

**CITY OF SALEM  
COUNTY OF SALEM  
REPORT OF AUDIT  
FOR THE YEAR ENDED DECEMBER 31, 2011**



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**CITY OF SALEM**  
**PART 1**  
**REPORT OF AUDIT OF FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

## **INDEPENDENT AUDITOR'S REPORT**

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

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, 2011 and 2010, 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, 2011. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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.

As described in Note 1, the financial statements previously referred to have been prepared in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects on the financial statements of the requirement that the City prepare its financial statements in accordance with the accounting practices discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity 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, 2011 and 2010, or the results of its operations and changes in fund balance for the years then ended.

Furthermore, in our opinion, except for the effect on the financial statements of the omission described in the third paragraph, the financial statements referred to above 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, 2011 and 2010, and the results of its operations and changes in fund balance of such funds-- regulatory basis for the years then ended, and the revenues-- regulatory basis, expenditures-- regulatory basis of the various funds, for the year ended December 31, 2011 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.

In accordance with Government Auditing Standards, we have also issued our report dated May 17, 2012 on our consideration of the City of Salem, in the County of Salem, State of New Jersey's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. 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 schedules of expenditures of federal awards and state financial assistance programs are 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 are also not a required part of the financial statements. The supplementary financial statements presented for the various funds and the schedules of expenditures of federal awards and 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information, directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds and account group taken as a whole.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants



Henry J. Ludwigsen  
Certified Public Accountant  
Registered Municipal Accountant

Woodbury, New Jersey  
May 17, 2012

**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**

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

We have audited the financial statements (regulatory basis) of the City of Salem, in the County of Salem, State of New Jersey, as of and for the year ended December 31, 2011, and have issued our report thereon dated May 17, 2012, which indicated that the 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 the report, the opinion was qualified because the general fixed assets group of accounts was not presented. 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.

**Internal Control Over Financial Reporting**

Management of the City of Salem is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting 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 following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 2011-01, 2011-02, and 2011-04.

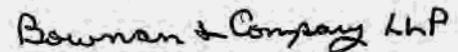
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Salem's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs which are described in the accompanying Schedule of Findings and Questioned Costs as findings nos.: 2011-03, 2011-05, 2011-06, and 2011-07.

The City of Salem's responses to the findings identified in our report are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Salem's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the City, others within the City, the Division of Local Government Services, Department of Community Affairs, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants



Henry J. Ludwigsen  
Certified Public Accountant  
Registered Municipal Accountant

Woodbury, New Jersey  
May 17, 2012

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

Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis  
As of December 31, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<b>ASSETS:</b>			
Regular Fund:			
Cash	SA-1	\$ 2,412,014.02	\$ 2,062,453.36
Cash -- Change Fund	A	200.00	200.00
Prepaid Debt Service	A	3,450.00	3,450.00
		<u>2,415,664.02</u>	<u>2,066,103.36</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	SA-2	1,098,268.70	879,298.43
Tax Title Liens	SA-3	640,322.51	470,376.66
Property Acquired for Taxes -- Assessed Valuation	A	280,700.00	280,700.00
Revenue Accounts Receivable	SA-7	8,306.35	9,699.63
Due from Trust -- Animal Control Fund	SB-3	12,603.44	12,116.57
Due from Trust -- Other Funds	SB-5	9,123.62	1,570.33
Due from Utility Operating Fund	SD-7	8,778.29	
Due from Utility Capital Fund	SD-10	444,965.91	
		<u>2,503,068.82</u>	<u>1,653,761.62</u>
Deferred Charges:			
Special Emergency - Revaluation	SA-5		50,000.00
			<u>50,000.00</u>
Total Regular Fund		<u>4,918,732.84</u>	<u>3,769,864.98</u>
Federal and State Grant Fund:			
Cash	SA-1	9,342.40	22,520.93
Federal and State Grants Receivable	SA-13	5,800.00	5,800.00
Due from Current Fund	SA-12	117,552.62	165,489.99
Due from Trust -- Other Funds	A	14,675.00	14,675.00
		<u>147,370.02</u>	<u>208,485.92</u>
Total Federal and State Grant Fund		<u>147,370.02</u>	<u>208,485.92</u>
		<u>\$ 5,066,102.86</u>	<u>\$ 3,978,350.90</u>

