

**CITY OF SALEM
COUNTY OF SALEM
REPORT OF AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2012**

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CITY OF SALEM
PART 1
REPORT OF AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012 and 2011, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis, statement of expenditures - regulatory basis, for the year ended December 31, 2012 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the City on the basis of the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Salem, in the County of Salem, State of New Jersey, as of December 31, 2012 and 2011, or the results of its operations and changes in fund balance for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

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

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effect of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to previously present fairly, in all material respects, the assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the City of Salem, in the County of Salem, State of New Jersey, as of December 31, 2012 and 2011, and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended, and the revenues - regulatory basis, expenditures - regulatory basis of the various funds, for the year ended December 31, 2012 in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in Note 1.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The supplemental financial statements presented for the various funds are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance programs is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and State of New Jersey Circular 04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and is also not a required part of the financial statements.

The supplementary financial statements presented for the various funds and the schedule of expenditures of state financial assistance programs are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information described in the previous paragraph is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2013 on our consideration of the City of Salem's, in the County of Salem, State of New Jersey, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Salem's internal control over financial reporting.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Henry J. Ludwigsen
Certified Public Accountant
Registered Municipal Accountant

Woodbury, New Jersey
December 12, 2013

**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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 12, 2013. That report indicated that the City of Salem's financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America, but were prepared on a regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. In our report, our opinion was modified because the financial statements did not include the general fixed assets account group as required by the New Jersey Administrative Code.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 2012-1, 2012-2 and 2012-4.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Salem's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2012-3, 2012-5, 2012-6, and 2012-7.

The City of Salem's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Henry J. Ludwigsen
Certified Public Accountant
Registered Municipal Accountant

Woodbury, New Jersey
December 12, 2013

CITY OF SALEM
CURRENT FUND

Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
As of December 31, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
ASSETS:			
Regular Fund:			
Cash	SA-1	\$ 1,084,986.99	\$ 2,412,014.02
Cash -- Change Fund	A	200.00	200.00
Prepaid Debt Service	SA-5	206,500.00	3,450.00
		<u>1,291,686.99</u>	<u>2,415,664.02</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	SA-2	1,120,262.41	1,098,268.70
Tax Title Liens	SA-3	919,629.54	640,322.51
Property Acquired for Taxes -- Assessed Valuation	A	280,700.00	280,700.00
Revenue Accounts Receivable	SA-7	8,462.98	8,306.35
Due from Trust -- Animal Control Fund	SB-3	12,749.31	12,603.44
Due from Trust -- Other Funds	SB-5	54,794.56	9,123.62
Due from General Capital Fund	SC-6	440,709.80	
Due from Utility Operating Fund	SD-7	11,777.69	8,778.29
Due from Utility Capital Fund	SD-23	103,936.96	444,965.91
		<u>2,953,023.25</u>	<u>2,503,068.82</u>
Total Regular Fund		<u>4,244,710.24</u>	<u>4,918,732.84</u>
Federal and State Grant Fund:			
Cash	SA-1	9,345.72	9,342.40
Federal and State Grants Receivable	SA-13	158,500.51	5,800.00
Due from Current Fund	SA-12	128,665.44	117,552.62
Due from Trust -- Other Funds	A	14,675.00	14,675.00
Over-expenditure Appropriated Grants	SA-14	3,998.26	
		<u>315,184.93</u>	<u>147,370.02</u>
Total Federal and State Grant Fund		<u>315,184.93</u>	<u>147,370.02</u>
		<u>\$ 4,559,895.17</u>	<u>\$ 5,066,102.86</u>

(Continued)

**CITY OF SALEM
CURRENT FUND**

Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
As of December 31, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
LIABILITIES, RESERVES AND FUND BALANCE:			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3	\$ 662,360.96	\$ 617,921.48
Reserve for Encumbrances	A-3	16,584.11	32,847.60
Accounts Payable	SA-1		17,500.00
Prepaid Taxes	SA-4	71,034.86	60,791.38
Due to State of NJ Senior Citizens/Veterans Deductions	SA-6	953.23	2,460.76
Local District School Taxes Payable	SA-11	23,886.98	225,655.60
Reserve for Payment of Guaranteed Debt	A-3	54,513.00	
Due to Federal and State Grant Fund	SA-12	128,665.44	117,552.62
Due to General Capital Fund	SC-6		23,139.02
		<u>957,998.58</u>	<u>1,097,868.46</u>
Reserves for Receivables and Other Assets	A	2,953,023.25	2,503,068.82
Fund Balance	A-1	<u>333,688.41</u>	<u>1,317,795.56</u>
Total Regular Fund		<u>4,244,710.24</u>	<u>4,918,732.84</u>
Federal and State Grant Fund:			
Appropriated Reserves	SA-14	276,328.79	138,900.65
Unappropriated Reserves	SA-15	<u>38,856.14</u>	<u>8,469.37</u>
Total Federal and State Grant Fund		<u>315,184.93</u>	<u>147,370.02</u>
		<u>\$ 4,559,895.17</u>	<u>\$ 5,066,102.86</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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
REVENUE AND OTHER INCOME REALIZED:		
Fund Balance Anticipated	\$ 1,291,000.00	\$ 765,000.00
Miscellaneous Revenues Anticipated	2,719,394.64	2,515,751.24
Receipts from Delinquent Taxes and Tax Title Liens	955,529.44	750,036.15
Receipts from Current Taxes	7,514,495.54	7,506,676.66
Non-Budget Revenue	269,945.25	1,831,887.01
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	53,237.83	51,210.18
Liquidation of Interfund:		
Utility Capital Fund	<u>341,028.95</u>	
Total Income	<u>13,144,631.65</u>	<u>13,420,561.24</u>
EXPENDITURES:		
Budget Appropriations:		
Within "CAPS":		
Operations:		
Salaries and Wages	2,894,067.00	2,947,712.12
Other Expenses	2,492,627.00	2,272,162.00
Deferred Charges and Statutory Expenditures	701,786.09	720,647.54
Excluded from "CAPS":		
Operations:		
Other Expenses	637,551.91	505,568.56
Capital Improvements	50,000.00	50,000.00
Municipal Debt Service	1,124,596.23	479,960.84
Deferred Charges	21,000.00	64,500.00
Local District School Tax	2,312,230.00	2,515,767.00
County Taxes	2,108,163.86	2,132,346.89
Due County for Added and Omitted Taxes	1,991.86	4,778.96
Refund of Prior Year Revenue	1,899.53	4,170.29
Creation of Interfund and Other Assets:		
Trust -- Animal Control Fund	145.87	
Trust -- Other Funds	45,670.94	7,574.55
General Capital Fund	440,709.80	
Utility Operating Fund	2,999.40	8,778.29
Utility Capital Fund		444,965.91
Prior Year Senior Citizens & Veterans' Deductions Disallowed	<u>2,299.31</u>	<u>750.00</u>
Total Expenditures	<u>12,837,738.80</u>	<u>12,159,682.95</u>
Excess in Revenue	306,892.85	1,260,878.29
FUND BALANCE:		
Balance January 1,	<u>1,317,795.56</u>	<u>821,917.27</u>
	1,624,688.41	2,082,795.56
Utilized as Anticipated Revenue	<u>1,291,000.00</u>	<u>765,000.00</u>
Balance December 31,	<u><u>\$ 333,688.41</u></u>	<u><u>\$1,317,795.56</u></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, 2012

	Anticipated		Realized	Excess or (Deficit)
	Budget	Special N.J.S. 40A: 4-87		
Surplus Anticipated	\$ 1,291,000.00		\$ 1,291,000.00	
Miscellaneous Revenues				
Local Revenues				
Licenses: Other	150.00		2,525.00	\$ 2,375.00
Fines and Costs: Municipal Court	120,100.00		122,058.14	1,958.14
Interest and Costs on Taxes	90,000.00		120,136.94	30,136.94
Anticipated Utility Operating Surplus	180,000.00		125,000.00	(55,000.00)
Street Opening Permits	3,000.00		4,250.00	1,250.00
Cable Television Franchise Fee	50,000.00		51,646.71	1,646.71
State Aid Without Offsetting Appropriations				
Consolidated Municipal Property Tax Relief Aid	397,830.00		397,829.99	(0.01)
Energy Receipts Tax	998,109.00		998,109.00	
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	88,200.00		87,875.00	(325.00)
Public and Private Revenues Offset with Appropriations				
Recycling Tonnage Grant	3,254.71		3,254.71	
Drunk Driving Enforcement Fund	1,802.14		1,802.14	
Clean Communities Program	9,367.47		9,367.47	
Municipal Alliance on Alcoholism and Drug Abuse	9,118.51		9,118.51	
US Marshalls Equitable Sharing	11,478.00		11,478.00	
Body Armor Fund	2,630.19		2,630.19	
New Jersey Motor Vehicle Commission	94,085.00		94,085.00	
New Jersey Transportation Trust - Grieves Parkway		\$ 151,900.00	151,900.00	
Other Special Items				
Whispering Waters Pilot Agreement	312,000.00		300,000.00	(12,000.00)
Senior Village Pilot Agreement	16,500.00		13,500.00	(3,000.00)
County of Salem Pilot Agreement	25,000.00			(25,000.00)
South Jersey Gas Agreement	31,224.00		62,448.74	31,224.74
Resource Officer	150,000.00		150,379.10	379.10
	<u>2,593,849.02</u>	<u>151,900.00</u>	<u>2,719,394.64</u>	<u>(26,354.38)</u>
Receipts from Delinquent Taxes	<u>839,400.00</u>		<u>955,529.44</u>	<u>116,129.44</u>
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes including Reserve for Uncollected Taxes	<u>4,103,550.92</u>		<u>3,933,305.76</u>	<u>(170,245.16)</u>
Budget Totals	8,827,799.94	151,900.00	8,899,229.84	(80,470.10)
Non-Budget Revenue			<u>269,945.25</u>	<u>269,945.25</u>
	<u>\$ 8,827,799.94</u>	<u>\$ 151,900.00</u>	<u>\$ 9,169,175.09</u>	<u>\$ 189,475.15</u>

(Continued)

CITY OF SALEM
CURRENT FUND
Statement of Revenues -- Regulatory Basis
For the Year Ended December 31, 2012

Analysis of Realized Revenue

Allocation of Current Tax Collections:	
Revenue from Collections	\$ 7,514,495.54
Allocated to:	
County and School Taxes	<u>4,622,385.72</u>
Amount for Support of Municipal Budget Appropriations	2,892,109.82
Add: Appropriation "Reserve for Uncollected Taxes"	<u>1,041,195.94</u>
Amount for Support of Municipal Budget Appropriations	<u>\$ 3,933,305.76</u>
Receipts from Delinquent Taxes:	
Delinquent Tax Collections	<u>\$ 955,529.44</u>

Analysis of Non-Budget Revenues

Miscellaneous Revenue not Anticipated:	
Receipts:	
Interest Earnings on Deposits	\$ 1,920.38
Parking Meters	21,496.65
Certificate of Occupancy	83,441.50
Accident Report and Gun License	2,317.80
Sale of Recyclables	1,132.45
Registrar of Vital Statistics	15,086.00
Planning and Zoning Fees	4,065.00
Tax Search Fees	200.00
Senior Citizens' and Veterans' Deduction Administration Fee	985.84
Miscellaneous	10,008.33
Sale of North Bend Firehouse	27,100.00
Car Auction	11,905.00
Severse Storm Reimbursement	14,200.85
Clear Channel Billboard Land Lease	3,600.00
Homestead Mail Reimbursement	246.00
Hurricane Irene Reimbursement	44,113.00
Motor Vehicle Inspection Fines	2,107.00
Insurance Reimbursement - Payment of Comprehensive	12,565.32
Bond Premium	<u>13,280.40</u>
Total Cash Receipts	269,771.52
Interest Earnings - General Capital Fund	1.62
Interest Earnings - Trust -- Other Funds	22.92
Interest Earnings - Trust -- Animal Control Fund	8.86
Interest Earnings - Federal and State Grant Fund	3.32
Excess Reserve Trust -- Animal Control Fund	<u>137.01</u>
Total Miscellaneous Revenue not Anticipated	<u>\$ 269,945.25</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, 2012

	Appropriations			Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget Modifications	Budget After Modification		Encumbered	Reserved	
OPERATIONS -- WITHIN "CAPS"							
General Government Functions							
Human Resources:							
Other Expenses	\$ 5,000.00	\$ 1,765.00	\$ 6,765.00	\$ 6,765.00			
Mayor and Council:							
Salaries and Wages	56,700.00		56,700.00	55,620.80		\$ 1,079.20	
Other Expenses	28,000.00	(1,000.00)	27,000.00	22,317.12		4,682.88	
Municipal Clerk:							
Salaries and Wages	76,137.00	(2,500.00)	73,637.00	72,949.03		687.97	
Other Expenses	31,700.00	(5,000.00)	26,700.00	20,963.07	\$ 2,156.20	3,580.73	
Financial Administration:							
Salaries and Wages	118,930.00	(600.00)	118,330.00	116,574.58		1,755.42	
Other Expenses	17,800.00	(800.00)	17,000.00	11,825.39	163.04	5,011.57	
Audit:							
Other Expenses	50,000.00	(8,333.00)	41,667.00	31,666.67		10,000.33	
Revenue Administration							
Salaries and Wages	51,100.00		51,100.00	50,818.99		281.01	
Other Expenses	7,850.00	7,524.00	15,374.00	15,373.84		0.16	
Assessment of Taxes:							
Salaries and Wages	22,650.00		22,650.00	22,097.10		552.90	
Other Expenses	6,500.00	2,769.00	9,269.00	9,229.03	39.00	0.97	
Legal Services and Costs:							
Salaries and Wages	77,270.00		77,270.00	75,776.04		1,493.96	
Other Expenses	1,700.00	597.00	2,297.00	2,296.78		0.22	
Other Expenses - Debt Insurance Costs	100,000.00	(15,000.00)	85,000.00	83,598.63	800.00	601.37	
Engineering Services and Costs:							
Other Expenses	12,000.00	19,256.00	31,256.00	31,255.26		0.74	
Public Buildings and Grounds:							
Other Expenses	30,000.00	5,990.00	35,990.00	33,836.24	2,152.92	0.84	
Housing Regulation:							
Salaries and Wages	123,350.00	(1,000.00)	122,350.00	120,035.51		2,314.49	
Other Expenses	9,740.00		9,740.00	8,994.84	329.72	415.44	
Community Action Program							
Salaries and Wages	6,000.00		6,000.00	6,000.00			
Other Expenses	2,500.00	(1,000.00)	1,500.00			1,500.00	
Insurance							
General Liability	223,736.00	19,520.00	243,256.00	243,253.32		2.68	
Workers Compensation	101,325.00	1,795.00	103,120.00	103,120.00			
Employee Group Health	1,005,142.00	31,265.00	1,036,407.00	503,492.58		532,914.42	

(Continued)

CITY OF SALEM
Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2012

	Appropriations			Expended			Unexpended Balance Canceled
	<u>Budget</u>	<u>Budget Modifications</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	
<u>Land Use Administration</u>							
Planning Board							
Other Expenses	\$ 14,200.00	\$ 2,951.00	\$ 17,151.00	\$ 16,750.97	\$ 400.00	\$ 0.03	
<u>Public Safety</u>							
Fire:							
Other Expenses	50,000.00	3,515.00	53,515.00	52,168.22	1,346.00	0.78	
Police:							
Salaries and Wages	1,970,000.00	(89,000.00)	1,881,000.00	1,870,154.45		10,845.55	
Other Expenses	85,000.00	(15,000.00)	70,000.00	49,111.17	35.00	20,853.83	
First Aid Organization Contribution							
Other Expenses	10,000.00		10,000.00	5,331.65	375.00	4,293.35	
Office of Emergency Management:							
Salaries and Wages	8,200.00		8,200.00	8,039.42		160.58	
<u>Streets and Roads</u>							
Road Repairs and Maintenance:							
Salaries and Wages	350,200.00	(1,000.00)	349,200.00	341,763.81		7,436.19	
Other Expenses	29,000.00	15,767.00	44,767.00	42,147.83	2,618.88	0.29	
<u>Sanitation</u>							
Street Cleaning:							
Salaries and Wages	48,730.00		48,730.00	48,021.46		708.54	
Other Expenses	700.00	2,477.00	3,177.00	3,176.44		0.56	
Sanitary Landfill:							
Salaries and Wages	2,400.00		2,400.00	2,353.80		46.20	
Other Expenses	83,600.00		83,600.00	81,403.10		2,196.90	
Vehicle Maintenance:							
Other Expenses	34,080.00		34,080.00	26,669.62	2,987.07	4,423.31	
<u>Health and Welfare</u>							
Public Health Services:							
Other Expenses	350.00		350.00			350.00	
Dog Regulation:							
Other Expenses	25,000.00		25,000.00	25,000.00			
<u>Recreation and Education</u>							
Parks and Playgrounds:							
Other Expenses	28,000.00		28,000.00	26,865.58	607.37	527.05	

(Continued)

