and demographic assumptions were revised in accordance with the results of the July 1, 2010 - June 30, 2013 experience study. For 2014, the discount rate was 6.32%.

**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/](http://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, 2016, 2015, and 2014, were approximately \$601,090.00, \$540,307.00, and \$457,460.00, respectively, which equaled the required contributions each year. There were approximately 31 retired participants eligible at December 31, 2016.

**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, 2016 the balance of the fund was \$33,350.27. It is estimated that, at December 31, 2016, accrued benefits for compensated absences are valued at \$582,259.18.

**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>
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	250,000.00	51,497.94	301,497.94
2022-2026	1,250,000.00	124,514.34	1,374,514.34
	<u>\$ 2,455,000.00</u>	<u>\$ 454,791.77</u>	<u>\$ 2,909,791.77</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>
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	20,000.00	4,802.06	24,802.06
2022-2026	125,000.00	11,610.66	136,610.66
	<u>\$ 225,000.00</u>	<u>\$ 42,408.24</u>	<u>\$ 267,408.24</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>
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	168,656.64	118,145.36	286,802.00
2022-2026	980,368.46	453,641.54	1,434,010.00
2027-2031	1,255,020.02	178,989.99	1,434,010.01
	<u>\$ 3,001,210.77</u>	<u>\$ 1,300,819.24</u>	<u>\$ 4,302,030.01</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>
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	15,764.58	28,831.42	44,596.00
2022-2026	89,580.34	133,399.66	222,980.00
2027-2031	110,543.56	112,436.44	222,980.00
2032-2036	136,412.49	86,567.51	222,980.00
2037-2041	168,335.15	54,644.85	222,980.00
2042-2045	161,649.82	15,767.18	177,417.00
	<u>\$ 739,113.91</u>	<u>\$ 553,203.09</u>	<u>\$ 1,292,317.00</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>
2017	\$ 357,835.52	\$ 69,983.54	\$ 427,819.06
2018	362,835.52	97,325.00	460,160.52
2019	359,835.52	89,825.00	449,660.52
2020	367,835.52	83,945.00	451,780.52
2021	375,835.52	77,745.00	453,580.52
2022-2026	1,966,177.60	287,005.00	2,253,182.60
2027-2029	1,222,783.67	80,715.00	1,303,498.67
	<u>\$ 5,013,138.87</u>	<u>\$ 786,543.54</u>	<u>\$ 5,799,682.41</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>
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	32,869.41	6,642.85	39,512.26
2022-2026	174,526.86	23,034.53	197,561.39
2027-2030	132,923.14	5,369.83	138,292.97
	<u>\$ 465,446.88</u>	<u>\$ 67,968.85</u>	<u>\$ 533,415.73</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>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>Issued</u></b>			
General:			
Bonds, Loans and Notes	\$ 2,455,000.00	\$ 2,670,000.00	\$ 2,966,000.00
Water/Sewer Utility:			
Bonds, Loans and Notes	9,443,910.43	10,173,024.67	10,754,399.83
Total Issued	<u>11,898,910.43</u>	<u>12,843,024.67</u>	<u>13,720,399.83</u>
<b><u>Authorized but not Issued</u></b>			
General:			
Bonds, Loans and Notes	120,099.27	146,099.27	172,099.27
Water/Sewer Utility:			
Notes	3,464,894.01	3,611,989.01	3,468,339.00
Total Authorized but not Issued	<u>3,584,993.28</u>	<u>3,758,088.28</u>	<u>3,640,438.27</u>
Total Issued and Authorized but not Issued	<u>15,483,903.71</u>	<u>16,601,112.95</u>	<u>17,360,838.10</u>
<b><u>Deductions</u></b>			
General:			
Reserve for Payment of Bonds	428,192.20	56,495.23	98,031.49
Water/Sewer Utility:			
Self-Liquidating	12,908,804.44	13,785,013.68	14,222,738.83
Total Deductions	<u>13,336,996.64</u>	<u>13,841,508.91</u>	<u>14,320,770.32</u>
<b>Net Debt</b>	<u>\$ 2,146,907.07</u>	<u>\$ 2,759,604.04</u>	<u>\$ 3,040,067.78</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 1.355%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Purposes	\$ 1,960,000.00	\$ 1,960,000.00	
Self-Liquidating	12,908,804.44	12,908,804.44	
Guarantee Bonds	18,770,000.00	18,770,000.00	
General	2,575,099.27	428,192.20	\$ 2,146,907.07
	<u>\$ 36,213,903.71</u>	<u>\$ 34,066,996.64</u>	<u>\$ 2,146,907.07</u>

Net debt \$2,146,907.07 divided by the equalized valuation basis per N.J.S.A.40A:2-2, as amended, \$158,409,101.00, equals 1.355%.



**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)	\$	5,544,318.54
Less: Net Debt		<u>2,146,907.07</u>
Remaining Borrowing Power	\$	<u><u>3,397,411.47</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	\$	3,577,390.59
Deductions:		
Operating and Maintenance Costs	\$	2,637,359.00
Debt Service		<u>837,910.18</u>
Total Deductions		<u>3,475,269.18</u>
Excess/(Deficit) in Revenue	\$	<u><u>102,121.41</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, 2016, 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, 2016</u>	<u>2017 Budget Appropriation</u>
Current Fund:		
Speical Emergency - Revaluation	\$ 320,000.00	\$ 64,000.00
Overexpenditure of Budget Appropriation	7,739.00	7,739.00
Overexpenditure of Appropriation Reserve	4,905.40	4,905.40
Federal and State Grant Fund:		
Overexpenditure of Appropriated Grants	26,448.10	26,448.10
Animal Control Trust Fund		
Deficit - Reserve for Animal Control Fund	3,699.66	3,699.66
General Capital Fund		
Overexpenditure of Improvement Authoriza	251,138.86	251,138.86

The appropriations in the 2017 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>2016</u>	<u>2015</u>
Balance of Tax	\$ 1,251,871.00	\$ 1,651,736.94
Deferred	<u>1,232,229.00</u>	<u>1,232,229.00</u>
	<u>\$ 19,642.00</u>	<u>\$ 419,507.94</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>
2016	\$ 13,729.80	\$ -	\$ 13,729.80	\$ 54,059.04
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

**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, 2016, \$18,770,000.00 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 08-15-16	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 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 08/15/16 by the City; the remaining \$20,000.00 was reserved for possible future year deficits.

**Note 17: DEBT SERVICE AGREEMENT (CONT'D)**

The City of Salem's 2017 Introduced Budget includes a budget appropriation of \$65,000.00 to cover any future deficit instead of requiring Stand Up For Salem, Inc. to make a withdraw from the Debt Service Reserve.

**December 31, 2016 Summary of Reserve**

2012	\$ 54,513.00
2013	75,000.00
2014	55,000.00
2015	20,000.00
2016	20,000.00
	<u>\$ 224,513.00</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, 2016, several tax appeals were on file against the City. If such appeals are not settled in favor of the City, the estimated impact of the tax refunds could be material.

**Note 19: SUBSEQUENT EVENTS**

**Authorization of Debt** - Subsequent to December 31, the City authorized additional bonds and notes as follows:

<u>Purpose</u>	<u>Adoption</u>	<u>Authorization</u>
<b>General Improvements</b>		
Demolition of Unsafe Buildings and Structures	02/06/17	\$ 250,000.00

**SUPPLEMENTAL EXHIBITS**

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

**CITY OF SALEM**  
**CURRENT FUND**  
**Statement of Cash**  
**For the Year Ended December 31, 2016**

Balance December 31, 2015		\$	849,812.14
Increased by Receipts:			
Taxes Receivable	\$ 7,257,111.61		
Tax Title Liens	309,881.91		
Prepaid Taxes	74,643.80		
Due State of New Jersey Senior Citizens' & Veterans' Deductions	36,250.00		
Miscellaneous Revenue Anticipated	3,270,528.44		
Miscellaneous Revenue Not Anticipated	156,130.89		
Due Federal and State Grant Fund - Received for	109,629.93		
Due Trust -- Other Funds - Received from	22,907.09		
Due Trust -- Other Funds - Received for	16,529.00		
Due General Capital Fund - Received from	1,702.53		
Due General Capital Fund - Received for	622,835.83		
Due Utility Operating Fund - Received for	27,038.62		
Due to Volunteer Fire Co	3,000.00		
Special Emergency Note Payable - Revaluation	320,000.00		
Insurance Proceeds Receivable	54,791.88		
			12,282,981.53
			13,132,793.67
Decreased by Disbursements:			
Appropriations	6,366,549.33		
Appropriation Reserves	363,448.21		
County Taxes Payable	1,596,533.60		
Local School Taxes Payable	2,903,625.12		
Due Federal and State Grant Fund - Disbursed for	46,588.17		
Due Animal Control Fund - Disbursed for	1,780.96		
Due General Capital Fund - Disbursed for	591,731.89		
Due Utility Operating Fund - Disbursed for	32,016.17		
Reserve for Revaluation	135,583.74		
Refund of Prior Year Revenue	5,485.73		
Prepaid Debt Service	6,475.00		
			12,049,817.92
Balance December 31, 2016		\$	1,082,975.75

**CITY OF SALEM**  
**CURRENT FUND**  
 Statement of Taxes Receivable and Analysis of Property Tax Levy  
 For the Year Ended December 31, 2016

	Balance Dec. 31, 2015	Levy	Added / Omitted Taxes	Collected		Due from State of New Jersey	Adjustments and Canceled	Transferred to Liens	Balance Dec. 31, 2016
				2015	2016				
Prior	\$ 202,384.84				\$ 472.50		\$ (87,928.22)	\$ 4,080.48	\$ 285,760.08
2014	120,459.75				5,180.24		28,174.30		87,105.21
2015	835,157.80				441,775.71		74,925.02	289,775.05	28,682.02
2016		\$ 8,463,615.09	\$ 12,321.38	\$ 82,586.37	6,809,683.16	\$ 33,500.00	209,808.70	730,172.98	610,185.26
	<u>\$ 1,158,002.39</u>	<u>\$ 8,463,615.09</u>	<u>\$ 12,321.38</u>	<u>\$ 82,586.37</u>	<u>\$ 7,257,111.61</u>	<u>\$ 33,500.00</u>	<u>\$ 224,979.80</u>	<u>\$ 1,024,028.51</u>	<u>\$ 1,011,732.57</u>

Analysis of Property Tax Levy

Tax Yield:

General Purpose	\$ 8,463,615.09
Added / Omitted Taxes	<u>12,321.38</u>
	<u>\$ 8,475,936.47</u>

Tax Levy:

Local District School Tax	\$ 2,473,242.00
County Taxes:	
County Tax	\$ 1,564,313.90
County Open Space Tax	29,935.41
Due County for Added and Omitted Taxes	<u>2,328.34</u>
	1,596,577.65
Local Tax for Municipal Purposes	4,324,248.86
Library Tax	49,832.02
Add: Additional Tax Levied - Added and Omitted Taxes	9,993.04
Add: Additional Tax Levied - Rounding	<u>22,042.90</u>
	<u>4,406,116.82</u>
	<u>\$ 8,475,936.47</u>



**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Tax Title Liens  
For the Year Ended December 31, 2016

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Balance December 31, 2015		\$ 1,874,685.03
Increased by:		
Transfers from Taxes Receivable	\$ 1,024,028.51	
Interest and Costs - Tax Sale / Adjustments	161,852.01	
		1,185,880.52
		3,060,565.55
Decreased by:		
Cash Receipts		309,881.91
Balance December 31, 2016		\$ 2,750,683.64

## Exhibit SA-4

**CURRENT FUND**  
Statement of Prepaid Taxes  
For the Year Ended December 31, 2016

---

Balance December 31, 2015		\$ 82,586.37
Increased by:		
Collections -- 2017 Taxes		74,643.80
		157,230.17
Decreased by:		
Applied to 2016 Taxes Receivable		82,586.37
Balance December 31, 2016		\$ 74,643.80

## Exhibit SA-5

**CURRENT FUND**  
Statement of Prepaid Debt Service  
For the Year Ended December 31, 2016

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Balance December 31, 2015		\$ 284,225.00
Increased by:		
Cash Disbursements		6,475.00
Balance December 31, 2016		\$ 290,700.00

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Due to State of New Jersey  
Senior Citizens' and Veterans' Deductions  
For the Year Ended December 31, 2016

---

Balance December 31, 2015		\$ 2,078.23
Increased by:		
Cash Received	\$ 36,250.00	
Prior Year Senior Citizens' and Veterans' Deductions Disallowed by Tax Collector	none	36,250.00
		38,328.23
Decreased by:		
2016 Levy -- Deductions per Tax Billing	\$ 36,000.00	
2016 Senior Citizens' and Veterans' Deductions Granted by Tax Collector	1,250.00	37,250.00
2016 Senior Citizens' and Veterans' Deductions Disallowed by Tax Collector	(3,750.00)	33,500.00
Balance December 31, 2016		\$ 4,828.23

**CITY OF SALEM**  
**CURRENT FUND**  
 Statement of Revenue Accounts Receivable  
 For the Year Ended December 31, 2016

<u>Miscellaneous Revenues</u>	Balance <u>Dec. 31, 2015</u>	<u>Accrued</u>	<u>Collected</u>	<u>Applied</u>	Balance <u>Dec. 31, 2016</u>
Fines and Costs - Municipal Court	\$ 4,081.47	\$ 49,339.29	\$ 50,478.01		\$ 2,942.75
Interest and Costs on Taxes		161,224.29	161,224.29		
Street Opening Permits		4,525.00	4,525.00		
Cable Television Franchise Fee		56,427.77	56,427.77		
Transitional Aid		1,130,000.00	1,130,000.00		
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		85,246.00	85,246.00		
Clean Communities Program		12,536.92		\$ 12,536.92	
Body Armor		315.49		315.49	
Whispering Waters Pilot Agreement		337,464.00	337,464.00		
Senior Village Pilot Agreement		18,000.00	18,000.00		
County of Salem Pilot Agreement		-	-		
South Jersey Gas Agreement		31,224.37	31,224.37		
Unappropriated Grant - Municipal Alliance		6,096.93		6,096.93	
Unappropriated Grant - Body Armor		1,700.00		1,700.00	
<b>Total Miscellaneous Revenue</b>	<b>\$ 4,081.47</b>	<b>\$ 3,290,039.06</b>	<b>\$ 3,270,528.44</b>	<b>\$ 20,649.34</b>	<b>\$ 2,942.75</b>

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Appropriation Reserves  
For the Year Ended December 31, 2016