CITY OF SALEM
Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2012

	Appropriations			Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget Modifications	Budget After Modification		Encumbered	Reserved	
<u>Municipal Court:</u>							
Salaries and Wages	\$ 98,000.00	\$ (21,500.00)	\$ 76,500.00	\$ 74,425.78		\$ 2,074.22	
Other Expenses	19,000.00	4,655.00	23,655.00	21,080.38	\$ 2,573.91	0.71	
<u>Public Defender:</u>							
Other Expenses	9,730.00		9,730.00	9,451.84		278.16	
<u>Utility Expenses and Bulk Purchases</u>							
Street Lighting	122,000.00	(1,500.00)	120,500.00	113,065.16		7,434.84	
Telephone	61,250.00	15,532.00	76,782.00	76,781.36		0.64	
Heating Oil	23,345.00	2,379.00	25,724.00	25,723.05		0.95	
Gasoline	99,000.00	(3,000.00)	96,000.00	87,746.93		8,253.07	
Natural Gas	13,755.00		13,755.00	12,988.63		766.37	
Electricity	65,000.00	(500.00)	64,500.00	61,012.84		3,487.16	
Total Operations -- Within "CAPS"	5,415,670.00	(28,976.00)	5,386,694.00	4,729,093.31	16,584.11	641,016.58	-
<u>Detail:</u>							
Salaries and Wages	3,009,667.00	(115,600.00)	2,894,067.00	2,864,630.77	-	29,436.23	-
Other Expenses (Including Contingent)	2,406,003.00	86,624.00	2,492,627.00	1,864,462.54	16,584.11	611,580.35	-
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES -- WITHIN "CAPS"</u>							
<u>Deferred Charges</u>							
Overexpenditure of Improvement Authorization	12,168.24		12,168.24	12,168.24			
Deficit in Trust - Other Funds - Uniform Construction Code	391.85		391.85	391.85			
<u>Statutory Expenditures</u>							
Contribution to:							
Public Employees' Retirement System of N.J.	141,600.00	15,280.00	156,880.00	156,879.07		0.93	
Social Security System (O.A.S.I.)	152,300.00	7,496.00	159,796.00	159,795.95		0.05	
Police and Firemen's Retirement System of N.J.	364,100.00		364,100.00	364,100.00			
Unemployment Compensation	2,250.00	6,200.00	8,450.00	8,449.60		0.40	
Total Deferred Charges and Statutory Expenditures -- Municipal -- Within "CAPS"	672,810.09	28,976.00	701,786.09	701,784.71	-	1.38	-
Total General Appropriations for Municipal Purposes Within -- "CAPS"	6,088,480.09	-	6,088,480.09	5,430,878.02	16,584.11	641,017.96	-

(Continued)

CITY OF SALEM
Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2012

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget After Modifications		Encumbered	Reserved	
<u>OPERATIONS -- EXCLUDED FROM "CAPS"</u>						
Employee Group Health	\$ 60,858.00	\$ 60,858.00	\$ 60,858.00			
Aid to Library (N.J.S.A. 40:54-35)	72,766.34	72,766.34	72,766.34			
Total Operations -- Excluded from "CAPS"	133,624.34	-	133,624.34	-	-	-
<u>INTERLOCAL MUNICIPAL SERVICE AGREEMENTS</u>						
Police Dispatch Service with County of Salem	130,000.00	130,000.00	124,000.00		\$ 6,000.00	
Total Interlocal Municipal Service Agreements	130,000.00	-	130,000.00	-	6,000.00	-
<u>ADDITIONAL APPROPRIATIONS OFFSET BY REVENUES</u> <u>(N.J.S. 40A:4-43.3h) -- EXCLUDED FROM "CAPS"</u>						
Garbage and Trash Collection						
Other Expenses	88,200.00	88,200.00	72,857.00		15,343.00	
Total Additional Appropriations Offset by Revenues (N.J.S. 40A:4-43.3h) -- Excluded from "CAPS"	88,200.00	-	88,200.00	-	15,343.00	-
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</u> <u>EXCLUDED FROM "CAPS"</u>						
Recycling Tonnage Grant	3,254.71	3,254.71	3,254.71			
Drunk Driving Enforcement Fund	1,802.14	1,802.14	1,802.14			
Municipal Alliance on Alcoholism and Drug Abuse	11,210.06	11,210.06	11,210.06			
Body Armor Fund	2,630.19	2,630.19	2,630.19			
US Marshalls Equitable Sharing	11,478.00	11,478.00	11,478.00			
Clean Communities Program	9,367.47	9,367.47	9,367.47			
New Jersey Motor Vehicle Commission	94,085.00	94,085.00	94,085.00			
New Jersey Transportation Trust - Grieves Parkway		\$ 151,900.00	151,900.00			
Total Public and Private Programs Offset by Revenues -- Excluded from "CAPS"	133,827.57	151,900.00	285,727.57	-	-	-
Total Operations -- Excluded from "CAPS"	485,651.91	151,900.00	637,551.91	-	21,343.00	-
Detail:						
Salaries and Wages	-	-	-	-	-	-
Other Expenses	485,651.91	151,900.00	637,551.91	-	21,343.00	-

(Continued)

CITY OF SALEM
Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2012

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget After Modifications		Encumbered	Reserved	
<u>CAPITAL IMPROVEMENTS -- EXCLUDED FROM "CAPS"</u>						
Capital Improvement Fund	\$ 50,000.00		\$ 50,000.00	\$ 50,000.00		
Total Capital Improvements -- Excluded from "CAPS"	50,000.00	-	50,000.00	50,000.00	-	-
<u>MUNICIPAL DEBT SERVICE -- EXCLUDED FROM "CAPS"</u>						
Payment of Bond Principal	135,000.00		135,000.00	135,000.00		
Payment of Bond Anticipation Notes and Capital Notes	700,000.00		700,000.00	700,000.00		
Interest on Bonds	74,700.00		74,700.00	74,651.74		\$ 48.26
Interest on Notes	49,000.00		49,000.00	48,560.49		439.51
USDA Loan - Repayment for Principal and Interest	31,384.00		31,384.00	31,384.00		
Debt Service Guarantee	135,000.00		135,000.00	135,000.00		
Total Municipal Debt Service -- Excluded from "CAPS"	1,125,084.00	-	1,125,084.00	1,124,596.23	-	487.77
<u>DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"</u>						
Deferred to Future Taxation Unfunded - Craven Ave	21,000.00		21,000.00	21,000.00		-
Total Deferred Charges - Municipal - Excluded from "CAPS"	21,000.00	-	21,000.00	21,000.00	-	-
Transferred to Board of Education for Use of Local School (N.J.S.A. 40:48-17.1 & 17.3)	16,388.00		16,388.00			16,388.00
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	1,698,123.91	\$ 151,900.00	1,850,023.91	1,811,805.14	21,343.00	16,875.77
Subtotal General Appropriations	7,786,604.00	151,900.00	7,938,504.00	7,242,683.16	\$ 16,584.11	662,360.96
Reserve for Uncollected Taxes	1,041,195.94		1,041,195.94	1,041,195.94		-
Total	\$ 8,827,799.94	\$ 151,900.00	\$ 8,979,699.94	\$ 8,283,879.10	\$ 16,584.11	\$ 662,360.96
Adopted Budget			\$ 8,827,799.94			
Appropriation by 40A:4-87			151,900.00			
Reserve for Federal and State Grant Fund--Appropriated				\$ 285,727.57		
Capital Improvement Fund Due General Capital Fund				50,000.00		
Prepaid Debt Service				3,450.00		
Reserve for the Payment of Guaranteed Debt				54,513.00		
Deferred Charges Due General Capital Fund				33,168.24		
Deferred Charges Due Trust -- Other Funds				391.85		
Reserve for Uncollected Taxes				1,041,195.94		
Disbursed				6,815,432.50		
			<u>\$ 8,979,699.94</u>	<u>\$ 8,283,879.10</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, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
ASSETS:			
Animal Control Fund:			
Cash	SB-1	\$ 16,659.01	\$ 16,445.24
Other Funds:			
Cash	SB-1	901,768.82	684,708.17
		<u>\$ 918,427.83</u>	<u>\$ 701,153.41</u>
LIABILITIES, RESERVES AND FUND BALANCE:			
Animal Control Fund:			
Due to Current Fund	SB-3	\$ 12,749.31	\$ 12,603.44
Due to State of New Jersey	SB-4	4.20	4.20
Reserve for Animal Control Expenditures	SB-2	3,905.50	3,837.60
Total Animal Control Fund		<u>16,659.01</u>	<u>16,445.24</u>
Other Funds:			
Due to Current Fund	SB-5	54,794.56	9,123.62
Due to Federal and State Grant Fund	B	14,675.00	14,675.00
Due to Utility Operating Fund	SB-1	25,629.87	
Due to Utility Capital Fund	SB-1	100,340.39	
Due to State of New Jersey - Criminal Disposition and Revenue Collection Fund	B	35,993.14	35,993.14
Reserve for:			
Community Development Housing Equity	SB-6	15,773.79	12,659.83
Small Cities Rehab	SB-6	25,385.63	8,046.93
Construction Code	SB-6	(3,179.17)	(391.85)
Developer's Escrow	SB-6	20,152.51	18,352.51
POAA	SB-6	13,898.95	13,076.95
Payroll Withholdings Payable	SB-6	122,790.80	73,757.75
Public Defender	SB-6	2,279.08	2,276.55
Landfill	SB-6	92,872.05	90,635.80
Tax Title Liens	SB-6	318,328.88	332,053.03
Unemployment Compensation	SB-6	10,955.24	10,955.24
Accumulated Sick Leave	SB-6	33,350.27	33,350.27
Shade Tree Commission	SB-6	1,286.71	486.71
Proceeds from Mortgage Notes	SB-6	8,361.92	8,361.92
Off-Duty Police	SB-6	8,079.20	21,294.77
Total Other Funds		<u>901,768.82</u>	<u>684,708.17</u>
		<u>\$ 918,427.83</u>	<u>\$ 701,153.41</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, 2012 and 2011

ASSETS:	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Cash	SC-1	\$ 29,447.88	\$ 25,458.89
State and Federal Grants Receivable	SC-10	602,063.12	672,582.66
Due from Current Fund	SC-6		23,139.02
Due from Utility Capital Fund	SC-1	547,494.61	559,494.61
Deferred Charge - Overexpenditure of Improvement Authorizations	SC-6		12,168.24
Deferred Charges to Future Taxation:			
Funded	SC-3	3,526,000.00	581,010.22
Unfunded	SC-4	984,922.36	4,815,922.36
		<u>\$ 5,689,927.97</u>	<u>\$ 6,689,776.00</u>
LIABILITIES, RESERVES AND FUND BALANCE:			
General Serial Bonds	SC-8	\$ 3,526,000.00	\$ 551,000.00
USDA Loan Payable	SC-3		30,010.22
Bond Anticipation Notes	SC-9		3,813,864.00
Improvement Authorizations:			
Funded	SC-7	1,487,750.91	845,163.45
Unfunded	SC-7	205,457.24	856,934.11
Reserve for Encumbrances	SC-7		497,794.20
Reserve for the Payment of Bonds & Notes	C	18,686.30	18,686.30
Due to Current Fund	SC-6	440,709.80	
Capital Improvement Fund	SC-5	11,323.72	76,323.72
		<u>\$ 5,689,927.97</u>	<u>\$ 6,689,776.00</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, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
ASSETS:			
Operating Fund:			
Cash	SD-1	\$ 395,890.56	\$ 681,884.99
Due from Trust -- Other Funds	SD-22	25,629.87	
Prepaid Debt Service	D	22,298.00	22,298.00
		<u>443,818.43</u>	<u>704,182.99</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	SD-3	679,665.40	496,677.70
Utility Liens Receivable	SD-4	149,835.83	86,626.43
		<u>829,501.23</u>	<u>583,304.13</u>
Deferred Charges:			
Overexpenditure of Appropriations	D-3	132,802.73	68,988.00
		<u>132,802.73</u>	<u>68,988.00</u>
Total Operating Fund		<u>1,406,122.39</u>	<u>1,356,475.12</u>
Capital Fund:			
Cash	SD-1	392,128.89	885,692.00
Due from Trust -- Other Funds	SD-1	100,340.39	
Due from Utility Operating Fund	SD-18	250,661.39	151,091.59
New Jersey Environmental Infrastructure Trust Receivable	SD-21	928,650.00	1,614,209.00
Fixed Capital	SD-8	19,581,236.06	19,581,236.06
Fixed Capital Authorized and Uncompleted	SD-9	24,434,285.00	24,381,605.00
Total Capital Fund		<u>45,687,301.73</u>	<u>46,613,833.65</u>
		<u>\$ 47,093,424.12</u>	<u>\$ 47,970,308.77</u>

(Continued)

CITY OF SALEM
WATER AND SEWER UTILITY FUND
 Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
 As of December 31, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
LIABILITIES, RESERVES AND FUND BALANCE:			
Operating Fund:			
Liabilities:			
Appropriation Reserves	D-3	\$ 4,086.23	\$ 14,365.19
Encumbrances	D-3	18,278.66	83,630.23
Accounts Payable	D-3	120,088.36	
Accrued Interest on Bonds and Notes	SD-6	160,549.13	170,203.85
Due to Current Fund	SD-7	11,777.69	8,778.29
Due to Utility Capital Fund	SD-18	250,661.39	151,091.59
		<u>565,441.46</u>	<u>428,069.15</u>
Reserve for Receivables	D	829,501.23	583,304.13
Fund Balance	D-1	11,179.70	345,101.84
		<u>1,406,122.39</u>	<u>1,356,475.12</u>
Total Operating Fund			
Capital Fund:			
Bond Anticipation Notes	SD-12		290,762.00
Bonds Payable	SD-13	290,000.00	
Wastewater Improvement Bonds	SD-14	3,491,311.96	3,599,438.68
USDA Loan Payable	SD-15	787,143.14	797,940.19
New Jersey Environmental Infrastructure Trust	SD-16	6,628,203.96	6,956,039.48
State of New Jersey Loan - Dam Restoration Program	SD-17	581,000.00	562,520.00
Due to Current Fund	SD-23	103,936.96	444,965.91
Due to General Capital Fund	SD-24	547,494.61	559,494.61
Reserve for Salem - Pennsville Interconnect	D	56,110.00	56,110.00
Improvement Authorizations:			
Funded	SD-10	195,237.07	108,206.33
Unfunded	SD-10	8,798,163.31	9,499,833.34
Reserve for Encumbrances	SD-10	27,165.32	4,509.00
Reserve for Amortization	SD-11	14,953,874.10	14,845,747.38
Deferred Reserve for Amortization	SD-20	9,175,648.90	8,783,574.33
Capital Improvement Fund	SD-19	52,012.40	104,692.40
		<u>45,687,301.73</u>	<u>46,613,833.65</u>
Total Capital Fund		<u>\$ 47,093,424.12</u>	<u>\$ 47,970,308.77</u>

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

CITY OF SALEM
WATER AND SEWER UTILITY OPERATING FUND
 Statements of Operations and Changes in Operating Fund Balance -- Regulatory Basis
 For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
REVENUE AND OTHER INCOME REALIZED:		
Operating Surplus Anticipated	\$ 336,000.00	\$ 491,407.00
Water and Sewer Rents	2,493,743.65	2,505,391.88
Miscellaneous	364,813.18	353,648.43
Impact Fee	112,875.00	150,000.00
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	<u>51,179.22</u>	<u>19,135.26</u>
 Total Income	 <u>3,358,611.05</u>	 <u>3,519,582.57</u>
EXPENDITURES:		
Operating	2,320,249.20	2,063,988.00
Debt Service	823,089.19	917,363.39
Deferred Charges and Statutory Expenditures	345,997.53	328,939.00
Refund of Prior Year Revenue		<u>3,681.30</u>
 Total Expenditures	 <u>3,489,335.92</u>	 <u>3,313,971.69</u>
 Excess (Deficit) in Revenue	 (130,724.87)	 205,610.88
Adjustment before Fund Balance:		
Expenditures included above which are by statute deferred to budgets of succeeding years		
Overexpenditure of Appropriations	<u>132,802.73</u>	<u>68,988.00</u>
 Statutory Excess to Fund Balance	 2,077.86	 274,598.88
FUND BALANCE:		
Balance January 1	<u>345,101.84</u>	<u>561,909.96</u>
	347,179.70	836,508.84
Decreased by:		
Utilized as Revenue	<u>336,000.00</u>	<u>491,407.00</u>
 Balance December 31	 <u>\$ 11,179.70</u>	 <u>\$ 345,101.84</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, 2012

	Anticipated <u>Budget</u>	<u>Realized</u>	Excess/ <u>(Deficit)</u>
Operating Surplus Anticipated	\$ 336,000.00	\$ 336,000.00	
Water and Sewer Rents	2,505,000.00	2,493,743.65	\$ (11,256.35)
Miscellaneous	325,000.00	364,813.18	39,813.18
Additional Rents	149,798.00		(149,798.00)
Connection Fee	112,875.00	112,875.00	
	<u>\$ 3,428,673.00</u>	<u>\$ 3,307,431.83</u>	<u>\$ (121,241.17)</u>

Analysis of Realized Revenues

Water and Sewer Rents

Receipts:

Water and Sewer Rents Receivable

\$ 2,493,743.65

Miscellaneous:

Receipts:

Fittings

\$ 1,912.06

Permits

5,304.00

Miscellaneous

143,417.77

Septage

4,531.40

Alloway Sewer Project

74,048.72

Quinton Sewer Project

106,202.68

Interest on Utility Bills

25,739.80

Interest on Investments

246.98

361,403.41

Due from Trust -- Other Funds

Interest on Liens

2,979.57

Due from Water and Sewer Utility Capital Fund:

Interest on Deposits

430.20

\$ 364,813.18

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, 2012

	Appropriations		Expended			Unexpended Balance Canceled	Over- Expended
	Original Budget	Budget After Modification	Paid or Charged	Encumbrances	Reserved		
Operating:							
Salaries and Wages	\$ 1,040,000.00	\$ 945,300.00	\$ 942,689.80		\$ 2,610.20		
Other Expenses	1,155,000.00	1,249,700.00	1,356,670.54	\$ 18,278.66			\$ 125,249.20
Total Operating	<u>2,195,000.00</u>	<u>2,195,000.00</u>	<u>2,299,360.34</u>	<u>18,278.66</u>	<u>2,610.20</u>	<u>-</u>	<u>125,249.20</u>
Debt Service:							
Payment of Loan Principal	446,760.00	446,760.00	429,621.79			\$ 17,138.21	
Payment of BANS	762.00	762.00	762.00				
Interest on Loans	387,854.00	387,854.00	387,852.40			1.60	
Interest on Notes	4,853.00	4,853.00	4,853.00				
Total Debt Service	<u>840,229.00</u>	<u>840,229.00</u>	<u>823,089.19</u>	<u>-</u>	<u>-</u>	<u>17,139.81</u>	<u>-</u>
Deferred Charges and Statutory Expenditures:							
Deferred Charges:							
Overexpenditure of Appropriations	68,988.00	68,988.00	68,988.00				
Statutory Expenditures:							
Public Employees' Retirement System	70,796.00	70,796.00	78,349.53				7,553.53
Contributions to Social Security System (O.A.S.I.)	73,660.00	73,660.00	72,183.97		1,476.03		
Total Deferred Charges and Statutory Expenditures	<u>213,444.00</u>	<u>213,444.00</u>	<u>219,521.50</u>	<u>-</u>	<u>1,476.03</u>	<u>-</u>	<u>7,553.53</u>
Surplus (General Budget)	<u>180,000.00</u>	<u>180,000.00</u>	<u>125,000.00</u>			<u>55,000.00</u>	
	<u>\$ 3,428,673.00</u>	<u>\$ 3,428,673.00</u>	<u>\$ 3,466,971.03</u>	<u>\$ 18,278.66</u>	<u>\$ 4,086.23</u>	<u>\$ 72,139.81</u>	<u>\$ 132,802.73</u>
Accrued Interest on Bonds			\$ 387,852.40				
Accrued Interest on Notes			4,853.00				
Deferred Charges			68,988.00				
Due Current Fund			762.00				
Due Current Fund			42,708.27				
Accounts Payable			120,088.36				
Cash Disbursements			2,841,719.00				
			<u>\$ 3,466,971.03</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, 2012

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

Description of Financial Reporting Entity - The City of Salem was incorporated in 1858 and is located in southwest New Jersey approximately thirty-five miles southeast of the City of Philadelphia and ten miles from the Delaware Memorial Bridge. The present population according to the 2012 census 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 of Salem are not presented in accordance with Governmental Accounting Standards Board Statement No. 14. If the provisions of GASBS No. 14 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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Interfunds - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

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

General Fixed Assets - Accounting for Governmental Fixed Assets, as required by N.J.A.C. 5:30-5.6, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and Budget Circular A-87 (Attachment B, Section 19), except that the useful life of such property is at least five years. The City has adopted a capitalization threshold of \$5,000, the maximum amount allowed by the Circular. Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. No depreciation of general fixed assets is recorded. Donated general fixed assets are recorded at their estimated fair market value on the acquisition date. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation. The City is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements and transfers of fixed assets. In addition, a Statement of General Fixed Assets, reflecting the activity for the year, must be included in the City's basic financial statements. The City did not maintain the required fixed asset records in 2012.

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

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

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

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

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

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

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

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

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

School Taxes - The municipality is responsible for levying, collecting and remitting school taxes for the City of Salem School District. Operations is charged for the full amount required to be raised from taxation to operate the local school district for the period from July 1 to June 30, increased by the amount deferred at December 31, 2011 and decreased by the amount deferred at December 31, 2012.

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

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

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

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

Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis; whereas interest on utility indebtedness is on the accrual basis.

Appropriation Reserves - Appropriation reserves covering unexpended appropriation balances are automatically created at year-end and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

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

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

Note 2: **CASH AND CASH EQUIVALENTS**

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

As of December 31, 2012, the City's bank balances of \$ 2,976,367.43 were exposed to custodial credit risk as follows:

Insured	\$ 894,063.42
Uninsured	482,935.21
Collateralized Under GUDPA	<u>1,599,368.80</u>
Total	<u>\$ 2,976,367.43</u>

Note 3: **PROPERTY TAXES**

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

Comparative Schedule of Tax Rates

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Tax Rate	\$ 3.728	\$ 3.687	\$ 3.592	\$ 3.506	\$ 3.339
Apportionment of Tax Rate:					
Municipal	1.722	1.673	1.609	1.509	1.430
Municipal Library	0.031	0.033			
County	0.882	0.888	0.908	0.937	0.916
County Open Space	0.020	0.020	0.022	0.022	0.021
Local School	1.073	1.072	1.053	1.038	0.972

Assessed Valuation

2012	\$ 234,023,857.00
2011	234,662,914.00
2010	237,308,414.00
2009	238,628,279.00
2008	253,852,544.00

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2012	\$ 8,732,631.67	\$ 7,514,495.54	86.05%
2011	8,673,379.86	7,506,676.66	86.55%
2010	8,524,117.91	7,608,816.53	89.26%
2009	8,394,314.77	7,487,709.71	89.20%
2008	8,480,415.53	7,731,790.57	91.17%

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

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2012	\$ 919,629.54	\$ 1,120,262.41	\$ 2,039,891.95	23.36%
2011	640,322.51	1,098,268.70	1,738,591.21	20.05%
2010	470,376.66	879,298.43	1,349,675.09	15.83%
2009	366,915.88	872,609.79	1,239,525.67	14.77%
2008	261,216.23	735,875.16	997,091.39	11.76%

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

<u>Year</u>	<u>Number</u>
2012	183
2011	164
2010	106
2009	86
2008	52

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>
2012	\$ 280,700.00
2011	280,700.00
2010	280,700.00
2009	280,700.00
2008	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 Receivable</u>	<u>Liens</u>	<u>Levy</u>	<u>Total</u>	<u>Cash Collections</u>
2012	\$ 496,677.70	\$ 86,626.43	\$ 2,739,940.75	\$ 3,323,244.88	\$ 2,493,743.65
2011	533,263.80	57,704.84	2,497,727.37	3,088,696.01	2,505,391.88
2010	398,009.90	55,833.95	2,537,785.86	2,991,629.71	2,400,661.07
2009	267,331.34	51,043.96	2,668,536.42	2,986,911.72	2,533,067.87
2008	221,305.97	74,910.11	2,230,273.67	2,526,489.75	2,184,248.30

Note 6: **FUND BALANCES APPROPRIATED**

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

<u>Year</u>	<u>Balance Dec. 31</u>	<u>Utilized In Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
<u>Current Fund</u>			
2012	\$ 333,688.41	\$ 200,000.00	59.94%
2011	1,317,795.56	1,291,000.00	97.97%
2010	821,917.27	765,000.00	93.08%
2009	819,028.98	760,000.00	92.79%
2008	823,780.09	700,000.00	84.97%
<u>Water/Sewer Utility Operating Fund</u>			
2012	\$ 11,179.70	None	None
2011	345,101.84	336,000.00	97.36%
2010	561,909.96	491,407.00	87.45%
2009	497,000.57	140,135.15	28.20%
2008	242,668.11	None	None

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, 2012:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
Current Fund	\$ 623,968.32	\$ 128,665.44
Federal & State Grant Fund	143,340.44	
Trust -- Animal Control Fund		12,749.31
Trust -- Other Funds		195,439.82
General Capital Fund	547,494.61	440,709.80
Water/Sewer Utility Operating Fund	25,629.87	262,439.08
Water/Sewer Utility Capital Fund	351,001.78	651,431.57
	<u>\$ 1,691,435.02</u>	<u>\$ 1,691,435.02</u>

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds. During 2013, the City expects to liquidate such interfunds, depending upon the availability of cash flow.

Note 8: **PENSION PLANS**

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

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

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

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

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

<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Pension Deferral</u>	<u>Paid by City</u>
2012	\$ 79,280.00	\$ 133,116.00	\$ 212,396.00	---	\$ 212,396.00
2011	94,764.00	126,153.00	220,917.00	---	220,917.00
2010	86,591.00	84,488.00	171,079.00	---	171,079.00

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

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

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

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

<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Pension Deferral</u>	<u>Paid by City</u>
2012	\$ 167,140.00	\$ 174,517.00	\$ 341,657.00	\$ 22,443.00	\$ 364,100.00
2011	232,752.00	173,065.00	405,817.00	---	405,817.00
2010	218,729.00	143,349.00	362,078.00	---	362,078.00

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

The amount will be repaid starting in April of 2012 over a 15 year period. The amount will fluctuate based on pension system investment earnings on the deferred amount.

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

Defined Contribution Retirement Program - The Defined Contribution Retirement Program (DCRP) is a cost-sharing multiple-employer defined contribution pension fund which was established in 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.) and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

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

The City's contributions were as follows:

<u>Year</u>	<u>Total Employee</u>	<u>Funded by City</u>	<u>Total</u>
2012	\$ 1,105.29	\$ 527.94	\$ 1,633.23

Note 9: **COMPENSATED ABSENCES**

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

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

The City has established a Compensated Absences Trust Fund to set aside funds for future payments of compensated absences. At December 31, 2012 the balance of the fund was \$33,350.27. It is estimated that, at December 31, 2012, accrued benefits for compensated absences are valued at \$629,860.38

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

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

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

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

	<u>Year 2012</u>	<u>Year 2011</u>	<u>Year 2010</u>
<u>Issued</u>			
General:			
Bonds and Notes	\$ 3,526,000.00	\$ 4,394,874.22	\$ 4,876,468.76
Water/Sewer Utility:			
Bonds and Notes	11,777,659.06	12,206,700.35	12,385,908.86
Total Issued	15,303,659.06	16,601,574.57	17,262,377.62
<u>Authorized but not Issued</u>			
General:			
Bonds and Notes	984,922.36	1,002,058.36	388,068.00
Water/Sewer Utility:			
Bonds and Notes	8,108,339.00	8,126,819.00	8,396,225.92
Total Authorized but Not Issued	9,093,261.36	9,128,877.36	8,784,293.92
Total Issued and Authorized but Not Issued	24,396,920.42	25,730,451.93	26,046,671.54
Deductions:			
Funds Temporarily Held To Pay Notes	18,686.30	18,686.30	18,686.30
Self-liquidating Debt	19,885,998.06	20,333,519.35	20,782,134.78
Total Deductions	19,904,684.36	20,352,205.65	20,800,821.08
Net Debt	\$ 4,492,236.06	\$ 5,378,246.28	\$ 5,245,850.46

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 2.023%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District	\$ 2,875,000.00	\$ 2,875,000.00	
Water/Sewer Utility	19,885,998.06	19,885,998.06	
General	4,510,922.36	18,686.30	\$ 4,492,236.06
Bonds Guaranteed by City	19,335,000.00	19,335,000.00	
	\$ 46,606,920.42	\$ 42,114,684.36	\$ 4,492,236.06

Net Debt \$4,492,236.06 divided by the Equalized Valuation Basis per N.J.S.A.40A:2-2 as amended, \$222,071,267.67 equals 2.023%.

Note 11: **CAPITAL DEBT (CONT'D)****Borrowing Power Under N.J.S.A.40A:2-6 As Amended**

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 7,772,494.37
Net Debt	<u>4,492,236.06</u>
Remaining Borrowing Power	<u><u>\$ 3,280,258.31</u></u>

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

Cash Receipts from Fees, Rents, Fund Balance Anticipated, Interest and Other Investment Income, and Other Charges for Year	\$ 3,307,431.83
Deductions:	
Operating and Maintenance Cost	\$ 2,472,258.73
Debt Service per Water/Sewer Fund	<u>823,089.19</u>
Total Deductions	<u>3,295,347.92</u>
Excess (Deficit) in Revenue	<u><u>\$ 12,083.91</u></u>

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

<u>Year</u>	<u>General</u>		<u>Water/Sewer Utility</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 275,000.00	\$ 117,738.68	\$ 505,729.90	\$ 397,068.98	\$ 1,295,537.56
2014	285,000.00	106,785.15	517,529.33	367,415.95	1,276,730.43
2015	296,000.00	95,633.75	529,652.16	337,151.14	1,258,437.05
2016	215,000.00	86,828.46	547,114.23	322,408.11	1,171,350.80
2017	225,000.00	80,242.57	559,932.19	306,976.04	1,172,150.80
2018-2022	1,230,000.00	294,055.07	3,050,661.18	1,286,037.72	5,860,753.97
2023-2027	1,000,000.00	80,494.12	3,490,650.76	825,009.11	5,396,153.99
2028-2032			2,135,029.17	277,420.68	2,412,449.85
2033-2037			142,271.62	80,708.38	222,980.00
2038-2042			175,565.41	47,414.59	222,980.00
2043-2047			123,523.10	9,297.90	132,821.00
	<u>\$ 3,526,000.00</u>	<u>\$ 861,777.79</u>	<u>\$ 11,777,659.05</u>	<u>\$ 4,256,908.60</u>	<u>\$ 20,422,345.44</u>

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

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2012, the following deferred charges are shown on the statement of assets, liabilities, reserves and fund balance of the following fund(s):

	<u>Balance Dec. 31, 2012</u>	<u>2013 Budget Appropriation</u>
Utility Operating Fund:		
Over-expenditure of Appropriations	\$ 132,802.73	\$ 132,802.73
Current Fund:		
Over-expenditure of Appropriated Grants	3,998.26	3,998.26
Trust Fund:		
Deficit Reserve for Construction Code	3,179.17	3,179.17

The appropriations in the Introduced 2013 Budget were not less than that required by the statutes.

Note 13: **SCHOOL TAXES**

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

	<u>Balance Dec. 31,</u>	
	<u>2012</u>	<u>2011</u>
Balance of Tax	\$ 1,256,115.98	\$ 1,257,884.60
Deferred	1,232,229.00	1,032,229.00
	<hr/>	<hr/>
School Tax Payable	\$ 23,886.98	\$ 225,655.60

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

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

<u>Year</u>	<u>City Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012	\$ 10,927.38	\$ 10,927.38	\$ 10,955.24
2011	2,827.05	2,827.05	10,955.24
2010	30,528.77	30,528.77	10,955.24

Note 15: **POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN**

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

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

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the City on a monthly basis. The City contributions to SHBP for the year ended December 31, 2012, 2011, and 2010 were \$379,488.59, \$327,641.85, and \$239,183.24, respectively, which equaled the required contributions for the year. There were approximately 28, 28, and 23 retired participants eligible at December 31, 2012, 2011, and 2010, respectively.

Note 16: **DEBT SERVICE AGREEMENT**

On June 19, 2006, the City unconditionally guaranteed the payment, when due, of the principal of and interest on the Bonds to be issued by the Salem County Improvement Authority for Stand Up For Salem, Inc. to finance the Finlaw Building Project. At December 31, 2012, \$19,335,000.00 in bonds covered by this agreement were outstanding.

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

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

Balance in the 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 Salem Up For Salem, Inc. to make a withdraw from the Debt Service Reserve Fund. \$80,487.00 was paid 08/15/12 by the City; the remaining \$54,513.00 has been reserved for possible future years deficits.

In addition, the City of Salem's 2013 Budget has a budget appropriation of \$125,000.00 to cover any future deficits instead of requiring Salem 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 will be reserved for possible future year deficits.