	<u>Balance December 31, 2015</u>		<u>Balance</u>		<u>Over-</u>	<u>Lapsed to</u>
	<u>Encumbered</u>	<u>Reserved</u>	<u>After</u>	<u>Disbursed</u>	<u>Expended</u>	<u>Fund Balance</u>
			<u>Modification</u>			
<b><u>OPERATIONS -- WITHIN "CAPS"</u></b>						
<b><u>General Government Functions</u></b>						
Human Resources						
Other Expenses		\$ 1,000.00	\$ 1,000.00			\$ 1,000.00
Mayor and Council:						
Salaries and Wages		174.83	174.83			174.83
Other Expenses	\$ 1,275.00	3,763.37	5,038.37	\$ 3,288.88		1,749.49
Municipal Clerk:						
Salaries and Wages		247.84	247.84			247.84
Other Expenses	2,497.47	4,465.62	6,963.09	5,316.15		1,646.94
Financial Administration:						
Salaries and Wages		792.48	792.48			792.48
Other Expenses	439.67	1,037.05	1,476.72	330.11		1,146.61
Audit Services:						
Other Expenses		66.54	66.54			66.54
Tax Collection:						
Salaries and Wages		66.00	66.00			66.00
Other Expenses		123.95	123.95	21.50		102.45
Assessment of Taxes:						
Salaries and Wages		1.60	1.60			1.60
Other Expenses		8.82	8.82	39.66	\$ 30.84	
Legal Services and Costs:						
Salaries and Wages		141.36	141.36			141.36
Other Expenses		511.04	511.04			511.04
In Rem Foreclosures		18,786.78	18,786.78	12,062.77		6,724.01
Engineering Services and Costs:						
Other Expenses		1,000.00	1,000.00	1,000.00		
Public Buildings and Grounds:						
Other Expenses	100.00	473.05	573.05			573.05
Housing Enforcement:						
Salaries and Wages		5,113.84	5,113.84			5,113.84
Other Expenses		35.63	35.63			35.63
Insurance:						
General Liability		110.33	110.33			110.33
Employee Group Health		321,013.65	321,013.65	313,462.83		7,550.82
<b><u>Land Use Administration</u></b>						
Planning Board:						
Other Expenses		0.04	0.04			0.04
<b><u>Public Safety</u></b>						
Fire:						
Other Expenses	1,955.52	5,927.46	7,882.98	12,757.54	4,874.56	
Police:						
Salaries and Wages		158,310.04	158,310.04			158,310.04
Other Expenses	233.33	6,120.09	6,353.42	4,455.83		1,897.59
Aid to Ambulance Organization:						
Other Expenses	1,000.00	1,141.53	2,141.53	1,728.60		412.93
Office of Emergency Management:						
Salaries and Wages		2.80	2.80			2.80
<b><u>Streets and Roads</u></b>						
Road Repairs and Maintenance:						
Salaries and Wages		897.20	897.20			897.20
Other Expenses	5,500.00	2,399.05	7,899.05	6,322.07		1,576.98

(Continued)

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Appropriation Reserves  
For the Year Ended December 31, 2016

	<u>Balance December 31, 2015</u>		<u>Balance</u>		<u>Over-</u>	<u>Lapsed to</u>
	<u>Encumbered</u>	<u>Reserved</u>	<u>After</u>	<u>Disbursed</u>	<u>Expended</u>	<u>Fund Balance</u>
<u>Sanitation</u>						
Street Cleaning:						
Salaries and Wages		\$ 48.54	\$ 48.54			\$ 48.54
Other Expenses		189.68	189.68			189.68
Sanitary Landfill:						
Other Expenses		2,077.09	2,077.09			2,077.09
Vehicle Maintenance:						
Other Expenses	\$ 4,648.30	2,280.25	6,928.55	\$ 2,137.14		4,791.41
<u>Health and Welfare</u>						
Board of Health						
Other Expenses		350.00	350.00			350.00
<u>Recreation and Education</u>						
Recreation:						
Other Expenses		50.81	50.81			50.81
<u>Municipal Court</u>						
Municipal Court Administration:						
Salaries and Wages		0.68	0.68			0.68
Other Expenses	525.13	782.57	1,307.70	525.13		782.57
Public Defender:						
Other Expenses		1.60	1.60			1.60
<u>Utility Expenses and Bulk Purchases</u>						
Street Lighting		2,819.50	2,819.50			2,819.50
Telephone		88.13	88.13			88.13
Heating Oil		8,328.70	8,328.70			8,328.70
Gasoline		2,290.56	2,290.56			2,290.56
Natural Gas		164.14	164.14			164.14
Electricity		702.12	702.12			702.12
<u>Statutory Expenditures</u>						
Contribution to:						
Social Security System (O.A.S.I.)		3,248.76	3,248.76			3,248.76
Unemployment and Disability		548.14	548.14			548.14
<u>Additional Appropriations Offset by Revenues</u>						
Garbage and Trash Collections:						
Other Expenses		3,329.58	3,329.58			3,329.58
	<u>\$ 18,174.42</u>	<u>\$ 561,032.84</u>	<u>\$ 579,207.26</u>	<u>\$ 363,448.21</u>	<u>\$ 4,905.40</u>	<u>\$ 220,664.45</u>

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Property Acquired for Taxes -- Assessed Valuation  
For the Year Ended December 31, 2016

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Balance December 31, 2015	\$ 2,719,600.00
Increased by:	
Adjustment	40,100.00
Balance December 31, 2016	\$ 2,759,700.00

## Exhibit SA-10

**CURRENT FUND**  
Statement of Due County Taxes  
For the Year Ended December 31, 2016

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Increased by:		
County General Share of 2016 Levy	\$ 1,564,313.90	
County Open Space Preservation Share of 2016 Levy	29,935.41	
County for Added and Omitted Taxes	2,328.34	
		\$ 1,596,577.65
Decreased by:		
Cash Disbursements		1,596,533.60
Balance December 31, 2016		\$ 44.05

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Local District School Tax  
For the Year Ended December 31, 2016

<hr/>		
Balance December 31, 2015		
School Tax Payable	\$ 419,507.94	
School Tax Deferred	<u>1,232,229.00</u>	\$ 1,651,736.94
Increased by:		
Levy -- School Year July 1, 2016 to June 30, 2017	2,473,242.00	
2016 Budget Appropriation Transferred to Board of Education for Use of Local School (N.J.S.A. 40:48-17.1 & 17.3)	<u>30,500.00</u>	<u>2,503,742.00</u>
		4,155,478.94
Decreased by:		
Adjustment	(17.18)	
Payments	<u>2,903,625.12</u>	<u>2,903,607.94</u>
Balance December 31, 2016		
School Tax Payable	19,642.00	
School Tax Deferred	<u>1,232,229.00</u>	<u>\$ 1,251,871.00</u>

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Due to Federal and State Grant Fund  
For the Year Ended December 31, 2016

Balance December 31, 2015		\$ 3,425.28
Increased by:		
Collected for Federal and State Grant Fund - Unappropriated Grants	\$ 30,875.04	
Collected for Federal and State Grant Fund - Grant Receivables	<u>78,754.89</u>	
		\$ 109,629.93
Budget Appropriation - Deferred Charge		8,451.78
Overexpenditure Appropriated Grants		<u>26,448.10</u>
		<u>144,529.81</u>
		147,955.09
Decreased by:		
Disbursed for Federal and State Grant Fund		46,588.17
Unappropriated Grants Realized as Miscellaneous Revenue		<u>7,796.93</u>
		<u>54,385.10</u>
Balance December 31, 2016		<u><u>\$ 93,569.99</u></u>



**CITY OF SALEM**  
**FEDERAL AND STATE GRANT FUND**  
Statement of Federal and State Grants Receivable  
For the Year Ended December 31, 2016

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<u>Program</u>	<u>Balance</u> <u>Dec. 31, 2015</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>Balance</u> <u>Dec. 31, 2016</u>
Clean Communities Program		\$ 12,536.92	\$ 12,536.92		
Body Armor Fund		315.49	315.49		
NJ DOT Grieves Parkway Phase II	\$ 72,868.80			\$ 54,091.89	\$ 18,776.91
USDA - Police Vehicles	37,726.00				37,726.00
Historic Preservation Architectural Survey	24,999.00			24,663.00	336.00
	<u>\$ 135,593.80</u>	<u>\$ 12,852.41</u>	<u>\$ 12,852.41</u>	<u>\$ 78,754.89</u>	<u>\$ 56,838.91</u>