Note 17: **LITIGATION**

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

SUPPLEMENTAL EXHIBITS

SUPPLEMENTAL EXHIBITS
CURRENT FUND

CITY OF SALEM
CURRENT FUND
Statement of Current Cash -- Treasurer
For the Year Ended December 31, 2012

	<u>Regular Fund</u>	<u>Federal and State Grant Fund</u>
Balance December 31, 2011	\$ 2,412,014.02	\$ 9,342.40
Increased by Receipts:		
Taxes Receivable	\$ 8,147,140.01	
Tax Title Liens	156,258.65	
Prepaid Taxes	71,034.86	
Due State of New Jersey Senior Citizens' & Veterans' Deductions	49,292.48	
Miscellaneous Revenue Anticipated	2,423,513.00	
Miscellaneous Revenue Not Anticipated	269,771.52	
Due Federal and State Grant Fund - Received for	161,322.28	
Due Trust -- Other Funds - Received for	20,000.00	
Due General Capital Fund - Received for	38,794.54	
Due Utility Operating Fund - Received from	55,000.00	
Due Utility Capital Fund - Received from	341,028.95	
Due Current Fund - MRA Interest Earned on Deposits		\$ 3.32
	11,733,156.29	3.32
	14,145,170.31	9,345.72
Decreased by Disbursements:		
Appropriations	6,815,432.50	
Appropriation Reserves	597,531.25	
County Taxes Payable	2,110,155.72	
Local School Taxes Payable	2,513,998.62	
Due Federal and State Grant Fund - Disbursed for	152,297.69	
Accounts Payable	17,500.00	
Due Trust -- Other Funds - Disbursed for	1,058.63	
Due General Capital Fund - Disbursed to	491,918.70	
Due General Capital Fund - Disbursed for	93,891.28	
Due Utility Operating Fund - Disbursed for	57,999.40	
Refund of Prior Year Revenue	1,899.53	
Prepaid Debt Service	206,500.00	
	13,060,183.32	-
Balance December 31, 2012	\$ 1,084,986.99	\$ 9,345.72

CITY OF SALEM
CURRENT FUND
Statement of Taxes Receivable and Analysis of Property Tax Levy
For the Year Ended December 31, 2012

	Balance	Levy	Added / Omitted Taxes	Collected		Due from State of New Jersey	Adjustments and Canceled	Transferred to Liens	Balance
	Dec. 31, 2011			2011	2012				Dec. 31, 2012
Prior	\$ 108,577.26				\$ 10,767.96		\$ (38,758.80)	\$ 27,510.62	\$ 109,057.48
2011	989,691.44				735,767.21	\$ (2,299.31)	45,195.50	195,220.85	15,807.19
2012		\$ 8,724,409.71	\$ 8,221.96	\$ 60,791.38	7,400,604.84	53,099.32	15,590.11	207,148.28	995,397.74
	<u>\$ 1,098,268.70</u>	<u>\$ 8,724,409.71</u>	<u>\$ 8,221.96</u>	<u>\$ 60,791.38</u>	<u>\$ 8,147,140.01</u>	<u>\$ 50,800.01</u>	<u>\$ 22,026.81</u>	<u>\$ 429,879.75</u>	<u>\$ 1,120,262.41</u>

Analysis of Property Tax Levy

Tax Yield:

General Purpose

\$ 8,724,409.71

Added / Omitted Taxes

8,221.96\$ 8,732,631.67

Tax Levy:

Local District School Tax

\$ 2,495,842.00

2012 Budget Appropriation Transferred to Board
of Education for Use of Local School

(N.J.S.A. 40:48-17.1 & 17.3)

16,388.00

2,512,230.00

County Taxes:

County Tax

2,063,283.63

County Open Space Tax

44,880.23

Due County for Added and Omitted Taxes

1,991.86

2,110,155.72

Local Tax for Municipal Purposes

4,030,784.58

Library Tax

72,766.34

Add: Additional Tax Levied - Added and Omitted Taxes

6,230.10

Add: Additional Tax Levied - Rounding

464.934,110,245.95\$ 8,732,631.67

CITY OF SALEM
CURRENT FUND
Statement of Tax Title Liens
For the Year Ended December 31, 2012

Balance December 31, 2011		\$ 640,322.51
Increased by:		
Transfers from Taxes Receivable	\$ 429,879.75	
Interest and Costs - Tax Sale / Adjustments	<u>58,421.55</u>	
		<u>488,301.30</u>
		1,128,623.81
Decreased by:		
Collected by Trust -- Other Funds	52,735.62	
Collected by Current Fund	<u>156,258.65</u>	
		<u>208,994.27</u>
Balance December 31, 2012		<u><u>\$ 919,629.54</u></u>

CITY OF SALEM
CURRENT FUND
Statement of Prepaid Taxes
For the Year Ended December 31, 2012

Balance December 31, 2011	\$ 60,791.38
Increased by:	
Collections -- 2013 Taxes	71,034.86
	131,826.24
Decreased by:	
Applied to 2012 Taxes Receivable	60,791.38
Balance December 31, 2012	\$ 71,034.86

Exhibit SA-5

CURRENT FUND
Statement of Prepaid Debt Service
For the Year Ended December 31, 2012

Balance December 31, 2011	\$ 3,450.00
Increased by:	
Cash Disbursements	206,500.00
	209,950.00
Decreased by:	
Budget Appropriation	3,450.00
Balance December 31, 2012	\$ 206,500.00

CITY OF SALEM
CURRENT FUND
Statement of Due to State of New Jersey
Senior Citizens' and Veterans' Deductions
For the Year Ended December 31, 2012

Balance December 31, 2011		\$ 2,460.76
Increased by:		
Cash Received	\$ 49,292.48	
Prior Year Senior Citizens' and Veterans' Deductions Disallowed by Tax Collector	2,299.31	
		51,591.79
		54,052.55
Decreased by:		
2012 Levy -- Deductions per Tax Billing	\$ 54,750.00	
2012 Senior Citizens' and Veterans' Deductions Granted by Tax Collector	750.00	
		55,500.00
2012 Senior Citizens' and Veterans' Deductions Disallowed by Tax Collector	(2,400.68)	
		53,099.32
Balance December 31, 2012		\$ 953.23

CITY OF SALEM
CURRENT FUND
Statement of Revenue Accounts Receivable
For the Year Ended December 31, 2012

<u>Miscellaneous Revenues</u>	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Accrued in</u> <u>2012</u>	<u>Collected</u>	<u>Applied</u>	<u>Due from Trust</u> <u>-- Other Funds</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
Licenses - Other		\$ 2,525.00	\$ 2,525.00			
Fines and Costs - Municipal Court	\$ 8,306.35	122,214.77	122,058.14			\$ 8,462.98
Interest and Costs on Taxes		120,136.94	107,891.32		\$ 12,245.62	
Anticipated Utility Operating Surplus		125,000.00	125,000.00			
Street Opening Permits		4,250.00	4,250.00			
Cable Television Franchise Fee		51,646.71	51,646.71			
Consolidated Municipal Property Tax Relief Aid		397,829.99	397,829.99			
Energy Receipts Tax		998,109.00	998,109.00			
Garbage and Trash - Pick up Stickers		87,875.00	87,875.00			
Recycling Tonnage Grant		3,254.71		\$ 3,254.71		
Drunk Driving Enforcement Fund		1,802.14		1,802.14		
Clean Communities Program		9,367.47		9,367.47		
Municipal Alliance on Alcoholism and Drug Abuse		9,118.51		9,118.51		
US Marshalls Equitable Sharing		11,478.00		11,478.00		
Body Armor Grant		2,630.19		2,630.19		
New Jersey Motor Vehicle Commission		94,085.00		94,085.00		
New Jersey Transportation Trust - Grieves Parkway		151,900.00		151,900.00		
Whispering Waters Pilot Agreement		300,000.00	300,000.00			
Senior Village Pilot Agreement		13,500.00	13,500.00			
South Jersey Gas Agreement		62,448.74	62,448.74			
Resource Officer		150,379.10	150,379.10			
Total Miscellaneous Revenue	\$ 8,306.35	\$ 2,719,551.27	\$ 2,423,513.00	\$ 283,636.02	\$ 12,245.62	\$ 8,462.98

CITY OF SALEM
CURRENT FUND
Statement of Appropriation Reserves
For the Year Ended December 31, 2012

	<u>Balance December 31, 2011</u>		<u>Balance After Modification</u>	<u>Disbursed</u>	<u>Lapsed to Fund Balance</u>
	<u>Encumbered</u>	<u>Reserved</u>			
<u>OPERATIONS -- WITHIN "CAPS"</u>					
<u>General Government Functions</u>					
Human Resources:					
Other Expenses		\$ 99.00	\$ 99.00		\$ 99.00
Mayor and Council:					
Other Expenses		1,605.00	1,605.00		1,605.00
Municipal Clerk:					
Salaries and Wages		87.94	87.94		87.94
Other Expenses	\$ 1,908.82	73.41	1,982.23	\$ 1,796.71	185.52
Financial Administration:					
Salaries and Wages		62.92	62.92		62.92
Other Expenses	706.04	88.80	794.84	706.04	88.80
Audit Services:					
Other Expenses		21,457.34	21,457.34	15,959.33	5,498.01
Revenue Administration:					
Salaries and Wages		83.35	83.35		83.35
Other Expenses	60.00	19.92	79.92	60.00	19.92
Assessment of Taxes:					
Other Expenses	150.00	210.64	360.64	150.00	210.64
Legal Services and Costs:					
Salaries and Wages		8.08	8.08		8.08
Other Expenses		5.48	5.48		5.48
Engineering Services and Costs:					
Other Expenses		5,000.00	5,000.00		5,000.00
Public Buildings and Grounds:					
Other Expenses	885.20	102.47	987.67	885.20	102.47
Housing Enforcement:					
Salaries and Wages		2.55	2.55		2.55
Other Expenses	1,012.89	234.89	1,247.78	968.37	279.41
Insurance:					
Employee Group Health		483,546.28	483,546.28	483,546.28	
<u>Land Use Administration</u>					
Planning Board:					
Other Expenses		93.40	93.40		93.40
<u>Public Safety</u>					
Fire:					
Other Expenses	7,536.22	4,992.45	12,528.67	6,840.31	5,688.36
Police:					
Salaries and Wages		17.95	2,061.95	2,044.00	17.95
Other Expenses	11,528.29	25,930.29	35,414.58	10,881.07	24,533.51
First Aid Organization Contribution:					
Other Expenses	200.00	1,005.45	1,205.45	23.42	1,182.03
Office of Emergency Management:					
Salaries and Wages		3.00	3.00		3.00
<u>Streets and Roads</u>					
Road Repairs and Maintenance:					
Salaries and Wages		0.80	0.80		0.80
Other Expenses	3,194.54	2,308.63	5,503.17	1,743.01	3,760.16
<u>Sanitation</u>					
Street Cleaning:					
Salaries and Wages		40.89	40.89		40.89
Other Expenses		50.00	50.00		50.00
Sanitary Landfill:					
Other Expenses		257.13	257.13		257.13
Vehicle Maintenance:					
Other Expenses	300.00	157.14	457.14		457.14

(Continued)

CITY OF SALEM
CURRENT FUND
Statement of Appropriation Reserves
For the Year Ended December 31, 2012

	<u>Balance December 31, 2011</u>		<u>Balance After Modification</u>	<u>Disbursed</u>	<u>Lapsed to Fund Balance</u>
	<u>Encumbered</u>	<u>Reserved</u>			
<u>Health and Welfare</u>					
Public Health Services:					
Other Expenses		\$ 350.00	\$ 350.00		\$ 350.00
<u>Recreation and Education</u>					
Parks and Playgrounds:					
Other Expenses	\$ 12.95	23.33	36.28	\$ 12.95	23.33
<u>Municipal Court</u>					
Municipal Court Administration:					
Salaries and Wages		258.33	258.33		258.33
Other Expenses	1,289.65	1,318.47	2,608.12	1,066.89	1,541.23
Public Defender:					
Other Expenses		93.00	93.00		93.00
<u>Utility Expenses and Bulk Purchases</u>					
Street Lighting		22.16	645.16	644.77	0.39
Telephone	768.00	20.86	1,114.86	1,114.04	0.82
Heating Oil		126.19	126.19		126.19
Gasoline		1,491.31	82.31		82.31
Natural Gas		0.93	0.93		0.93
Electricity		334.67	794.67	793.86	0.81
<u>Statutory Expenditures</u>					
Contribution to:					
Social Security System (O.A.S.I.)		369.50	369.50		369.50
Unemployment and Disability		88.53	88.53		88.53
<u>Operations -- Excluded from "CAPS"</u>					
Police Dispatch Service with County of Salem		65,000.00	65,000.00	65,000.00	
<u>ADDITIONAL APPROPRIATIONS OFFSET BY REVENUES</u>					
Garbage and Trash Collections:					
Other Expenses	3,295.00	879.00	4,174.00	3,295.00	879.00
	<u>\$ 32,847.60</u>	<u>\$ 617,921.48</u>	<u>\$ 650,769.08</u>	<u>\$ 597,531.25</u>	<u>\$ 53,237.83</u>

CITY OF SALEM
CURRENT FUND
Statement of Due County for Added and Omitted Taxes
For the Year Ended December 31, 2012

Increased by:		
County General Share of 2012 Added / Omitted Taxes	\$	1,991.86
Decreased by:		
Cash Disbursements	\$	<u>1,991.86</u>

Exhibit SA-10

CURRENT FUND
Statement of Due County Taxes
For the Year Ended December 31, 2012

Increased by:			
County General Share of 2012 Levy		\$ 2,063,283.63	
County Open Space Preservation Share of 2012 Levy		<u>44,880.23</u>	
			\$ 2,108,163.86
Decreased by:			
Cash Disbursements			<u>\$ 2,108,163.86</u>

CITY OF SALEM
CURRENT FUND
Statement of Local District School Tax
For the Year Ended December 31, 2012

Balance December 31, 2011		
School Tax Payable	\$ 225,655.60	
School Tax Deferred	<u>1,032,229.00</u>	\$ 1,257,884.60
Increased by:		
Levy -- School Year July 1, 2012 to June 30, 2013	2,495,842.00	
2012 Budget Appropriation Transferred to Board of Education for Use of Local School (N.J.S.A. 40:48-17.1 & 17.3)	<u>16,388.00</u>	<u>2,512,230.00</u>
		3,770,114.60
Decreased by:		
Payments		<u>2,513,998.62</u>
Balance December 31, 2012		
School Tax Payable	23,886.98	
School Tax Deferred	<u>1,232,229.00</u>	<u>\$ 1,256,115.98</u>

CITY OF SALEM
CURRENT FUND
Statement of Due to Federal & State Grant Fund
For the Year Ended December 31, 2012

Balance December 31, 2011			\$ 117,552.62
Increased by:			
Collected for Federal & State Grant Fund - Unappropriated Grants	\$ 38,856.14		
Collected for Federal & State Grant Fund - Grant Receivables	<u>122,466.14</u>		
		\$ 161,322.28	
Matching Funds		<u>2,091.55</u>	
			<u>163,413.83</u>
			280,966.45
Decreased by:			
Disbursed for Federal & State Grant Fund		152,297.69	
Interest Earnings - Due to Current Fund		<u>3.32</u>	
			<u>152,301.01</u>
Balance December 31, 2012			<u><u>\$ 128,665.44</u></u>

CITY OF SALEM
FEDERAL AND STATE GRANT FUND
Statement of Federal and State Grants Receivable
For the Year Ended December 31, 2012

<u>Program</u>	<u>Balance Dec. 31, 2011</u>	<u>Revenue Anticipated</u>	<u>Transferred from Unappropriated</u>	<u>Received by Current Fund</u>	<u>Balance Dec. 31, 2012</u>
Recycling Tonnage Grant		\$ 3,254.71	\$ 3,254.71		
US Marshalls Equitable Sharing		11,478.00		\$ 11,478.00	
Drunk Driving Enforcement Fund		1,802.14	1,802.14		
Municipal Alliance on Alcoholism and Drug Abuse		9,118.51	782.33	7,535.67	\$ 800.51
Body Armor Fund		2,630.19	2,630.19		
Clean Communities Program		9,367.47		9,367.47	
New Jersey Motor Vehicle Commission		94,085.00		94,085.00	
National Fish and Wildlife Foundation	\$ 5,800.00				5,800.00
New Jersey Transportation Trust - Grieves Parkway		151,900.00			151,900.00
	<u>\$ 5,800.00</u>	<u>\$ 283,636.02</u>	<u>\$ 8,469.37</u>	<u>\$ 122,466.14</u>	<u>\$ 158,500.51</u>

CITY OF SALEM
FEDERAL AND STATE GRANT FUND
Statement of Reserve for Federal and State Grants -- Appropriated
For the Year Ended December 31, 2012

<u>Program</u>	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Transferred</u> <u>from</u> <u>Budget</u> <u>Appropriation</u>	<u>Expended</u>	<u>Over-</u> <u>Expended</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
Federal Grants:					
U.S. Department of Justice - Local Law Enforcement Block Grant	\$ 483.25				\$ 483.25
State Police SLA Heop Grant	2,405.72				2,405.72
National Fish and Wildlife Foundation	1,331.19				1,331.19
JAG Grant	12,000.00		\$ 12,000.00		
	<u>16,220.16</u>	<u>-</u>	<u>12,000.00</u>	<u>-</u>	<u>4,220.16</u>
State Grants:					
Clean Communities Grant	26,196.49	\$ 9,367.47	\$ 21,154.76		14,409.20
Municipal Alliance on Alcohol and Drug Abuse	10,946.56	11,210.06	12,376.98		9,779.64
Drunk Driving Enforcement Fund	19,823.51	1,802.14			21,625.65
Neighborhood Preservation Program	5,403.26				5,403.26
Motor Vehicle Commission Police		94,085.00	96,033.45	\$ 1,948.45	
Domestic Violence Training	6,800.00				6,800.00
Recycling Tonnage	1,727.27	3,254.71			4,981.98
N.J. Department of Health - Hepatitis B Vaccine	4,418.40				4,418.40
State Highway Grant - TEA	39,690.00				39,690.00
Body Armor Fund		2,630.19	4,680.00	2,049.81	
New Jersey Transportation Trust - Grieves Parkway		151,900.00			151,900.00
	<u>115,005.49</u>	<u>274,249.57</u>	<u>134,245.19</u>	<u>3,998.26</u>	<u>259,008.13</u>
Other Grants:					
US Marshalls Equitable Sharing	7,675.00	11,478.00	6,052.50		13,100.50
	<u>7,675.00</u>	<u>11,478.00</u>	<u>6,052.50</u>	<u>-</u>	<u>13,100.50</u>
	<u>\$ 138,900.65</u>	<u>\$ 285,727.57</u>	<u>\$ 152,297.69</u>	<u>\$ 3,998.26</u>	<u>\$ 276,328.79</u>
Disbursed Current Fund					
Budget - Match		\$ 2,091.55			
Budget		283,636.02			
		<u>\$ 285,727.57</u>	<u>\$ 152,297.69</u>		

CITY OF SALEM
FEDERAL AND STATE GRANT FUND
Statement of Reserve for Federal and State Grants -- Unappropriated
For the Year Ended December 31, 2012

<u>Program</u>	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>2012</u> <u>Received</u> <u>by Current Fund</u>	<u>Realized as</u> <u>Miscellaneous</u> <u>Revenue in</u> <u>Budget</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
Recycling Tonnage	\$ 3,254.71	\$ 8,912.27	\$ 3,254.71	\$ 8,912.27
Municipal Alliance on Alcohol and Drug Abuse	782.33		782.33	
Body Armor Fund	2,630.19	2,426.45	2,630.19	2,426.45
Drunk Driving Enforcement Fund	1,802.14		1,802.14	
Drive Sober or Get Pulled Over		2,600.00		2,600.00
Salem County JAG		2,000.00		2,000.00
JAG Grant		12,452.00		12,452.00
DOJ Police Grant		2,625.00		2,625.00
New Jersey Motor Vehicle Commission		7,840.42		7,840.42
	<u>\$ 8,469.37</u>	<u>\$ 38,856.14</u>	<u>\$ 8,469.37</u>	<u>\$ 38,856.14</u>

SUPPLEMENTAL EXHIBITS
TRUST FUND

CITY OF SALEM
TRUST FUNDS
Statement of Trust Cash - Treasurer
For the Year Ended December 31, 2012

	<u>Animal Control</u>	<u>Other</u>
Balance December 31, 2011	\$ 16,445.24	\$ 684,708.17
Increased by Receipts:		
Dog License Fees Collected	\$ 1,664.80	
Current Fund Budget Appropriation	25,000.00	
Due to Current Fund - MRA Interest Earned on Deposits	8.86	\$ 214.47
Due to Current Fund - Received for		64,981.24
Due to Utility Operating Fund		25,629.87
Due to Utility Capital Fund		100,340.39
Reserve for:		
Community Development Housing Equity		3,113.96
Construction Code		1,026.00
Developer's Escrow		1,800.00
POAA		822.00
Payroll Withholdings Payable		6,239,862.69
Public Defender		2.53
Landfill		2,236.25
Tax Title Liens		814,049.46
Shade Tree Commission		1,500.00
Off-Duty Police		25,130.00
	26,673.66	7,280,708.86
	43,118.90	7,965,417.03
Decreased by Disbursements:		
Due State Department of Health	421.80	
Expenditures Under R.S. 4:19-15.11	26,038.09	
Due to Current Fund - MRA Interest Earned on Deposits		191.55
Reserve for:		
Small Cities Rehab		2,661.30
Construction Code		3,146.54
Payroll Withholdings Payable		6,190,829.64
Tax Title Liens		827,773.61
Shade Tree Commission		700.00
Off-Duty Police		38,345.57
	26,459.89	7,063,648.21
Balance December 31, 2012	\$ 16,659.01	\$ 901,768.82

CITY OF SALEM
TRUST -- ANIMAL CONTROL FUND
Statement of Reserve for Animal Control Expenditures
For the Year Ended December 31, 2012

Balance December 31, 2011		\$ 3,837.60
Increased by:		
Current Fund Budget Appropriation Received	\$ 25,000.00	
Dog License Fees Collected	1,664.80	
		26,664.80
		30,502.40
Decreased by:		
Transferred to Due to State of New Jersey	421.80	
Transferred to Due to Current Fund - Excess Reserve	137.01	
Expenditures Under R.S.4:19- 15.11	26,038.09	
		26,596.90
Balance December 31, 2012		\$ 3,905.50

License Fees Collected

<u>Year</u>	<u>Amount</u>
2011	\$ 2,004.90
2010	1,900.60
	\$ 3,905.50

Exhibit SB-3

TRUST -- ANIMAL CONTROL FUND
Statement of Due to Current Fund
For the Year Ended December 31, 2012

Balance December 31, 2011		\$ 12,603.44
Increased by:		
Receipts - Interest on Deposits	\$ 8.86	
Excess reserve	137.01	
		145.87
Balance December 31, 2012		\$ 12,749.31

CITY OF SALEM
TRUST -- ANIMAL CONTROL FUND
Statement of Due to State of New Jersey
For the Year Ended December 31, 2012

Balance December 31, 2011	\$ 4.20
Increased by:	
Transferred from Reserve for Animal Control Expenditures	<u>421.80</u>
	426.00
Decreased by:	
Payments	<u>421.80</u>
Balance December 31, 2012	<u><u>\$ 4.20</u></u>

CITY OF SALEM
TRUST -- OTHER FUNDS
Statement of Due to Current Fund
For the Year Ended December 31, 2012

Balance December 31, 2011		\$ 9,123.62
Increased by:		
Receipts - Interest Earned on Deposits	\$ 214.47	
Disbursements made for Trust -- Other Funds by Current Fund	1,058.63	
Received for Current Fund		
Interest and Costs on Taxes	\$ 11,245.62	
Tax Title Liens	<u>53,735.62</u>	
	64,981.24	<u>66,254.34</u>
		75,377.96
Decreased by:		
Receipts Collected by Current Fund	20,000.00	
Budget Appropriation - UCC Deficit	391.85	
Disbursed to Current Fund - MRA Interest Earnings	<u>191.55</u>	
		<u>20,583.40</u>
Balance December 31, 2012		<u><u>\$ 54,794.56</u></u>
 <u>Analysis of Balance Dec. 31, 2012</u>		
Community Development Housing Equity		\$ (220.09)
Construction Code		5,937.35
Developer's Escrow		3,625.42
POAA		0.80
Payroll Agency		24,877.64
Net Payroll		1.95
Public Defender		(36,209.75)
Tax Title Liens		117,800.53
Unemployment		(29,241.03)
Small Cities		(31,854.00)
UDAG		<u>75.74</u>
		<u><u>\$ 54,794.56</u></u>

CITY OF SALEM
 TRUST -- OTHER FUNDS
 Statement of Changes in Reserves
 For the Year Ended December 31, 2012

	Balance Dec. 31, 2011	Increased by			Decreased by		Balance Dec. 31, 2012
		Interest Earnings	Receipts	Other	Disbursements	Other	
Reserve for:							
Community Development Block Grant of 1974:							
Community Development Housing Equity	\$ 12,659.83		\$ 3,113.96				\$ 15,773.79
Small Cities Rehab	8,046.93			\$ 20,000.00	\$ 2,661.30		25,385.63
Construction Code	(391.85)		1,026.00	391.85	3,146.54	\$ 1,058.63	(3,179.17)
Developer's Escrow	18,352.51		1,800.00				20,152.51
POAA	13,076.95		822.00				13,898.95
Payroll Withholdings Payable	73,757.75		6,239,862.69		6,190,829.64		122,790.80
Public Defender	2,276.55	\$ 2.53					2,279.08
Landfill	90,635.80	2,236.25					92,872.05
Tax Title Liens	332,053.03		814,049.46		827,773.61		318,328.88
Unemployment Compensation	10,955.24						10,955.24
Accumulated Sick Leave	33,350.27						33,350.27
Shade Tree Commission	486.71		1,500.00		700.00		1,286.71
Proceeds from Mortgage Notes	8,361.92						8,361.92
Off-Duty Police	21,294.77		25,130.00		38,345.57		8,079.20
	<u>\$ 624,916.41</u>	<u>\$ 2,238.78</u>	<u>\$ 7,087,304.11</u>	<u>\$ 20,391.85</u>	<u>\$ 7,063,456.66</u>	<u>\$ 1,058.63</u>	<u>\$ 670,335.86</u>
Receipt Collected by Current Fund				\$ 20,000.00			
Current Fund Budget Appropriation				391.85			
Cash Disbursements made by Current Fund						\$ 1,058.63	
				<u>\$ 20,391.85</u>		<u>\$ 1,058.63</u>	

SUPPLEMENTAL EXHIBITS
GENERAL CAPITAL FUND

CITY OF SALEM
GENERAL CAPITAL FUND
Statement of General Capital Cash
For the Year Ended December 31, 2012

Balance December 31, 2011		\$ 25,458.89
Increased by Receipts:		
Due to Current Fund - MRA Interest Earned on Deposits	\$ 29.21	
Due Current Fund - Received from	491,918.70	
Due Utility Capital Fund - Received from	12,000.00	
State and Federal Grants Receivable	<u>31,725.00</u>	
		<u>535,672.91</u>
		561,131.80
Decreased by Disbursements:		
Improvement Authorizations	531,656.33	
Due Current Fund - MRA Interest Earned on Deposits	<u>27.59</u>	
		<u>531,683.92</u>
Balance December 31, 2012		<u><u>\$ 29,447.88</u></u>

CITY OF SALEM
GENERAL CAPITAL FUND
 Analysis of General Capital Cash
 For the Year Ended December 31, 2012

	Balance (Deficit) Dec. 31, 2011	Miscellaneous Receipts	Disbursements		Transfers		Balance (Deficit) Dec. 31, 2012
			Improvement Authorizations	Miscellaneous	To	From	
Capital Improvement Fund	\$ 76,323.72				\$ 50,000.00	\$ 115,000.00	\$ 11,323.72
Due Current Fund	(23,139.02)	\$ 491,947.91		\$ 27.59	93,891.28	121,962.78	440,709.80
Due Utility Capital Fund	(559,494.61)	12,000.00					(547,494.61)
Deferred Charges	(12,168.24)				12,168.24		
Federal & State Grants Receivable	(672,582.66)	31,725.00			38,794.54		(602,063.12)
Reserve for Payment of Bonds & Notes	18,686.30						18,686.30
Reserve for Encumbrances	497,794.20					497,794.20	
Improvement Authorizations:							
Ordinance							
<u>Number</u>							
96-16	(42,000.00)				21,000.00		(21,000.00)
00-04	31,348.70						31,348.70
01-16	804.37						804.37
03-04	161,462.05						161,462.05
03-13	4,498.08						4,498.08
03-14	306.75						306.75
04-12	59,418.92						59,418.92
04-13	30,803.92						30,803.92
05-07	8,428.97						8,428.97
05-08	5,000.00						5,000.00
05-15	48,128.70						48,128.70
05-16	8,453.29						8,453.29
05-19, 09-08, 09-09, 09-10	488,653.48						488,653.48
05-28	452,043.29		\$ 16,722.55			3,864.00	431,456.74
05-32	298.91						298.91
06-13	(90,459.00)						(90,459.00)
06-19	3,886.65						3,886.65
06-24	596.00						596.00
06-29	768.99						768.99
07-10	30.02						30.02
07-11	7,136.88						7,136.88
07-14	54,608.08						54,608.08
08-09	(2,770.99)						(2,770.99)
08-10	(29,530.70)						(29,530.70)
08-14	2,463.76		179.00				2,284.76
08-17	2,452.89						2,452.89
08-23	50,087.85		50,585.88				(498.03)
09-21	1,058.06						1,058.06
11-01	17,254.22		12,139.42				5,114.80
11-08	74,807.06		24,681.16				50,125.90
11-16	(650,000.00)		392,973.32		497,794.20	90,027.28	(635,206.40)
11-20			12,000.00		55,000.00		43,000.00
12-06			3,865.00		10,000.00		6,135.00
12-14			18,510.00		50,000.00		31,490.00
	<u>\$ 25,458.89</u>	<u>\$ 535,672.91</u>	<u>\$ 531,656.33</u>	<u>\$ 27.59</u>	<u>\$ 828,648.26</u>	<u>\$ 828,648.26</u>	<u>\$ 29,447.88</u>

CITY OF SALEM
GENERAL CAPITAL FUND
Statement of Deferred Charges to Future Taxation -- Funded
For the Year Ended December 31, 2012

Balance December 31, 2011		\$ 581,010.22
Increased by:		
Bonds Issued		3,110,000.00
		3,691,010.22
Decreased by:		
Budget Appropriation:		
Serial Bonds	\$ 135,000.00	
USDA Loan	30,010.22	
		165,010.22
Balance December 31, 2012		\$ 3,526,000.00

CITY OF SALEM
GENERAL CAPITAL FUND
Statement of Deferred Charges to Future Taxation -- Unfunded
For the Year Ended December 31, 2012

Ordinance Number	Improvement Description	Balance Dec. 31, 2011	Decreased by	Balance Dec. 31, 2012	Expenditures	Analysis of Balance Dec. 31, 2012	
						Financed by Bond Anticipation Notes	Unexpended Improvement Authorization
96-16	Improvements to Craven Avenue	\$ 42,000.00	\$ 21,000.00	\$ 21,000.00	\$ 21,000.00		
04-11	Acquisition of New and Additional Equipment	68,784.00	68,784.00				
04-12	Improvement of Thompson Street	124,067.00	124,067.00				
04-13	Improvement of Fenwick Avenue	35,504.00	35,504.00				
05-07	Substantial Reconditioning of a Fire Truck	58,204.00	58,204.00				
05-08	Reconstruction of the Finlaw Building	100,000.00		100,000.00			\$ 100,000.00
05-28	Improvement of East & West Broadway	419,044.00	415,180.00	3,864.00			3,864.00
06-13	Hires Avenue	90,459.00		90,459.00	90,459.00		
06-19	Recycling Truck	95,000.00	95,000.00				
06-29	Police Equipment	95,000.00	95,000.00				
07-09	Telephone Equipment	31,002.00	31,002.00				
07-11	New Fire Fighting Equipment	106,428.00	106,428.00				
07-13	Construction of Hires Avenue Phase II	154,643.00	154,643.00				
07-14	Improvements to Johnson Street	83,423.00	83,388.00	35.00			35.00
08-09	Improvements to Grieves Parkway	12,640.36		12,640.36	2,770.99		9,869.37
08-10	Recreation Fields	38,574.00		38,574.00	29,530.70		9,043.30
08-17	Various Improvements	142,800.00	142,800.00				
08-23	Assistance to Stand up for Salem, Inc.	2,468,350.00	2,400,000.00	68,350.00	498.03		67,851.97
11-16	Finlaw Building Resurface	650,000.00		650,000.00	635,206.40		14,793.60
		<u>\$ 4,815,922.36</u>	<u>\$ 3,831,000.00</u>	<u>\$ 984,922.36</u>	<u>\$ 779,465.12</u>	<u>\$ -</u>	<u>\$ 205,457.24</u>
	Budget Appropriation - BAN Principal		\$ 700,000.00				
	Bonds Issued		3,110,000.00				
	Budget Appropriation - Deferred Charge		21,000.00				
			<u>\$ 3,831,000.00</u>				

CITY OF SALEM
GENERAL CAPITAL FUND
Statement of Capital Improvement Fund
For the Year Ended December 31, 2012

Balance December 31, 2011		\$ 76,323.72
Increased by:		
Budget Appropriation - Current Fund		50,000.00
		126,323.72
Decreased by:		
Improvement Authorizations		115,000.00
Balance December 31, 2012		\$ 11,323.72

Exhibit SC-6

GENERAL CAPITAL FUND
Statement of Due Current Fund
For the Year Ended December 31, 2012

Balance December 31, 2011 (Due from)		\$ 23,139.02
Increased by:		
Collected by Current Fund - State & Federal grants	\$ 38,794.54	
Budget Appropriations		
Deferred Charges - Overexpenditure of Improvement Authorization	\$ 12,168.24	
Deferred to Future Taxation - Unfunded	21,000.00	
		33,168.24
Capital Improvement Fund		50,000.00
Interest Earnings disbursed to Current Fund MRA		27.59
		121,990.37
		145,129.39
Decreased by:		
Improvement Authorization disbursement made for General Capital by Current Fund	90,027.28	
BAN not renewed paid back by Current Fund	3,864.00	
		93,891.28
Received from Current Fund		491,918.70
Interest Earnings		29.21
		585,839.19
Balance December 31, 2012 (Due to)		\$ 440,709.80