**CITY OF SALEM**  
**FEDERAL AND STATE GRANT FUND**  
Statement of Reserve for Federal and State Grants -- Appropriated  
For the Year Ended December 31, 2016

<u>Program</u>	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Transferred</u> <u>from</u> <u>Budget</u> <u>Appropriation</u>	<u>Disbursed by</u> <u>Current Fund</u>	<u>Over-</u> <u>Expended</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
<b>Federal Grants:</b>					
Local Law Enforcement Block Grant	\$ 335.25				\$ 335.25
State Police SLA Heop Grant	2,405.72				2,405.72
National Fish and Wildlife Foundation	1,331.19				1,331.19
	<u>4,072.16</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,072.16</u>
<b>State Grants:</b>					
Clean Communities Grant	5,333.49	\$ 12,536.92	\$ 11,768.77		6,101.64
Body Armor Fund		315.49	2,349.75	\$ 2,034.26	
Drunk Driving Enforcement Fund	19,234.20		1,751.64		17,482.56
Municipal Alliance			11,628.80	11,628.80	
USDA Grant Fire Equipment			12,785.04	12,785.04	
Neighborhood Preservation Program	5,403.26				5,403.26
Domestic Violence Training	6,800.00				6,800.00
Recycling Tonnage	20,611.45				20,611.45
N.J. Department of Health - Hepatitis B Vaccine	4,418.40				4,418.40
NJ DOT Grieves Parkway Phase II	21,110.67		4,420.17		16,690.50
Historic Preservation Architectural Survey	335.05				335.05
	<u>83,246.52</u>	<u>12,852.41</u>	<u>44,704.17</u>	<u>26,448.10</u>	<u>77,842.86</u>
<b>Other Grants:</b>					
US Marshalls	39,502.84		1,884.00		37,618.84
	<u>39,502.84</u>	<u>-</u>	<u>1,884.00</u>	<u>-</u>	<u>37,618.84</u>
	<u>\$ 126,821.52</u>	<u>\$ 12,852.41</u>	<u>\$ 46,588.17</u>	<u>\$ 26,448.10</u>	<u>\$ 119,533.86</u>

**CITY OF SALEM**  
**FEDERAL AND STATE GRANT FUND**  
 Statement of Reserve for Federal and State Grants -- Unappropriated  
 For the Year Ended December 31, 2016

<u>Program</u>	<u>Balance Dec. 31, 2015</u>	<u>Received by Current Fund</u>	<u>Realized as Miscellaneous Revenue in Budget</u>	<u>Balance Dec. 31, 2016</u>
Municipal Alliance on Alcohol and Drug Abuse	\$ 6,096.93	\$ 7,530.48	\$ 6,096.93	\$ 7,530.48
Clean Communities Grant	12,536.92	14,332.52	12,536.92	14,332.52
Body Armor Fund	2,015.49	1,863.38	2,015.49	1,863.38
Recycling Tonnage		7,148.66		7,148.66
	<u>\$ 20,649.34</u>	<u>\$ 30,875.04</u>	<u>\$ 20,649.34</u>	<u>\$ 30,875.04</u>
Miscellaneous Revenue Anticipated			\$ 7,796.93	
Federal and State Grants Anticipated			12,852.41	
			<u>\$ 20,649.34</u>	

**Exhibit SA-16**

**CURRENT FUND**  
 Statement of Due from Utility Operating Fund  
 For the Year Ended December 31, 2016

Balance December 31, 2015		\$ 224.65
Increased by:		
Disbursed for Utility Operating Fund:		
Budget Appropriations	\$ 23,921.17	
Accrued Interest on Bonds and Notes	8,095.00	
	<u>32,016.17</u>	
		32,240.82
Decreased by:		
Received for Utility Operating Fund:		
Consumer Accounts Receivable		<u>27,038.62</u>
Balance December 31, 2016		<u>\$ 5,202.20</u>

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Reserve for Revaluation  
For the Year Ended December 31, 2016

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Increased by:	
Special Emergency - Revaluation	\$ 320,000.00
Decreased by:	
Cash Disbursements	<u>135,583.74</u>
Balance December 31, 2016	<u><u>\$ 184,416.26</u></u>

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

**CITY OF SALEM**  
**TRUST FUNDS**  
**Statement of Cash**  
**For the Year Ended December 31, 2016**

	<u>Animal Control</u>	<u>Other</u>
Balance December 31, 2015	\$ 16,810.31	\$ 899,415.22
Increased by Receipts:		
Dog License Fees Collected	\$ 2,021.20	
Current Fund Budget Appropriation	17,000.00	
Due Current Fund - MRNA Interest Earnings		\$ 3.33
Reserve for:		
Small Cities Rehab		119,550.00
Developer's Escrow		3,601.00
POAA		146.00
Payroll Withholdings Payable		6,258,942.37
Public Defender		2.97
Landfill		836.26
Tax Title Liens		982,693.67
Shade Tree Commission		1.92
Off-Duty Police		27,775.00
Municipal Pool Donations Account		49,466.56
	19,021.20	7,443,019.08
	35,831.51	8,342,434.30
Decreased by Disbursements:		
Due State Department of Health	319.20	
Expenditures Under R.S. 4:19-15.11	27,042.22	
Due Current Fund - Disbursed to		22,907.09
Reserve for:		
Small Cities Rehab		143,745.53
Developer's Escrow		1,362.66
POAA		57.00
Payroll Withholdings Payable		6,055,032.82
Public Defender		24.00
Tax Title Liens		1,024,723.08
Shade Tree Commission		1,130.18
Off-Duty Police		30,662.00
Municipal Pool Donations Account		65,769.94
	27,361.42	7,345,414.30
Balance December 31, 2016	\$ 8,470.09	\$ 997,020.00

**CITY OF SALEM**  
**TRUST -- ANIMAL CONTROL FUND**  
Statement of Reserve for Animal Control Expenditures  
For the Year Ended December 31, 2016

Balance December 31, 2015		\$ 821.52
Increased by:		
Current Fund Budget Appropriation	\$ 17,000.00	
Due from Current Fund - Budget Appropriation	<u>5,600.00</u>	
Total Current Fund Budget Appropriation	22,600.00	
Dog License Fees Collected	<u>2,021.20</u>	
		<u>24,621.20</u>
		25,442.72
Decreased by:		
Transferred to Due to State of New Jersey	319.20	
Due to Current Fund	1,780.96	
Expenditures Under R.S.4:19- 15.11	<u>27,042.22</u>	
		<u>29,142.38</u>
Balance December 31, 2016		<u><u>\$ (3,699.66)</u></u>
 <u>License Fees Collected</u>		
<u>Year</u>		<u>Amount</u>
2015		\$ 1,393.80
2014		<u>1,679.00</u>
		<u><u>\$ 3,072.80</u></u>

## Exhibit SB-3

**TRUST -- ANIMAL CONTROL FUND**  
Statement of Due to Current Fund  
For the Year Ended December 31, 2016

Balance December 31, 2015		\$ 15,955.79
Increased by:		
Disbursed by Current Fund		<u>1,780.96</u>
		17,736.75
Decreased by:		
Due from Current Fund - Budget Appropriation		<u>5,600.00</u>
Balance December 31, 2016		<u><u>\$ 12,136.75</u></u>

**CITY OF SALEM**  
TRUST -- ANIMAL CONTROL FUND  
Statement of Due to State of New Jersey  
For the Year Ended December 31, 2016

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Balance December 31, 2015	\$ 33.00
Increased by:	
Transferred from Reserve for Animal Control Expenditures	<u>319.20</u>
	352.20
Decreased by:	
Payments	<u>319.20</u>
Balance December 31, 2016	<u><u>\$ 33.00</u></u>