CITY OF SALEM
GENERAL CAPITAL FUND
 Statement of Improvement Authorizations
 For the Year Ended December 31, 2012

<u>Improvement Description</u>	<u>Ordinance Number</u>	<u>Amount</u>	<u>Balance Dec. 31, 2011</u>		<u>Authorizations</u>	<u>Paid or Charged</u>	<u>Transferred From Encumbrances</u>	<u>Balance Dec. 31, 2012</u>	
			<u>Funded</u>	<u>Unfunded</u>				<u>Funded</u>	<u>Unfunded</u>
Renovations to the Salem Free Public Library	00-04	\$ 240,000.00	\$ 31,348.70					\$ 31,348.70	
Various Improvements	01-16	130,339.14	804.37					804.37	
Hazardous Discharge Site Remediation	03-04	257,136.00	161,462.05					161,462.05	
Reconstruction of Johnson Street	03-13	167,200.00	4,498.08					4,498.08	
Payment of Bond Issue Cost & Purchase of Equip	03-14	25,000.00	306.75					306.75	
Improvement of Thompson Street	04-12	575,000.00		\$ 59,418.92				59,418.92	
Improvement of Fenwick Avenue	04-13	190,000.00		30,803.92				30,803.92	
Substantial Reconditioning of a Fire Truck	05-07	180,000.00		8,428.97				8,428.97	
Reconstruction of the Finlaw Building	05-08	105,000.00	5,000.00	100,000.00				5,000.00	\$ 100,000.00
Improvements of Elm Street	05-15	190,000.00	48,128.70					48,128.70	
Improvements of Magnolia Street	05-16	120,000.00	8,453.29					8,453.29	
Hazardous Discharge Site Remediation	05-19, 09-08, 09-09, 09-10	various	488,653.48					488,653.48	
Improvement of East & West Broadway	05-28	525,000.00		452,043.29		\$ 16,722.55		431,456.74	3,864.00
Various Improvements	05-32	30,000.00	298.91					298.91	
Recycling Truck	06-19	100,000.00		3,886.65				3,886.65	
Various Improvements	06-24	34,000.00	596.00					596.00	
Police Equipment	06-29	100,000.00		768.99				768.99	
Various Improvements	07-10	92,500.00	30.02					30.02	
New Fire Fighting Equipment	07-11	410,000.00		7,136.88				7,136.88	
Improvements to Johnson Street	07-14	220,000.00		54,643.08				54,608.08	35.00
Improvements to Grieves Parkway	08-09	112,750.00		9,869.37					9,869.37
Recreation Fields	08-10	344,300.00		9,043.30					9,043.30
Various Improvements	08-14	88,000.00	2,463.76			179.00		2,284.76	
Various Improvements	08-17	150,000.00		2,452.89				2,452.89	
Assistance to Stand up for Salem, Inc.	08-23	2,500,000.00		118,437.85		50,585.88			67,851.97
Various Improvements	09-21	50,000.00	1,058.06					1,058.06	
Various Improvements	11-01	50,000.00	17,254.22			12,139.42		5,114.80	
Union Street Improvements	11-08	149,972.00	74,807.06			24,681.16		50,125.90	
Finlaw Building Resurface	11-16	650,000.00				483,000.60	\$ 497,794.20		14,793.60
Various Improvements	11-20	55,000.00			\$ 55,000.00	12,000.00		43,000.00	
Municipal Pool Improvements	12-06	10,000.00			10,000.00	3,865.00		6,135.00	
Various Improvements	12-14	50,000.00			50,000.00	18,510.00		31,490.00	
			<u>\$ 845,163.45</u>	<u>\$ 856,934.11</u>	<u>\$ 115,000.00</u>	<u>\$ 621,683.61</u>	<u>\$ 497,794.20</u>	<u>\$ 1,487,750.91</u>	<u>\$ 205,457.24</u>
Cash Disbursements						\$ 531,656.33			
Capital Improvement Fund					\$ 115,000.00				
Due Current Fund						90,027.28			
					<u>\$ 115,000.00</u>	<u>\$ 621,683.61</u>			

CITY OF SALEM
GENERAL CAPITAL FUND
Statement of General Serial Bonds
For the Year Ended December 31, 2012

<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, 2011</u>	<u>Issued</u>	<u>Paid By Budget Appropriation</u>	<u>Balance Dec. 31, 2012</u>
			<u>Date</u>	<u>Amount</u>					
Various Capital Improvements	1/15/2003	\$ 1,361,000.00	01/15/13	\$ 140,000.00	4.75%	\$ 551,000.00		\$ 135,000.00	\$ 416,000.00
			01/15/14	145,000.00	4.75%				
			01/15/15	131,000.00	4.75%				
Various Capital Improvements	6/15/2012	3,110,000.00	06/15/13	135,000.00	3.00%				
			06/15/14	140,000.00	3.00%				
			06/15/15	165,000.00	3.00%				
			06/15/16	215,000.00	3.00%				
			06/15/17	225,000.00	3.00%				
			06/15/18	235,000.00	3.00%				
			06/15/19	245,000.00	3.00%				
			06/15/20	250,000.00	3.00%				
			06/15/21	250,000.00	3.00%				
			06/15/22	250,000.00	3.00%				
			06/15/23	250,000.00	4.00%				
			06/15/24	250,000.00	4.00%				
			06/15/25	250,000.00	4.00%				
			06/15/26	250,000.00	4.00%				
						<u>\$ 551,000.00</u>	<u>\$ 3,110,000.00</u>	<u>\$ 135,000.00</u>	<u>\$ 3,526,000.00</u>

CITY OF SALEM
GENERAL CAPITAL FUND
Statement of Bond Anticipation Notes
For the Year Ended December 31, 2012

Ordinance Number	Improvement Description	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2011	Decrease
04-11	Acquisition of New and Additional Equipment	6/16/2004	6/10/2011	3/9/2012	4.60%	\$ 68,784.00	\$ 68,784.00
04-12	Improvement of Thompson Street	6/16/2004	6/10/2011	3/9/2012	4.60%	124,067.00	124,067.00
04-13	Improvement of Fenwick Avenue	6/16/2004	6/10/2011	3/9/2012	4.60%	35,504.00	35,504.00
05-07	Substantial Reconditioning of a Fire Truck	6/16/2005	6/10/2011	3/9/2012	4.60%	58,204.00	58,204.00
05-28	Improvements of East & West Broadway	9/22/2005	6/10/2011	3/9/2012	4.60%	419,044.00	419,044.00
07-09	Telephone Equipment	6/14/2007	6/10/2011	3/9/2012	4.60%	31,002.00	31,002.00
07-11	New Fire Fighting Equipment	6/14/2007	6/10/2011	3/9/2012	4.60%	106,428.00	106,428.00
07-13	Construction of Hires Avenue Phase II	6/14/2007	6/10/2011	3/9/2012	4.60%	154,643.00	154,643.00
07-14	Improvements to Johnson Street	6/14/2007	6/10/2011	3/9/2012	4.60%	83,388.00	83,388.00
08-23	Assistance to Stand up for Salem, Inc.	12/12/2008	12/17/2011	12/17/2012	4.00%	2,400,000.00	2,400,000.00
08-17	Various Improvements	6/12/2009	6/10/2011	3/9/2012	4.60%	142,800.00	142,800.00
06-19	Recycling Truck	6/10/2010	6/10/2011	3/9/2012	4.60%	95,000.00	95,000.00
06-29	Police Equipment	6/10/2010	6/10/2011	3/9/2012	4.60%	95,000.00	95,000.00
						<u>\$ 3,813,864.00</u>	<u>\$ 3,813,864.00</u>
	Budget Appropriation						\$ 700,000.00
	BANS not Renewed						3,864.00
	Bonds Issued						<u>3,110,000.00</u>
							<u>\$ 3,813,864.00</u>

CITY OF SALEM
GENERAL CAPITAL FUND
Statement of Federal & State Grants Receivable
For the Year Ended December 31, 2012

Balance December 31, 2011		\$ 672,582.66
Decreased by:		
Collected by Current Fund	\$ 38,794.54	
Receipts	31,725.00	
		70,519.54
Balance December 31, 2012		\$ 602,063.12
 <u>Analysis of Balance December 31</u>		
New Jersey Department of Transportation Union Street Ordinance 2011-08		\$ 51,209.15
New Jersey Economic Development Authority		550,853.97
		\$ 602,063.12

CITY OF SALEM
GENERAL CAPITAL FUND
Statement of Bonds and Notes Authorized But Not Issued
For the Year Ended December 31, 2012

Ordinance Number	Balance Dec. 31, 2011	Increased by:		Decreased by:	
		BANS not Renewed	Budget Appropriation	Balance Dec. 31, 2012	
96-16, 95-04	Improvements to Craven Avenue	\$ 42,000.00		\$ 21,000.00	\$ 21,000.00
05-08	Reconstruction of the Finlaw Building	100,000.00			100,000.00
05-28	Improvement of East & West Broadway		\$ 3,864.00		3,864.00
06-13	Hires Avenue	90,459.00			90,459.00
07-14	Improvements to Johnson Street	35.00			35.00
08-09	Improvements to Grieves Parkway	12,640.36			12,640.36
08-10	Recreation Fields	38,574.00			38,574.00
08-23	Assistance to Stand up for Salem, Inc.	68,350.00			68,350.00
11-16	Finlaw Building Resurface	650,000.00			650,000.00
		<u>\$ 1,002,058.36</u>	<u>\$ 3,864.00</u>	<u>\$ 21,000.00</u>	<u>\$ 984,922.36</u>

SUPPLEMENTAL EXHIBITS
WATER AND SEWER UTILITY FUND

CITY OF SALEM
WATER AND SEWER UTILITY FUND
Statement of Water and Sewer Utility Fund Cash -- Treasurer
For the Year Ended December 31, 2012

	<u>Operating</u>		<u>Capital</u>
Balance December 31, 2011	\$ 681,884.99		\$ 885,692.00
Increased by Receipts:			
Consumer Accounts Receivable	\$ 2,471,093.35		
Miscellaneous Revenue	361,403.41		
Impact Fee	112,875.00		
Due Utility Capital Fund - Received from State of New Jersey Loan	100,000.00		18,480.00
New Jersey Environmental Infrastructure Trust			685,559.00
Due Utility Operating Fund - Interest Earnings			430.20
	<u>3,045,371.76</u>		<u>704,469.20</u>
	3,727,256.75		1,590,161.20
Decreased by Disbursements:			
Budget Appropriations	2,841,719.00		
Appropriation Reserves	46,816.20		
Accrued Interest on Bonds and Notes	387,830.99		
Due Current Fund - Disbursed to	55,000.00		341,028.95
Due Trust -- Other Funds - Disbursed to			100,340.39
Due General Capital Fund - Disbursed to			12,000.00
Due Utility Operating Fund - Disbursed to			100,000.00
Improvement Authorizations			644,662.97
	<u>3,331,366.19</u>		<u>1,198,032.31</u>
Balance December 31, 2012	<u>\$ 395,890.56</u>		<u>\$ 392,128.89</u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Analysis of Water and Sewer Capital Cash and Investments
For the Year Ended December 31, 2012

	Balance	Miscellaneous Receipts	Disbursements		Transfers		Balance
	(Deficit) Dec. 31, 2011		Improvement Authorizations	Miscellaneous	From	To	(Deficit) Dec. 31, 2012
Capital Improvement Fund	\$ 104,692.40				\$ 52,680.00		\$ 52,012.40
Due Current Fund	444,965.91			\$ 341,028.95			103,936.96
Due Trust -- Other Funds				100,340.39			(100,340.39)
Due General Capital Fund	559,494.61			12,000.00			547,494.61
Due Utility Operating Fund	(151,091.59)	\$ 430.20		100,000.00			(250,661.39)
Encumbrances	4,509.00				4,509.00	\$ 27,165.32	27,165.32
Reserve for Salem-Pennsville Interconnect	56,110.00						56,110.00
Improvement Authorizations:							
Ordinance Number							
02-10, 04-23	962.00						962.00
02-12	2,202.80						2,202.80
02-18	92,236.41						92,236.41
02-31	70,089.49						70,089.49
03-18, 04-06	2,669.55						2,669.55
04-20	402.04						402.04
05-27	(7.00)						(7.00)
06-08	(128,949.96)	18,480.00	\$ 35,771.88		3,000.00	3,000.00	(146,241.84)
07-15, 08-18, 09-15	(18,793.71)	685,559.00	573,152.34		24,165.32	1,509.00	70,956.63
07-20	231.70						231.70
08-13	9,313.00						9,313.00
09-14	(163,533.48)						(163,533.48)
11-83	188.83						188.83
11-148			17,742.20			18,000.00	257.80
11-169			17,996.55			34,680.00	16,683.45
	<u>\$ 885,692.00</u>	<u>\$ 704,469.20</u>	<u>\$ 644,662.97</u>	<u>\$ 553,369.34</u>	<u>\$ 84,354.32</u>	<u>\$ 84,354.32</u>	<u>\$ 392,128.89</u>

CITY OF SALEM
WATER AND SEWER UTILITY OPERATING FUND
Statement of Consumer Accounts Receivable
For the Year Ended December 31, 2012

Balance December 31, 2011		\$ 496,677.70
Increased by:		
Water and Sewer Rents Levied - Net of Adjustments		2,739,940.75
		3,236,618.45
Decreased by:		
Collected by Utility Operating Fund	\$ 2,471,093.35	
Transferred to Utility Liens Receivable	85,859.70	
		2,556,953.05
Balance December 31, 2012		\$ 679,665.40

Exhibit SD-4

WATER AND SEWER UTILITY OPERATING FUND
Statement of Utility Liens Receivable
For the Year Ended December 31, 2012

Balance December 31, 2011		\$ 86,626.43
Increased by:		
Transferred from Consumer Accounts Receivable		85,859.70
		172,486.13
Decreased by:		
Due from Trust -- Other Funds		22,650.30
Balance December 31, 2012		\$ 149,835.83

CITY OF SALEM
WATER AND SEWER UTILITY OPERATING FUND
 Statement of Appropriation Reserves
 For the Year Ended December 31, 2012

	Balance December 31, 2011		Balance After Transfers	Disbursed	Lapsed to Fund Balance
	<u>Reserved</u>	<u>Encumbered</u>			
Operating:					
Salaries and Wages	\$ 5,867.20		\$ 5,867.20		\$ 5,867.20
Other Expenses	3,424.45	\$ 83,630.23	87,054.68	\$ 46,816.20	40,238.48
Statutory Expenditures:					
Contributions to Social Security System (O.A.S.I.)	<u>5,073.54</u>		<u>5,073.54</u>		<u>5,073.54</u>
	<u>\$ 14,365.19</u>	<u>\$ 83,630.23</u>	<u>\$ 97,995.42</u>	<u>\$ 46,816.20</u>	<u>\$ 51,179.22</u>

CITY OF SALEM
WATER AND SEWER UTILITY OPERATING FUND
Statement of Accrued Interest on Bonds and Notes
For the Year Ended December 31, 2012

Balance December 31, 2011		\$ 170,203.85
Increased by:		
Charged to Budget Appropriation - Interest on Loans	\$ 387,852.40	
Charged to Budget Appropriation - Interest on Notes	4,853.00	
		392,705.40
		562,909.25
Decreased by:		
Due to Current Fund	14,529.13	
Cash Disbursements	387,830.99	
		402,360.12
Balance December 31, 2012		\$ 160,549.13

Analysis of Accrued Interest December 31, 2012

Principal Outstanding <u>Dec. 31, 2012</u>	Interest Rate	<u>From</u>	<u>To</u>	<u>Period</u>	<u>Amount</u>
Wastewater Improvement Bonds	5.00%	08/01/12	12/31/12	150 days	\$ 72,751.23
USDA Loan	4.25%	07/01/12	12/31/12	180 days	16,726.79
EIT Loan	5.00%	08/01/12	12/31/12	150 days	70,669.48
Bonds Payable	3.00%	12/15/12	12/31/12	16 days	401.63
					\$ 160,549.13

CITY OF SALEM
WATER AND SEWER UTILITY OPERATING FUND
Statement of Due Current Fund
For the Year Ended December 31, 2012

Balance December 31, 2011 (Due to)		\$ 8,778.29
Increased by:		
Accrued Interest on Bonds and Notes Paid by Current Fund	\$ 14,529.13	
Budget Appropriations paid by Current Fund	42,708.27	
BAN paid by Current Fund	<u>762.00</u>	
		<u>57,999.40</u>
		66,777.69
Decreased by:		
Disbursed to Current Fund		<u>55,000.00</u>
Balance December 31, 2012 (Due to)		<u><u>\$ 11,777.69</u></u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
 Statement of Fixed Capital
 For the Year Ended December 31, 2012

<u>Account</u>	<u>Balance</u> <u>Dec. 31, 2011 and 2012</u>
Reservation Land	\$ 16,924.00
Impounding Reservoirs	22,986.00
Lake and River Cribs	2,615.00
Spring and Wells	81,919.00
Infiltration Structures	32,025.00
Collecting Reservoirs	3,242.00
Intake and Supply Mains	1,306.00
Settling Basins	3,084.00
Filters	3,239.00
Ozone Sterilizing and Aeration Plant	1,896.00
Chemical Treatment Plant	11,505.00
Pumping Station Structure	35,552.00
Electric Power Pumping Equipment	12,518.00
Other Power Pumping Equipment	35,985.00
Storage Reservoirs, Standpipe, Etc.	62,099.00
Distribution Mains and Accessories	380,979.00
Service Pipes and Stops	3,667.00
Meters, Meter Boxes and Vaults	83,264.00
Fire Hydrants	1,899.00
General Structures	2,673.00
General Equipment	7,520.00
Engineering	33,433.00
Legal	72.00
Miscellaneous Construction Expenditures	3,103.00
Expenditures Prior to 1913	55,327.00
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
	\$ 19,581,236.06

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
 Statement of Fixed Capital Authorized and Uncompleted
 For the Year Ended December 31, 2012

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Ordinance Date</u>	<u>Amount</u>	<u>Balance Dec. 31, 2011</u>	<u>2012 Authorizations</u>	<u>Balance Dec. 31, 2012</u>
2002-10	Various Water and Sewer Capital Improvements	04/01/02	\$ 120,000.00	\$ 120,000.00		\$ 120,000.00
2002-12	Various Water and Sewer Capital Improvements	04/15/02	150,000.00	150,000.00		150,000.00
2002-18	Improvements to Carpenter Street	09/16/02	455,805.00	455,805.00		455,805.00
2002-31	Various Water and Sewer Capital Improvements	12/02/02	1,600,000.00	1,600,000.00		1,600,000.00
2005-18	Various Water and Sewer Capital Improvements	05/02/05	8,000.00	8,000.00		8,000.00
2005-27	Various Water and Sewerage System Improvements	08/15/05	310,000.00	310,000.00		310,000.00
2006-08	Quinton / Elkinton Dams	04/03/06	1,160,000.00	1,160,000.00		1,160,000.00
2007-15, 2008-18, 2009-15	Improvement of the Water Supply and Distribution System	05/07/07, 10/09/08, 07/13/09	17,000,000.00	17,000,000.00		17,000,000.00
2007-20	Various Water and Sewer Capital Improvements	06/18/07	20,000.00	20,000.00		20,000.00
2008-13	Various Water and Sewer Capital Improvements	08/18/08	20,000.00	20,000.00		20,000.00
2009-14	Improvements of the Sanitary Sewerage System	07/13/09	3,500,000.00	3,500,000.00		3,500,000.00
2011-83	Various Water and Sewer Capital Improvements	04/18/11	37,800.00	37,800.00		37,800.00
2011-148	Various Water and Sewer Capital Improvements	09/06/11	18,000.00		\$ 18,000.00	18,000.00
2011-169	Various Water and Sewer Capital Improvements	12/05/11	34,680.00		34,680.00	34,680.00
				<u>\$ 24,381,605.00</u>	<u>\$ 52,680.00</u>	<u>\$ 24,434,285.00</u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
 Statement of Improvement Authorizations
 For the Year Ended December 31, 2012

Improvement Description	Ordinance		Balance Dec. 31, 2011		Authorizations	Increased by:	Decreased by:		Balance Dec. 31, 2012	
	Number	Amount	Funded	Unfunded		Prior Year Encumbrances	Paid or Charged	Current Year Encumbrances	Funded	Unfunded
Various Water and Sewer Capital Improvements	02-10, 04-23	\$ 127,500.00	\$ 962.00						\$ 962.00	
Various Water and Sewer Capital Improvements	02-12	150,000.00	2,202.80						2,202.80	
Improvements to Carpenter Street	02-18	455,805.00	92,236.41						92,236.41	
Various Water and Sewer Capital Improvements	02-31	1,600,000.00		\$ 70,089.49					70,089.49	
Repairs and Improvements to Town Bank	03-18, 04-06	100,000.00	2,669.55						2,669.55	
Various Water and Sewer Capital Improvements	04-20	60,000.00	402.04						402.04	
Quinton / Elkinton Dams	06-08	1,160,000.00		468,530.04		\$ 3,000.00	\$ 35,771.88	\$ 3,000.00		432,758.16
Improvement of the Water Supply and Distribution System	07-15, 08-18, 09-15	17,000,000.00		6,788,106.29		1,509.00	573,152.34	24,165.32		6,192,297.63
Various Water and Sewer Capital Improvements	07-20	20,000.00	231.70						231.70	
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	11-83	37,800.00	188.83						188.83	
Various Water and Sewer Capital Improvements	11-148	18,000.00			\$ 18,000.00		17,742.20			257.80
Various Water and Sewer Capital Improvements	11-169	34,680.00			34,680.00		17,996.55			16,683.45
			<u>\$ 108,206.33</u>	<u>\$ 9,499,833.34</u>	<u>\$ 52,680.00</u>	<u>\$ 4,509.00</u>	<u>\$ 644,662.97</u>	<u>\$ 27,165.32</u>	<u>\$ 195,237.07</u>	<u>\$ 8,798,163.31</u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of Reserve for Amortization
For the Year Ended December 31, 2012

Balance December 31, 2011	\$ 14,845,747.38
Increased by:	
Paid by Utility Operating Fund:	
Wastewater Improvement Bonds	<u>108,126.72</u>
Balance December 31, 2012	<u><u>\$ 14,953,874.10</u></u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
 Statement of Water and Sewer Capital Bond Anticipation Notes
 For the Year Ended December 31, 2012

Ordinance Number	<u>Improvement Description</u>	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2011	<u>Decreased</u>
05-27	Various Water and Sewerage System Improvements	09/22/05	06/10/11	03/09/12	4.60%	\$ 290,762.00	\$ 290,762.00
						<u>\$ 290,762.00</u>	<u>\$ 290,762.00</u>
	Budget Appropriation						\$ 762.00
	Bonds Issued						<u>290,000.00</u>
							<u>\$ 290,762.00</u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of Bonds Payable
For the Year Ended December 31, 2012

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Bonds Outstanding</u>		<u>Interest Rate</u>	<u>Issued</u>	<u>Balance Dec. 31, 2012</u>
			<u>Date</u>	<u>Amount</u>			
Various Water and Sewerage System Improvements	06/15/12	\$ 290,000.00	6/15/2013	\$ 15,000.00	3.00%		
			6/15/2014	15,000.00	3.00%		
			6/15/2015	15,000.00	3.00%		
			6/15/2016	20,000.00	3.00%		
			6/15/2017	20,000.00	3.00%		
			6/15/2018	20,000.00	3.00%		
			6/15/2019	20,000.00	3.00%		
			6/15/2020	20,000.00	3.00%		
			6/15/2021	20,000.00	3.00%		
			6/15/2022	25,000.00	3.00%		
			6/15/2023	25,000.00	4.00%		
			6/15/2024	25,000.00	4.00%		
			6/15/2025	25,000.00	4.00%		
6/15/2026	25,000.00	4.00%					
						<u>\$ 290,000.00</u>	<u>\$ 290,000.00</u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of Water and Sewer Wastewater Improvement Bonds
For the Year Ended December 31, 2012

<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, 2011</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2012</u>
			<u>Date</u>	<u>Amount</u>				
Treatment System	08/01/91	\$ 4,939,700.00	2/1/2013	\$ 56,099.52				
			8/1/2013	57,502.31				
			2/1/2014	58,940.17				
			8/1/2014	60,413.99				
			2/1/2015	61,924.67				
			8/1/2015	63,473.11				
			2/1/2016	65,060.28				
			8/1/2016	66,687.14				
			2/1/2017	68,354.67				
			8/1/2017	70,063.90				
			2/1/2018	71,815.88				
			8/1/2018	73,611.66				
			2/1/2019	75,452.34				
			8/1/2019	77,339.06				
			2/1/2020	79,272.95				
			8/1/2020	81,255.19				
			2/1/2021	83,287.01				
			8/1/2021	85,369.63				
			2/1/2022	87,504.33				
			8/1/2022	89,692.40				
			2/1/2023	91,935.19				
			8/1/2023	94,234.07				
			2/1/2024	96,590.42				
			8/1/2024	99,005.70				
			2/1/2025	101,481.37				
			8/1/2025	104,018.95				
			2/1/2026	106,619.98				
			8/1/2026	109,286.05				
			2/1/2027	112,018.78				
			8/1/2027	114,819.85				
			2/1/2028	117,690.96				
			8/1/2028	120,633.87				
			2/1/2029	123,650.36				
			8/1/2029	126,742.28				
			2/1/2030	129,911.52				
			8/1/2030	133,160.00				
			2/1/2031	136,489.71				
			8/1/2031	139,902.69	5.00%	<u>\$ 3,599,438.68</u>	<u>\$ 108,126.72</u>	<u>\$ 3,491,311.96</u>
Reserve for Amortization							<u>\$ 108,126.72</u>	

CITY OF SALEM
 WATER AND SEWER UTILITY CAPITAL FUND
 Statement of USDA Loan Payable
 For the Year Ended December 31, 2012

<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, 2011</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2012</u>
			<u>Date</u>	<u>Amount</u>				
Capital Improvements	05/16/05	\$ 854,000.00	1/1/2013	\$ 5,571.21				
			7/1/2013	5,689.60				
			1/1/2014	5,810.50				
			7/1/2014	5,933.97				
			1/1/2015	6,060.07				
			7/1/2015	6,188.85				
			1/1/2016 - 7/1/2045	751,888.94	4.25%	<u>\$ 797,940.19</u>	<u>\$ 10,797.05</u>	<u>\$ 787,143.14</u>
Deferred Reserve for Amortization							<u>\$ 10,797.05</u>	

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
 Statement of Water and Sewer New Jersey Environmental Infrastructure Trust Loans Payable
 For the Year Ended December 31, 2012

<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, 2011</u>	<u>Paid</u>	<u>Balance Dec. 31, 2012</u>
			<u>Date</u>	<u>Amount</u>				
Water Plant	03/10/10	\$ 2,890,000.00	8/1/2013	\$ 110,000.00	5.00%	\$ 2,790,000.00	\$ 105,000.00	\$ 2,685,000.00
			8/1/2014	115,000.00	5.00%			
			8/1/2015	120,000.00	5.00%			
			8/1/2016	125,000.00	5.00%			
			8/1/2017	130,000.00	5.00%			
			8/1/2018	135,000.00	5.00%			
			8/1/2019	145,000.00	4.00%			
			8/1/2020	150,000.00	5.00%			
			8/1/2021	160,000.00	3.00%			
			8/1/2022	160,000.00	4.00%			
			8/1/2023	170,000.00	4.00%			
			8/1/2024	175,000.00	4.00%			
			8/1/2025	185,000.00	4.00%			
			8/1/2026	190,000.00	3.50%			
			8/1/2027	195,000.00	4.00%			
			8/1/2028	205,000.00	4.00%			
8/1/2029	215,000.00	4.00%						
Water Plant	03/10/10	3,701,812.00	2/1/2013	64,944.07		3,506,979.79	194,832.21	3,312,147.58
			8/1/2013	129,888.14				
			2/1/2014	64,944.07				
			8/1/2014	129,888.14				
			2/1/2015	64,944.07				
			8/1/2015	129,888.14				
			2/1/2016	64,944.07				
			8/1/2016	129,888.14				
			2/1/2017	64,944.07				
			8/1/2017	129,888.14				
			2/1/2018	64,944.07				
			8/1/2018	129,888.14				
			2/1/2019	64,944.07				
			8/1/2019	129,888.14				
			2/1/2020	64,944.07				
			8/1/2020	129,888.14				
			2/1/2021	64,944.07				
			8/1/2021	129,888.14				
			2/1/2022	64,944.07				
			8/1/2022	129,888.14				
			2/1/2023	64,944.07				
			8/1/2023	129,888.14				
			2/1/2024	64,944.07				
			8/1/2024	129,888.14				
			2/1/2025	64,944.07				
			8/1/2025	129,888.14				
2/1/2026	64,944.07							
8/1/2026	129,888.14							
2/1/2027	64,944.07							
8/1/2027	129,888.14							
2/1/2028	64,944.07							
8/1/2028	129,888.14							
2/1/2029	64,944.07							
8/1/2029	129,888.15							

Continued

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
 Statement of Water and Sewer New Jersey Environmental Infrastructure Trust Loans Payable
 For the Year Ended December 31, 2012

<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, 2011</u>	<u>Paid</u>	<u>Balance Dec. 31, 2012</u>
			<u>Date</u>	<u>Amount</u>				
Pumping Station	03/10/10	\$ 345,000.00	8/1/2013	\$ 15,000.00	5.00%			
			8/1/2014	15,000.00	5.00%			
			8/1/2015	15,000.00	5.00%			
			8/1/2016	15,000.00	5.00%			
			8/1/2017	15,000.00	5.00%			
			8/1/2018	15,000.00	5.00%			
			8/1/2019	15,000.00	4.00%			
			8/1/2020	20,000.00	5.00%			
			8/1/2021	20,000.00	3.00%			
			8/1/2022	20,000.00	4.00%			
			8/1/2023	20,000.00	4.00%			
			8/1/2024	20,000.00	4.00%			
			8/1/2025	20,000.00	4.00%			
			8/1/2026	25,000.00	3.50%			
			8/1/2027	25,000.00	4.00%			
			8/1/2028	25,000.00	4.00%			
			8/1/2029	25,000.00	4.00%	\$ 335,000.00	\$ 10,000.00	\$ 325,000.00
Pumping Station	03/10/10	342,063.00	2/1/2013	6,001.10				
			8/1/2013	12,002.21				
			2/1/2014	6,001.10				
			8/1/2014	12,002.21				
			2/1/2015	6,001.10				
			8/1/2015	12,002.21				
			2/1/2016	6,001.10				
			8/1/2016	12,002.21				
			2/1/2017	6,001.10				
			8/1/2017	12,002.21				
			2/1/2018	6,001.10				
			8/1/2018	12,002.21				
			2/1/2019	6,001.10				
			8/1/2019	12,002.21				
			2/1/2020	6,001.10				
			8/1/2020	12,002.21				
			2/1/2021	6,001.10				
			8/1/2021	12,002.21				
			2/1/2022	6,001.10				
			8/1/2022	12,002.21				
			2/1/2023	6,001.10				
			8/1/2023	12,002.21				
			2/1/2024	6,001.10				
			8/1/2024	12,002.21				
			2/1/2025	6,001.10				
			8/1/2025	12,002.21				
2/1/2026	6,001.10							
8/1/2026	12,002.21							
2/1/2027	6,001.10							
8/1/2027	12,002.21							
2/1/2028	6,001.10							
8/1/2028	12,002.21							
2/1/2029	6,001.10							
8/1/2029	12,002.32							
						324,059.69	18,003.31	306,056.38
						<u>\$ 6,956,039.48</u>	<u>\$ 327,835.52</u>	<u>\$ 6,628,203.96</u>
Paid by Budget Appropriation							\$ 310,698.02	
Paid by NJEIT Escrow Earnings							<u>17,137.50</u>	
							<u>\$ 327,835.52</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, 2012

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Loans</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2011</u>	<u>Received</u>	<u>Balance Dec. 31, 2012</u>
			<u>Date</u>	<u>Amount</u>				
Quinton / Elkinton Dams	07/31/12	\$ 581,000.00	4/30/2013	\$ 28,031.74	2.00%			
			4/30/2014	28,595.18	2.00%			
			4/30/2015	29,169.94	2.00%			
			4/30/2016	29,756.26	2.00%			
			4/30/2017	30,354.36	2.00%			
			4/30/2018	30,964.48	2.00%			
			4/30/2019	31,586.87	2.00%			
			4/30/2020	32,221.76	2.00%			
			4/30/2021	32,869.41	2.00%			
			4/30/2022	33,530.10	2.00%			
			4/30/2023	34,204.05	2.00%			
			4/30/2024	34,891.55	2.00%			
			4/30/2025	35,592.88	2.00%			
			4/30/2026	36,308.28	2.00%			
			4/30/2027	37,038.09	2.00%			
			4/30/2028	37,782.55	2.00%			
			4/30/2029	38,541.98	2.00%			
4/30/2030	19,560.52	2.00%						
						\$ 562,520.00	\$ 18,480.00	\$ 581,000.00

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of Due from Utility Operating Fund
For the Year Ended December 31, 2012