**CITY OF SALEM**  
**TRUST -- OTHER FUNDS**  
Statement of Due from Current Fund  
For the Year Ended December 31, 2016

Balance December 31, 2015		\$ 121,305.28
Increased by:		
Collected by Current Fund	\$ 16,529.00	
Disbursed to Current Fund	22,907.09	
		39,436.09
		160,741.37
Decreased by:		
Receipts - Interest Earned on Deposits		3.33
Balance December 31, 2016		\$ 160,738.04
 <u>Analysis of Balance Dec. 31, 2016</u>		
Developer's Escrow		\$ (3,629.95)
POAA		(2.03)
Payroll		(31,159.24)
Public Defender		34,694.75
Tax Title Liens		100,000.00
Unemployment		44,305.51
Small Cities		16,529.00
		\$ 160,738.04

**CITY OF SALEM**  
**TRUST -- OTHER FUNDS**  
Statement of Changes in Reserves  
For the Year Ended December 31, 2016

	Balance	Increased by:		Decreased by	Balance
	<u>Dec. 31, 2015</u>	<u>Receipts</u>	<u>Due Current Fund</u>	<u>Disbursements</u>	<u>Dec. 31, 2016</u>
Reserve for:					
Community Development Block Grant of 1974:					
Community Development Housing Equity	\$ 15,773.79				\$ 15,773.79
Small Cities Rehab	18,445.63	\$ 119,550.00	\$ 16,529.00	\$ 143,745.53	10,779.10
Developer's Escrow	31,785.91	3,601.00		1,362.66	34,024.25
POAA	10,929.39	146.00		57.00	11,018.39
Payroll Withholdings Payable	109,528.82	6,258,942.37		6,055,032.82	313,438.37
Public Defender	770.33	2.97		24.00	749.30
Landfill	91,424.08	836.26			92,260.34
Tax Title Liens	506,985.87	982,693.67		1,024,723.08	464,956.46
Unemployment Compensation	54,059.04				54,059.04
Accumulated Sick Leave	33,350.27				33,350.27
Shade Tree Commission	2,188.91	1.92		1,130.18	1,060.65
Off-Duty Police	3,530.47	27,775.00		30,662.00	643.47
Municipal Pool Donations Account	30,679.60	49,466.56		65,769.94	14,376.22
	<u>\$ 909,452.11</u>	<u>\$ 7,443,015.75</u>	<u>\$ 16,529.00</u>	<u>\$ 7,322,507.21</u>	<u>\$ 1,046,489.65</u>

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

**CITY OF SALEM**  
GENERAL CAPITAL FUND  
Statement of Cash  
For the Year Ended December 31, 2016

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Balance December 31, 2015	\$ 10,714.06
Due Current Fund - Disbursed to	<u>1,702.53</u>
Balance December 31, 2016	<u><u>\$ 9,011.53</u></u>

**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
 Analysis of General Capital Cash  
 For the Year Ended December 31, 2016

	Balance (Deficit) <u>Dec. 31, 2015</u>	Miscellaneous <u>Receipts</u>	<u>Disbursements</u>	<u>Transfers</u>		Balance (Deficit) <u>Dec. 31, 2016</u>
				<u>To</u>	<u>From</u>	
Due Current Fund	\$ (3,236.81)		\$ 1,702.53	\$ 591,731.89	\$ 668,835.83	\$ (82,043.28)
Due Utility Capital Fund	(677,749.10)					(677,749.10)
Reserve for Payment of Bonds & Notes	56,495.23			622,835.83		679,331.06
Reserve for Payment of Guaranteed Debt	204,513.00			20,000.00		224,513.00
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	48,870.70					48,870.70
05-28	336,729.03				591,731.89	(255,002.86)
06-13	(50,000.00)			26,000.00		(24,000.00)
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>\$ 10,714.06</u>	<u>\$ -</u>	<u>\$ 1,702.53</u>	<u>\$ 1,260,567.72</u>	<u>\$ 1,260,567.72</u>	<u>\$ 9,011.53</u>

**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
Statement of Due from Current Fund  
For the Year Ended December 31, 2016

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Balance December 31, 2015		\$ 3,236.81
Increased by:		
Budget Appropriation - Reserve for the Payment of Guaranteed Debt	\$ 20,000.00	
Budget Appropriation - Deferred to Future Taxation - Unfunded	26,000.00	
Disbursed to Current Fund	1,702.53	
Reserve for the Payment of Bonds & Notes Collected by Current Fund	622,835.83	
		670,538.36
		673,775.17
Decreased by:		
Disbursed by Current Fund		591,731.89
Balance December 31, 2016		\$ 82,043.28

Exhibit SC-4

**GENERAL CAPITAL FUND**  
Statement of Deferred Charges to Future Taxation -- Funded  
For the Year Ended December 31, 2016

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Balance December 31, 2015		\$ 2,670,000.00
Decreased by:		
Budget Appropriation - Serial Bonds		215,000.00
Balance December 31, 2016		\$ 2,455,000.00

**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
Statement of Deferred Charges to Future Taxation -- Unfunded  
For the Year Ended December 31, 2016

Ordinance Number	Improvement Description	Balance Dec. 31, 2015	Decreases Budget Appropriation - Deferred Charge	Balance Dec. 31, 2016	Analysis of Balance Dec. 31, 2016		
					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	50,000.00	\$ 26,000.00	24,000.00	24,000.00		
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>\$ 146,099.27</u>	<u>\$ 26,000.00</u>	<u>\$ 120,099.27</u>	<u>\$ 57,394.70</u>	<u>\$ -</u>	<u>\$ 62,704.57</u>

**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
**Statement of General Serial Bonds**  
**For the Year Ended December 31, 2016**

<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, 2015</u>	<u>Paid By Budget Appropriation</u>	<u>Balance Dec. 31, 2016</u>
			<u>Date</u>	<u>Amount</u>				
Various Capital Improvements	6/15/2012	\$ 3,110,000.00	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%			
						\$ 2,670,000.00	\$ 215,000.00	\$ 2,455,000.00
						<u>\$ 2,670,000.00</u>	<u>\$ 215,000.00</u>	<u>\$ 2,455,000.00</u>



**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
 Statement of Improvement Authorizations  
 For the Year Ended December 31, 2016

<u>Improvement Description</u>	<u>Ordinance</u>		<u>Balance</u> <u>Dec. 31, 2015</u>		<u>Paid or</u> <u>Charged</u>	<u>Over</u> <u>Expended</u>	<u>Balance</u> <u>Dec. 31, 2016</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	\$ 489,244.47				\$ 489,244.47	
Improvement of East & West Broadway	05-28	\$ 525,000.00	336,729.03	\$ 3,864.00	\$ 591,731.89	\$ 251,138.86		
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>\$ 839,697.99</u>	<u>\$ 66,568.57</u>	<u>\$ 591,731.89</u>	<u>\$ 251,138.86</u>	<u>\$ 502,968.96</u>	<u>\$ 62,704.57</u>

**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
Statement of Reserve for the Payment of Bonds & Notes  
For the Year Ended December 31, 2016

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Balance December 31, 2015	\$ 56,495.23
Increased by:	
Due Current Fund (collected by Current Fund)	622,835.83
Balance December 31, 2016	\$ 679,331.06

**GENERAL CAPITAL FUND**  
Statement of Reserve for Payment of Guaranteed Debt  
For the Year Ended December 31, 2016

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Balance December 31, 2015	\$ 204,513.00
Increased by:	
Due Current Fund - Budget Appropriation	20,000.00
Balance December 31, 2016	\$ 224,513.00

**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
Statement of Bonds and Notes Authorized But Not Issued  
For the Year Ended December 31, 2016

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Ordinance Number		Balance Dec. 31, 2015	Decreased by Budget Appropriation	Balance Dec. 31, 2016
05-28	Improvement of East & West Broadway	\$ 3,864.00		\$ 3,864.00
06-13	Hires Avenue	50,000.00	\$ 26,000.00	24,000.00
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>\$ 146,099.27</u>	<u>\$ 26,000.00</u>	<u>\$ 120,099.27</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, 2016**

	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2015	\$ 957,129.26	\$ 43.39
Increased by Receipts:		
Consumer Accounts Receivable	\$ 2,882,623.74	
Utility Liens Receivable	67,080.41	
Miscellaneous Revenue	400,647.82	
	<u>3,350,351.97</u>	<u>-</u>
	4,307,481.23	43.39
Decreased by Disbursements:		
Budget Appropriations	3,074,349.17	
Appropriation Reserves	19,705.27	
Accrued Interest on Bonds and Notes	288,733.86	
Refund of Prior Year Revenue	7,672.46	
	<u>3,390,460.76</u>	<u>-</u>
Balance December 31, 2016	<u>\$ 917,020.47</u>	<u>\$ 43.39</u>

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
 Analysis of Water and Sewer Utility Capital Cash  
 For the Year Ended December 31, 2016

	Balance	Receipts	Disbursements		Transfers		Balance
	(Deficit)		Improvement	Miscellaneous	From	To	(Deficit)
	<u>Dec. 31, 2015</u>	<u>Miscellaneous</u>	<u>Authorizations</u>	<u>Miscellaneous</u>			<u>Dec. 31, 2016</u>
Capital Improvement Fund	\$ 68,551.53					\$ 20,000.00	\$ 88,551.53
Due Trust -- Other Funds	(75,275.25)						(75,275.25)
Due General Capital Fund	677,749.10						677,749.10
Due Utility Operating Fund	(232,240.27)				\$ 167,095.00		(399,335.27)
Improvement Authorizations:							
07-15, 08-18, 09-15	(286,522.01)						(286,522.01)
08-13	9,313.00						9,313.00
09-14	(163,533.48)					147,095.00	(16,438.48)
11-148	2,000.77						2,000.77
	<u>\$ 43.39</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,095.00</u>	<u>\$ 167,095.00</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, 2016**

Balance December 31, 2015		\$ 910,704.54
Increased by:		
Water and Sewer Rents Levied - Net of Adjustments		<u>2,986,458.26</u>
		3,897,162.80
Decreased by:		
Collected by Utility Operating Fund	\$ 2,882,623.74	
Collected by Current Fund	<u>27,038.62</u>	
Transferred to Utility Liens Receivable		<u>\$ 2,909,662.36</u>
		174,322.02
		<u>3,083,984.38</u>
Balance December 31, 2016		<u><u>\$ 813,178.42</u></u>

**WATER AND SEWER UTILITY OPERATING FUND**  
**Statement of Utility Liens Receivable**  
**For the Year Ended December 31, 2016**

Balance December 31, 2015		\$ 356,654.06
Increased by:		
Transferred from Consumer Accounts Receivable		<u>174,322.02</u>
		530,976.08
Decreased by:		
Cash Receipts		<u>67,080.41</u>
Balance December 31, 2016		<u><u>\$ 463,895.67</u></u>

**CITY OF SALEM**  
**WATER AND SEWER UTILITY OPERATING FUND**  
 Statement of Appropriation Reserves  
 For the Year Ended December 31, 2016

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	Balance December 31, 2015		Balance After Transfers	Disbursed	Lapsed to Fund Balance
	<u>Reserved</u>	<u>Encumbered</u>			
Operating:					
Salaries and Wages	\$ 3,731.29		\$ 3,731.29		\$ 3,731.29
Other Expenses	32,016.30	\$ 106.62	32,122.92	\$ 19,705.27	12,417.65
	\$ 35,747.59	\$ 106.62	\$ 35,854.21	\$ 19,705.27	\$ 16,148.94



**CITY OF SALEM**  
**WATER AND SEWER UTILITY OPERATING FUND**  
**Statement of Accrued Interest on Bonds and Notes**  
**For the Year Ended December 31, 2016**

Balance December 31, 2015		\$ 131,882.82
Increased by:		
Charged to Budget Appropriation - Interest on Bonds		290,795.95
		422,678.77
Decreased by:		
Due to Current Fund	\$ 8,095.00	
Cash Disbursements	288,733.86	
		296,828.86
Balance December 31, 2016		\$ 125,849.91

Analysis of Accrued Interest December 31, 2016

Bonds and Notes Outstanding <u>Dec. 31, 2016</u>	Interest Rate	<u>From</u>	<u>To</u>	<u>Period</u>	<u>Amount</u>	
Wastewater Improvement Bonds	\$ 3,001,210.77	5.00%	08/01/16	12/31/16	150 days	\$ 62,538.61
USDA Loan	739,113.91	4.25%	07/01/16	12/31/16	180 days	15,706.17
EIT Loan	2,298,000.00	5.00%	08/01/16	12/31/16	150 days	46,116.66
Bonds Payable	225,000.00	3.00%	12/15/16	12/31/16	16 days	324.85
State of New Jersey Loan	465,446.88	2.00%	11/01/16	12/31/16	60 days	1,163.62
					\$ 125,849.91	

**CITY OF SALEM**  
WATER AND SEWER UTILITY CAPITAL FUND  
Statement of Due from Utility Operating Fund  
For the Year Ended December 31, 2016

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Balance December 31, 2015		\$ 232,240.27
Increased by:		
Budget Appropriations -		
Capital Improvement Fund	\$ 20,000.00	
Deferred Charges	<u>147,095.00</u>	
		<u>167,095.00</u>
Balance December 31, 2016		<u><u>\$ 399,335.27</u></u>

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
 Schedule of Fixed Capital  
 As of December 31, 2016

<u>Account</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Reservation Land	\$ 16,924.00
Impounding Reservoirs	22,986.00
Spring and Wells	81,919.00
Infiltration Structures	32,025.00
Pumping Station Structure	35,552.00
Other Power Pumping Equipment	35,985.00
Storage Reservoirs, Standpipe, Etc.	62,099.00
Distribution Mains and Accessories	380,979.00
Meters, Meter Boxes and Vaults	83,264.00
Engineering	33,433.00
Major Improvements and Extension of Water System	1,870,398.00
Wastewater System Upgrade	14,174,950.00
Sewer Capital	122,423.00
New Sewer Disposal Plant	283,408.00
Repairs to Sewer Plant	72,597.00
Miscellaneous Machinery and Equipment	114,462.00
Water System Extension to Mannington Township	181,910.00
Water and Sewer Line to High School	100,000.00
Oak Street Water Line Extension	35,013.00
Sanitary Sewer Line - Hancock Street	17,742.00
Water Mains and Testing Equipment	44,869.00
Extension and Enlargement of 8" Water Line	215,884.00
Water System Repairs and Replacements	106,076.00
Purchase of Land - Upgrade Wastewater System	40,407.00
Purchase of Vehicles	98,330.00
Purchase of Computer	15,000.00
Emergency Repair Well #2	15,491.00
Town Bank Pump Repair	37,394.06
Improvements to Seventh Street Ordinance 00-10	471,050.00
Various Water and Sewer Capital Improvements Ordinance 01-13	225,000.00
Various Improvements - Pennsville Interconnection Ordinance 0-18	40,000.00
Various Water and Sewer Capital Improvements Ordinance 02-09	200,000.00
Various Improvements - Pennsville Interconnection Ordinance 02-11	25,000.00
Various Water and Sewer Capital Improvements Ordinance 02-25	175,000.00
Various Water and Sewer Capital Improvements Ordinance 02-10	120,000.00
Various Water and Sewer Capital Improvements Ordinance 02-12	150,000.00
Improvements to Carpenter Street Ordinance 02-18	455,805.00
Various Water and Sewer Capital Improvements Ordinance 02-31	1,600,000.00
Various Water and Sewer Capital Improvements Ordinance 05-18	8,000.00
Various Water and Sewerage System Improvements Ordinance 05-27	310,000.00
Various Water and Sewer Capital Improvements Ordinance 07-20	20,000.00
Various Water and Sewer Capital Improvements Resolution 11-83	37,800.00
Various Water and Sewer Capital Improvements Resolution 11-169	34,680.00
	<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, 2016