Balance December 31, 2011	\$ 151,091.59
Increased by:	
Disbursed to Utility Operating Fund	<u>100,000.00</u>
	251,091.59
Decreased by:	
Realized as Utility Operating Fund Revenue:	
Utility Capital Fund Interest Earnings	<u>430.20</u>
Balance December 31, 2012	<u><u>\$ 250,661.39</u></u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
 Statement of Capital Improvement Fund
 For the Year Ended December 31, 2012

Balance December 31, 2011		\$ 104,692.40
Decreased by:		
Improvement Authorization		52,680.00
Balance December 31, 2012		\$ 52,012.40

Exhibit SD-20

WATER AND SEWER UTILITY CAPITAL FUND
 Statement of Deferred Reserve for Amortization
 For the Year Ended December 31, 2012

Balance December 31, 2011		\$ 8,783,574.33
Increased by:		
Paid by Utility Operating Fund:		
USDA Loan	\$ 10,797.05	
EIT Loan	327,835.52	
Bond Anticipation Note	762.00	
Improvement Authorization	52,680.00	
		392,074.57
Balance December 31, 2012		\$ 9,175,648.90

Exhibit SD-21

WATER AND SEWER UTILITY CAPITAL FUND
 Statement of New Jersey Environmental Infrastructure Trust Receivable
 For the Year Ended December 31, 2012

Balance December 31, 2011		\$ 1,614,209.00
Decreased by:		
Received		685,559.00
Balance December 31, 2012		\$ 928,650.00

CITY OF SALEM
WATER AND SEWER UTILITY OPERATING FUND
Statement of Due from Trust -- Other Funds
For the Year Ended December 31, 2012

Increased by:		
Utility Liens Receivable collected by Trust -- Other Funds	\$	22,650.30
Interest on Liens collected by Trust -- Other Funds		2,979.57
Balance December 31, 2012		\$ 25,629.87

Exhibit SD-23

WATER AND SEWER UTILITY CAPITAL FUND
Statement of Due to Current Fund
For the Year Ended December 31, 2012

Balance December 31, 2011		\$ 444,965.91
Decreased by:		
Disbursed to Current Fund		341,028.95
Balance December 31, 2012		\$ 103,936.96

Exhibit SD-24

WATER AND SEWER UTILITY CAPITAL FUND
Statement of Due to General Capital Fund
For the Year Ended December 31, 2012

Balance December 31, 2011		\$ 559,494.61
Decreased by:		
Disbursed to Current Fund		12,000.00
Balance December 31, 2012		\$ 547,494.61

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of Bonds and Notes Authorized But Not Issued
For the Year Ended December 31, 2012

<u>Ordinance Number</u>		<u>Balance Dec. 31, 2011</u>	<u>Decreased by:</u>	<u>Balance Dec. 31, 2012</u>
05-27	Various Water and Sewerage System Improvements	\$ 7.00		\$ 7.00
06-08	Quinton / Elkinton Dams	597,480.00	\$ 18,480.00	579,000.00
07-15, 08-18, 09-15	Improvement of the Water Supply and Distribution System	5,400,521.00		5,400,521.00
09-14	Improvements of the Sanitary Sewerage System	2,128,811.00		2,128,811.00
		<u>\$ 8,126,819.00</u>	<u>\$ 18,480.00</u>	<u>\$ 8,108,339.00</u>
	State of New Jersey Loan - Dam Restoration Program		<u>\$ 18,480.00</u>	

CITY OF SALEM
PART 2
SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2012

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND STATE FINANCIAL ASSISTANCE REQUIRED BY STATE OF NEW JERSEY CIRCULAR 04-04-OMB

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major State Program

We have audited the City of Salem's, in the County of Salem, State of New Jersey, compliance with the types of compliance requirements described in the New Jersey State Grant Compliance Supplement that could have a direct and material effect on each of the City's major state programs for the year ended December 31, 2012. The City's major state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133 and State of New Jersey Circular 04-04-OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, City of Salem complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of City of Salem is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey Circular 04-04-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Salem's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and State of New Jersey Circular 04-04-OMB. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Henry J. Ludwigsen
Certified Public Accountant
Registered Municipal Accountant

Woodbury, New Jersey
December 12, 2013

CITY OF SALEM
Schedule of Expenditures of State Financial Assistance
For the Year Ended December 31, 2012

State Grantor/ Program Title	State GMIS Number	Grant Number	Program/ Award Amount	Matching Contribution	Grant Period		Balance Dec. 31, 2011	Revenue Realized	Expended	Balance Dec. 31, 2012	(Memo Only)		
					From	To					Cash Received	Accumulated Expenditures	
Department of Environmental Protection													
Clean Communities	042-4900-765-004	N/A	\$ 10,334.79	N/A	01/01/09	12/31/09	\$ 5,911.82		\$ 5,911.82		\$	10,334.79	
Clean Communities	042-4900-765-004	N/A	10,761.44	N/A	01/01/10	12/31/10	10,761.44		10,761.44			10,761.44	
Clean Communities	042-4900-765-004	N/A	9,523.23	N/A	01/01/11	12/31/11	9,523.23			\$ 5,041.73		4,481.50	
Clean Communities	042-4900-765-004	N/A	9,367.47	N/A	01/01/12	12/31/12		\$ 9,367.47		9,367.47	\$	9,367.47	
Recycling Tonnage	042-4900-752-xxx	N/A	2,014.21	N/A	01/01/10	12/31/10	1,727.27			1,727.27		286.94	
Recycling Tonnage	042-4900-752-xxx	N/A	3,254.71	N/A	01/01/11	12/31/11		3,254.71		3,254.71			
Recycling Tonnage	042-4900-752-xxx	N/A	8,912.27	N/A	01/01/12	12/31/12						8,912.27	
							<u>27,923.76</u>	<u>12,622.18</u>	<u>21,154.76</u>	<u>19,391.18</u>		<u>18,279.74</u>	<u>25,864.67</u>
Department of Law & Public Safety													
Drunk Driving Enforcement Fund	066-xxxx-xxx-xxx	N/A	10,343.41	N/A	01/01/03	12/31/03	5,927.76			5,927.76		4,415.65	
Drunk Driving Enforcement Fund	066-xxxx-xxx-xxx	N/A	5,600.73	N/A	01/01/05	12/31/05	5,600.73			5,600.73			
Drunk Driving Enforcement Fund	066-xxxx-xxx-xxx	N/A	1,883.31	N/A	01/01/07	12/31/07	1,883.31			1,883.31			
Drunk Driving Enforcement Fund	066-xxxx-xxx-xxx	N/A	105.14	N/A	01/01/08	12/31/08	105.14			105.14			
Drunk Driving Enforcement Fund	066-xxxx-xxx-xxx	N/A	1,290.86	N/A	01/01/09	12/31/09	1,290.86			1,290.86			
Drunk Driving Enforcement Fund	066-xxxx-xxx-xxx	N/A	5,015.71	N/A	01/01/10	12/31/10	5,015.71			5,015.71			
Drunk Driving Enforcement Fund	066-xxxx-xxx-xxx	N/A	1,802.14	N/A	01/01/11	12/31/11		1,802.14		1,802.14			
Body Armor Fund	066-1020-718-001	N/A	2,630.19	N/A	01/01/11	12/31/11		2,630.19	2,630.19			2,630.19	
Body Armor Fund	066-1020-718-001	N/A	2,426.45	N/A	01/01/12	12/31/12		2,426.45	2,049.81	376.64		2,426.45	2,049.81
							<u>19,823.51</u>	<u>6,858.78</u>	<u>4,680.00</u>	<u>22,002.29</u>		<u>2,426.45</u>	<u>9,095.65</u>
Department of Transportation													
Division of Motor Vehicle	078-6400-100-255	N/A	94,085.00	N/A	01/01/12	12/31/12		101,925.42	96,033.45	5,891.97		101,925.42	96,033.45
Union Street	078-xxxx-xxx-xxx	N/A	149,972.00	N/A	01/1/011	proj. close		38,794.54	38,794.54			38,794.54	98,762.85
							<u>-</u>	<u>140,719.96</u>	<u>134,827.99</u>	<u>5,891.97</u>		<u>140,719.96</u>	<u>194,796.30</u>
Department of Community Affairs													
Neighborhood Preservation Program	022-8020-100-092	N/A	500,000.00	N/A	01/01/05	proj. close	5,403.26			5,403.26		494,596.74	
							<u>5,403.26</u>	<u>-</u>	<u>-</u>	<u>5,403.26</u>		<u>-</u>	<u>494,596.74</u>
New Jersey Environmental Infrastructure Trust													
Water Plant	N/A	N/A	5,593,686.00	N/A	01/01/10	proj. close		685,559.00	685,559.00			685,559.00	4,869,929.00
							<u>-</u>	<u>685,559.00</u>	<u>685,559.00</u>	<u>-</u>		<u>685,559.00</u>	<u>4,869,929.00</u>
Department of Treasury													
Pass through County of Salem:													
Drug and Alcohol Grant (Municipal Alliance)	N/A	N/A	13,103.12	\$ 6,000.00	01/01/11	12/31/11	10,946.56		10,946.56			3,984.61	19,103.12
Drug and Alcohol Grant (Municipal Alliance)	N/A	N/A	11,210.06	2,091.55	01/01/12	12/31/12		11,210.06	1,430.42	9,779.64		3,551.06	1,430.42
							<u>10,946.56</u>	<u>11,210.06</u>	<u>12,376.98</u>	<u>9,779.64</u>		<u>7,535.67</u>	<u>20,533.54</u>
Total State Financial Assistance							<u>\$ 64,097.09</u>	<u>\$ 856,969.98</u>	<u>\$ 858,598.73</u>	<u>\$ 62,468.34</u>		<u>\$ 854,520.82</u>	<u>\$ 5,614,815.90</u>

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

CITY OF SALEM
Notes to Schedule of Expenditures of State Financial Assistance
For the Year Ended December 31, 2012

Note 1: **GENERAL**

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

Note 2: **BASIS OF ACCOUNTING**

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

Note 3: **RELATIONSHIP TO FINANCIAL STATEMENTS**

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

<u>Fund</u>	<u>Amount</u>
Federal and State Grant Fund	\$ 134,245.19
General Capital Fund	38,794.54
Utility Capital Fund	<u>685,559.00</u>
	<u>\$ 858,598.73</u>

Note 4: **MAJOR PROGRAMS**

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

CITY OF SALEM
PART 3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

CITY OF SALEM
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2012

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?	___ yes ___X___ none reported
Noncompliance material to financial statements noted?	___ yes ___X___ no

Federal Awards - Not Applicable

Internal control over compliance:	
Material weakness(es) identified?	___ yes ___ no
Significant deficiency(ies) identified?	___ yes ___ none reported
Type of auditor's report on compliance for major programs	_____
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	___ yes ___ no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

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, 2012

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. 2012-1

Criteria or Specific Requirement

A sound framework of internal control requires:

- A properly maintained general ledger for all funds.
- Properly maintained general and utility capital budget status reports.
- Written procedures for all financial transactions

Condition

The following internal control deficiencies have been identified:

- General ledgers for all funds were not properly maintained.
- General and utility capital budget status reports are not properly maintained.
- No written procedures are maintained by the City for cash receipts or disbursements, including payroll procedures.

Context

- Balanced general ledgers were not provided for examination.
- Capital budget status reports were not adjusted for manual checks and resolutions.
- 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.
- Properly maintain the general and utility capital budget status reports.
- Prepare written procedures.

Recommendation

That general ledgers for all funds be properly maintained, general and utility capital budget status reports be properly maintained and written procedures for all financial transactions be 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, 2012

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

Finding No. 2012-2

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 2012.

Context

A fixed asset ledger was not provided for examination.

Effect

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

Cause

Failure to maintain a fixed asset ledger.

Recommendation

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

View of Responsible Officials and Planned Corrective Action

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

Finding No. 2012-3

Criteria or Specific Requirement

The New Jersey Administrative Code (N.J.A.C.) section 5:34-5-2 requires chief financial officer or certifying finance officer to sign certificate of availability of funds when contracts are awarded.

Condition

Certificate of availability of funds, signed by the chief financial officer or certifying finance officer were not always prepared when contracts are awarded.

Context

When reviewing contract award procedures, it was noted that the certificate of availability of funds was not always prepared.

Effect

Non-compliance with N.J.A.C. 5:34-5-2.

Cause

Procedure for signing a certificate of availability of funds has not been properly implemented.

Recommendation

That a certificate of availability of funds, signed by the chief financial officer or certifying finance officer, be prepared when contracts are awarded.

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, 2012

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

Finding No. 2012-4

Criteria or Specific Requirement

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

Condition

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

Context

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

Effect

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

Cause

Inadequate control over accounting records.

Recommendation

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

View of Responsible Officials and Planned Corrective Action

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

Finding No. 2012-5

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. Trust Other Funds Reserve for Construction Code has a deficit. Two Appropriated Grants and Utility Operating Fund OE were over-expended.

Context

A review of Budget Account Status Reports showed over-expenditures and a review of Construction Code assets and liabilities shows a deficit.

Effect

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

Cause

Expenditures were approved without having sufficient appropriation.

Recommendation

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

View of Responsible Officials and Planned Corrective Action

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

CITY OF SALEM
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2012

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

Finding No. 2012-6

Criteria or Specific Requirement

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

Condition

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

Context

A review of health benefits 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 expenditures and pay them on a timely basis.

Recommendation

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

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. 2012-7

Criteria or Specific Requirement

N.J.S.A. 40A:9-133 details the duties of the municipal clerk which include the preparation of the minutes.

Condition

The minutes were not properly maintained during 2012.

Context

A complete set of minutes for the Council Meetings held during the year could not be provided for inspection.

Effect

The preparation of the minutes did not adhere to the required standards.

Cause

Failure to properly maintain a complete set of minutes.

Recommendation

That the minutes be properly maintained in accordance with N.J.S.A. 40A:9-133.

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, 2012

Section 3- Schedule of Federal Award Findings and Questioned Costs

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

Not Applicable.

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major State programs, as required by OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

No Current Year Findings.

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

This section identifies the status of prior year findings related to the financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with Government Auditing Standards, OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

FINANCIAL STATEMENT FINDINGS

Finding No. 2011-1

Condition

The following internal control deficiencies have been identified:

General ledgers for all funds were not properly maintained.

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

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

City personnel do not prepare the City's financial statements.

Current Status

This condition still exists and is current year finding 2012-1.

Corrective Action Planned

Proper maintenance of General Ledger will be implemented.

Finding No. 2011-2

Condition

A fixed asset ledger was not maintained for the year 2011.

Current Status

This condition still exists and is current year finding 2012-2.

Corrective Action Planned

If funds are available fixed asset inventory will be performed by outside company.

Finding No. 2011-3

Condition

Certificate of availability of funds, signed by the chief financial officer or certifying finance officer is not prepared when contracts are awarded.

Current Status

This condition still exists and is current year finding 2012-3.

Correct Action Planned

Procedure certifying availability of funds will be implemented.

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

FINANCIAL STATEMENT FINDINGS (CONT'D)**Finding No. 2011-4****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 2012-4.

Corrective Action Planned

Balance will be analyzed and proper disposition made.

Finding No. 2011-5**Condition**

Budget Line Items were over-expended prior to transfers. Trust Other Funds Reserve for Construction Code has a deficit. An Improvement Authorization and Utility Operating Fund OE were over-expended.

Current Status

This condition still exists and is current year finding 2012-5.

Corrective Action Planned

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

Finding No. 2011-6**Condition**

Health Benefit expenditures were not always paid timely and posted to the proper budget year appropriations.

Current Status

This condition still exists and is current year finding 2012-6.

Corrective Action Planned

Health Benefit bills will be paid timely.

Finding No. 2011-7**Condition**

Tax/Utility Cash Receipts had instances of non-compliance regarding depositing of receipts within 48 hours of collection.

Current Status

This condition has been resolved.

FEDERAL AWARDS

None

STATE FINANCIAL ASSISTANCE PROGRAMS

None

CITY OF SALEM
 Officials in Office and Surety Bonds

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

<u>Name</u>	<u>Title</u>	<u>Amount of Surety Bond</u>
Robert L. Davis	Mayor	
Karen L. Tuthill	President of Council	
Sherman Hampton	Councilperson	
Horace H. Johnson	Councilperson	
Robert D. Johnson	Councilperson	
Robert Lanard	Councilperson	
Karen Roots	Councilperson	
James G. Waddington	Councilperson	
Charles Washington, Jr.	Councilperson	
Thomas W. Smith	City Clerk (01/01/12 – 08/30/12)	
Kathleen L. Keen	City Clerk (10/24/12 – 12/31/12)	
David Crescenzi	Chief Financial Officer, Tax Collector, Water/Sewer Collector	\$ 300,000 (A)
Marie L. Procacci	Tax Assessor	
Jason D. Witcher	Municipal Judge	36,000 (A)
Tiffany Arrowood	Court Administrator	40,000 (A)
David Puma	Solicitor	
Sickles & Associates	Engineer	

(A) Selective Insurance Company

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

APPRECIATION

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

Respectfully submitted,

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

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

Henry J. Ludwigsen
Certified Public Accountant
Registered Municipal Accountant