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<u>Improvement Description</u>	<u>Ordinance Date</u>	<u>Ordinance Number</u>	<u>Balance Dec. 31, 2016</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, 2016

Improvement Description	Ordinance Number	Amount	Balance Dec. 31, 2015		Increased by:		Paid or Charged	Balance Dec. 31, 2016	
			Funded	Unfunded	Authorizations	Prior Year Encumbrances		Funded	Unfunded
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		558,067.84					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	2,000.77					2,000.77	
			<u>\$ 11,313.77</u>	<u>\$ 3,161,933.52</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,313.77</u>	<u>\$ 3,161,933.52</u>

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
**Statement of Bonds Payable**  
**For the Year Ended December 31, 2016**

<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, 2015</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2016</u>
			<u>Date</u>	<u>Amount</u>				
Various Water and Sewerage System Improvements	06/15/12	\$ 290,000.00	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%			
						\$ 245,000.00	\$ 20,000.00	\$ 225,000.00

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
**Statement of Wastewater Improvement Bonds**  
**For the Year Ended December 31, 2016**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Bonds</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2015</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2016</u>
			<u>Date</u>	<u>Amount</u>				
Treatment System	08/01/91	\$ 4,939,700.00	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%	\$ 3,132,958.19	\$ 131,747.42	\$ 3,001,210.77

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
**Statement of USDA Loan Payable**  
**For the Year Ended December 31, 2016**

<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, 2015</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2016</u>
			<u>Date</u>	<u>Amount</u>				
Various Capital Improvements	05/16/05	\$ 854,000.00	1/1/2017	\$ 6,591.83				
			7/1/2017	6,731.91				
			1/1/2018	6,874.96				
			7/1/2018	7,021.05				
			1/1/2019	7,170.25				
			7/1/2019	7,322.62				
			1/1/2020	7,478.22				
			7/1/2020	7,637.13				
			1/1/2021	7,799.42				
			7/1/2021	7,965.16				
			1/1/2022	8,134.42				
			7/1/2022	8,307.28				
			1/1/2023 - 7/1/2045	650,079.66	4.25%	<u>\$ 751,888.94</u>	<u>\$ 12,775.03</u>	<u>\$ 739,113.91</u>



**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
Statement of New Jersey Environmental Infrastructure Trust Loans Payable  
For the Year Ended December 31, 2016

<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, 2015</u>	<u>Decreases</u>	<u>Balance Dec. 31, 2016</u>
			<u>Date</u>	<u>Amount</u>				
Water Plant	03/10/10	\$ 2,890,000.00	9/1/2017	\$ 130,000.00	5.00%			
			9/1/2018	135,000.00	5.00%			
			9/1/2019	137,000.00	4.00%			
			9/1/2020	142,000.00	5.00%			
			9/1/2021	150,000.00	3.00%			
			9/1/2022	152,000.00	4.00%			
			9/1/2023	161,000.00	4.00%			
			9/1/2024	166,000.00	4.00%			
			9/1/2025	175,000.00	4.00%			
			9/1/2026	180,000.00	3.50%			
			9/1/2027	186,000.00	4.00%			
			9/1/2028	195,000.00	4.00%			
			9/1/2029	205,000.00	4.00%	\$ 2,340,000.00	\$ 226,000.00	\$ 2,114,000.00
Water Plant	03/10/10	3,701,812.00	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	2,675,927.95	194,832.22	2,481,095.73			

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, 2016

Purpose	Date of Issue	Original Issue	Maturity of Loans		Interest Rate	Balance Dec. 31, 2015	Decreases	Balance Dec. 31, 2016
			Date	Outstanding Amount				
Pumping Station	03/10/10	\$ 345,000.00	9/1/2017	\$ 15,000.00	5.00%	\$ 280,000.00	\$ 96,000.00	\$ 184,000.00
			9/1/2018	15,000.00	5.00%			
			9/1/2019	10,000.00	4.00%			
			9/1/2020	13,000.00	5.00%			
			9/1/2021	13,000.00	3.00%			
			9/1/2022	13,000.00	4.00%			
			9/1/2023	13,000.00	4.00%			
			9/1/2024	13,000.00	4.00%			
			9/1/2025	13,000.00	4.00%			
			9/1/2026	16,000.00	3.50%			
			9/1/2027	17,000.00	4.00%			
			9/1/2028	17,000.00	4.00%			
			9/1/2029	16,000.00	4.00%			
Pumping Station	03/10/10	342,063.00	2/1/2017	6,001.10	none	252,046.45	18,003.31	234,043.14
			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	12,002.31	none						
						<u>252,046.45</u>	<u>18,003.31</u>	<u>234,043.14</u>
						<u>\$ 5,547,974.40</u>	<u>\$ 534,835.53</u>	<u>\$ 5,013,138.87</u>
						Paid by Budget Appropriation		\$ 352,835.53
						EIT Refunding		182,000.00
								<u>\$ 534,835.53</u>

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
Statement of State of New Jersey Loan - Dam Restoration Program  
For the Year Ended December 31, 2016

<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, 2015</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2016</u>
			<u>Date</u>	<u>Outstanding Amount</u>				
Quinton / Elkinton Dams	07/31/12	\$ 581,000.00	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>\$ 495,203.14</u>	<u>\$ 29,756.26</u>	<u>\$ 465,446.88</u>

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
 Statement of Capital Improvement Fund  
 For the Year Ended December 31, 2016

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Balance December 31, 2015		\$ 68,551.53
Increased by:		
Budget Appropriation		20,000.00
Balance December 31, 2016		\$ 88,551.53

## Exhibit SD-17

**WATER AND SEWER UTILITY CAPITAL FUND**  
 Statement of Deferred Reserve for Amortization  
 For the Year Ended December 31, 2016

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Balance December 31, 2015		\$ 7,468,983.45
Increased by:		
Paid by Utility Operating Fund:		
EIT Loan	\$ 352,835.53	
State of New Jersey Loan	29,756.26	
EIT Refunding	182,000.00	
Budget Appropriations	147,095.00	
		711,686.79
Balance December 31, 2016		\$ 8,180,670.24

**CITY OF SALEM**  
WATER AND SEWER UTILITY CAPITAL FUND  
Statement of Reserve for Amortization  
For the Year Ended December 31, 2016

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Balance December 31, 2015		\$ 18,074,007.93
Increased by:		
Paid by Utility Operating Fund:		
Bonds Payable	\$ 20,000.00	
Wastewater Improvement Bonds	131,747.42	
USDA Loan	12,775.03	
	<u>164,522.45</u>	<u>164,522.45</u>
Balance December 31, 2016		<u><u>\$ 18,238,530.38</u></u>

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
**Statement of Bonds and Notes Authorized But Not Issued**  
**For the Year Ended December 31, 2016**

<u>Ordinance Number</u>		<u>Balance Dec. 31, 2015</u>	<u>Adjustment</u>	<u>Decreased by Budget Appropriation</u>	<u>Balance Dec. 31, 2016</u>
06-08	Quinton / Elkinton Dams	\$ 430,758.16			\$ 430,758.16
07-15, 08-18, 09-15	Improvement of the Water Supply & Distribution System	1,052,419.85	\$ (207,830.00)		844,589.85
09-14	Improvements of the Sanitary Sewerage System	2,128,811.00	207,830.00	\$ 147,095.00	2,189,546.00
		<u>\$ 3,611,989.01</u>	<u>\$ -</u>	<u>\$ 147,095.00</u>	<u>\$ 3,464,894.01</u>
	Reserve for Deferred Amortization			<u>\$ 147,095.00</u>	

**PART II**  
**SINGLE AUDIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the City of Salem's, in the County of Salem, State of New Jersey, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City of Salem's major federal program for the year ended December 31, 2016. The City of Salem's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

**Management's Responsibility**

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance of the City of Salem's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Uniform Guidance requires that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Salem's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Major Federal Program**

In our opinion, the City of Salem complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.



### Report on Internal Control Over Compliance

Management of the City of Salem is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Salem's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Salem's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

*Fred S. Caltabiano*

Fred S. Caltabiano  
Certified Public Accountant  
Registered Municipal Accountant

Woodbury, New Jersey  
July 24, 2017

**CITY OF SALEM**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended December 31, 2016

Federal Grantor / Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Grant Period		Expended	Pass-Through to Subrecipients	(Memo Only)	
			From	To			Cash Received	Accumulated Expenditures
<u>U.S. Department of Transportation</u>								
Pass-through program from:								
State of NJ Department of Transportation Highway Planning and Construction	20.205	480-078-6300-GDG	01/01/12	completion	\$ 622,835.83	\$ -	\$ 622,835.83	\$ 679,331.06
Total U.S. Department of Transportation					622,835.83	-	622,835.83	679,331.06
<u>U.S. Department of Housing and Urban Development</u>								
Pass-through program from:								
State of NJ Department of Community Affairs Community Development Block Grants/State's Program	14.228	100-022-8020-078	01/01/15	completion	136,079.00	-	136,079.00	136,079.00
Total U.S. Department of Housing and Urban Development					136,079.00	-	136,079.00	136,079.00
Total Expenditures of Federal Awards					\$ 758,914.83	\$ -	\$ 758,914.83	\$ 815,410.06

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

**CITY OF SALEM**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2016

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**Note 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes federal award activity of the City of Salem (hereafter referred to as the "City") under programs of the federal government for the year ended December 31, 2016. The City is defined in note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position and changes in operations of the City.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting as promulgated by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. This basis of accounting is described in note 1 to the financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

**Note 3: RELATIONSHIP TO FINANCIAL STATEMENTS**

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

<u>Fund</u>	<u>Federal</u>
General Capital Fund	\$ 622,835.83
Trust - Other	<u>136,079.00</u>
	<u>\$ 758,914.83</u>

**Note 4: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

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

**Note 5: MAJOR PROGRAMS**

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

**PART III**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**CITY OF SALEM**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended December 31, 2016

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

**Financial Statements**

Type of auditor's report issued	Qualified
Internal control over financial reporting:	
Material weakness(es) identified?	X yes ___ no
Significant deficiency(ies) identified?	X yes ___ none reported
Noncompliance material to financial statements noted?	___ yes X no

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	___ yes X no
Significant deficiency(ies) identified?	___ yes X none reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 516 of Title 2 U.S. Code of Federal Regulations Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (Uniform Guidance)?	
	___ yes X no

Identification of major programs:

<b><u>CFDA Number(s)</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
20.205	Highway Planning and Construction

Dollar threshold used to determine Type A programs	\$750,000.00
Auditee qualified as low-risk auditee?	___ yes X no

**CITY OF SALEM**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2016

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**Section 1- Summary of Auditor's Results (Cont'd)**

**State Financial Assistance - Not Applicable**

Internal control over major programs:

Material weakness(es) identified? \_\_\_ yes \_\_\_ no

Significant deficiency(ies) identified? \_\_\_ yes \_\_\_ none reported

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

Any audit findings disclosed that are required to be reported in accordance with New Jersey Circular 15-08-OMB? \_\_\_ yes \_\_\_ no

Identification of major programs:

**GMIS Number(s)**

**Name of State Program**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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

Auditee qualified as low-risk auditee? \_\_\_ yes \_\_\_ no

**CITY OF SALEM**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2016

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

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

**Finding No. 2016-001**

**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 2016.

**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 is maintained in accordance with the New Jersey Administrative Code section 5:30-5.6.

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

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

**CITY OF SALEM**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2016

---

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

**Finding No. 2016-002**

**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 is analyzed and proper disposition made.

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

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



**CITY OF SALEM**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2016

---

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

**Finding No. 2016-003**

**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. Improvement Authorizations were over-expended. Reserve for Animal Control Expenditures has a deficit.

**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. 2016-004**

**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 are 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 Questioned Costs  
For the Year Ended December 31, 2016

---

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

**Finding No. 2016-005**

**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 Questioned Costs  
For the Year Ended December 31, 2016

---

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

**Finding No. 2016-006**

**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.

**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**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2016

---

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

**Finding No. 2016-007**

**Criteria or Specific Requirement**

A strong system of internal accounting controls dictates that bank accounts are reconciled on a timely basis.

**Condition**

Bank account were not always reconciled on a timely basis.

**Context**

Examination of bank account reconciliations showed they were not always prepared timely.

**Effect**

Material errors could occur and would not be detected on a timely basis.

**Cause**

Unknown

**Recommendation**

That bank accounts are reconciled on a timely basis.

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

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

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal programs, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**None**

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

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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. 2015-001**

**Condition**

A fixed asset ledger was not maintained for the year 2015.

**Current Status**

This condition still exists and is current year finding 2016-001.

**Corrective Action Planned**

Fixed asset inventory will be performed by outside company.

**Finding No. 2015-002**

**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 2016-002.

**Corrective Action Planned**

Balance will be analyzed and proper disposition made.

**Finding No. 2015-003**

**Condition**

Budget Line Items were over-expended prior to transfers. Appropriated grants were over-expended.

**Current Status**

A similar condition still exists and is current year finding 2016-003.

**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

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**FINANCIAL STATEMENT FINDINGS (CONT'D)**

**Finding No. 2015-004**

**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 2016-004.

**Corrective Action Planned**

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

**Finding No. 2015-005**

**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.

**Current Status**

This condition still exists and is current year finding 2016-005.

**Corrective Action Planned**

General Ledger will be properly maintained and written procedures will be prepared.

**Finding No. 2015-006**

**Condition**

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

**Current Status**

This condition still exists and is current year finding 2016-006.

**Corrective Action Planned**

Special charges (arrears) and lien ledgers will be properly maintained.

**FEDERAL AWARDS**

None

**STATE FINANCIAL ASSISTANCE PROGRAMS**

None

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

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

<u>Name</u>	<u>Title</u>	<u>Amount of Surety Bond</u>
Charles Washington, Jr.	Mayor	
Karen R. Roots	President of Council	
Ruth Carter	Councilperson	
Earl R. Gage	Councilperson	
Vaughn Groce	Councilperson	
Sharon K. Kellum	Councilperson	
Charles Hassler	Councilperson	
Horace H. Johnson	Councilperson	
Lydia Y. Thompson	Councilperson	
Tierra M. Jennings	City Clerk (6-20-16 to 12-31-16)	
	Court Administrator (1-1-16 to 6-19-16)	\$ 40,000 (A)
Kathleen L. Keen	City Clerk (1-1-16 to 5-31-16)	
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)
Ashley N. Criss	Court Administrator (8-15-16 to 12-31-16)	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.

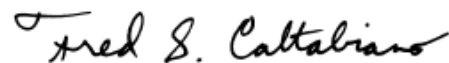
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**APPRECIATION**

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 that reads "Fred S. Caltabiano". The signature is written in a cursive style with a large initial 'F' and a long, sweeping underline.

Fred S. Caltabiano  
Certified Public Accountant  
Registered Municipal Accountant