(Continued)

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

Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis  
As of December 31, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
LIABILITIES, RESERVES AND FUND BALANCE:			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3	\$ 617,921.48	\$ 275,488.54
Reserve for Encumbrances	A-3	32,847.60	177,934.69
Accounts Payable	SA-1	17,500.00	
Prepaid Taxes	SA-4	60,791.38	42,216.52
Due to State of NJ Senior Citizens/Veterans Deductions	SA-6	2,460.76	1,516.92
Local District School Taxes Payable	SA-11	225,655.60	216,583.10
Revaluation Note Payable	SA-5		50,000.00
Due to Federal and State Grant Fund	SA-12	117,552.62	165,489.99
Due to General Capital Fund	SC-6	23,139.02	364,956.33
		<u>1,097,868.46</u>	<u>1,294,186.09</u>
Reserves for Receivables and Other Assets	A	2,503,068.82	1,653,761.62
Fund Balance	A-1	<u>1,317,795.56</u>	<u>821,917.27</u>
Total Regular Fund		<u>4,918,732.84</u>	<u>3,769,864.98</u>
Federal and State Grant Fund:			
Appropriated Reserves	SA-14	138,900.65	114,437.43
Unappropriated Reserves	SA-15	<u>8,469.37</u>	<u>94,048.49</u>
Total Federal and State Grant Fund		<u>147,370.02</u>	<u>208,485.92</u>
		<u>\$ 5,066,102.86</u>	<u>\$ 3,978,350.90</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>REVENUE AND OTHER INCOME REALIZED:</b>		
Fund Balance Anticipated	\$ 765,000.00	\$ 760,000.00
Miscellaneous Revenues Anticipated	2,515,751.24	2,704,500.78
Receipts from Delinquent Taxes and Tax Title Liens	750,036.15	816,460.68
Receipts from Current Taxes	7,506,676.66	7,608,816.53
Non-Budget Revenue	1,831,887.01	297,325.96
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	51,210.18	354,542.95
Cancellation of Appropriated Grant	-	3,500.00
	<hr/>	<hr/>
Total Income	13,420,561.24	12,545,146.90
	<hr/>	<hr/>
<b>EXPENDITURES:</b>		
Budget Appropriations:		
Within "CAPS":		
Operations:		
Salaries and Wages	2,947,712.12	3,029,523.64
Other Expenses	2,272,162.00	2,177,650.00
Deferred Charges and Statutory Expenditures	720,647.54	501,622.58
Excluded from "CAPS":		
Operations:		
Salaries and Wages	-	-
Other Expenses	505,568.56	785,688.16
Capital Improvements	50,000.00	50,000.00
Municipal Debt Service	479,960.84	460,161.16
Deferred Charges	64,500.00	50,000.00
Local District School Tax	2,515,767.00	2,497,622.00
County Taxes	2,132,346.89	2,204,878.48
Due County for Added and Omitted Taxes	4,778.96	-
Refund of Prior Year Revenue	4,170.29	21,375.00
Creation of Interfund and Other Assets:		
Trust - Animal Control Fund	-	1,140.54
Trust - Other Funds	7,574.55	2,270.34
Utility Operating Fund	8,778.29	-
Utility Capital Fund	444,965.91	-
Prior Year Senior Citizens & Veterans' Deductions Disallowed	750.00	326.71
	<hr/>	<hr/>
Total Expenditures	12,159,682.95	11,782,258.61
	<hr/>	<hr/>
Excess in Revenue	1,260,878.29	762,888.29
<b>FUND BALANCE:</b>		
Balance January 1,	821,917.27	819,028.98
	<hr/>	<hr/>
	2,082,795.56	1,581,917.27
	<hr/>	<hr/>
Utilized as Anticipated Revenue	765,000.00	760,000.00
	<hr/>	<hr/>
Balance December 31,	<u>\$ 1,317,795.56</u>	<u>\$ 821,917.27</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, 2011

	Anticipated		Realized	Excess or (Deficit)
	Budget	Special N.J.S. 40A: 4-87		
Surplus Anticipated	\$ 765,000.00		\$ 765,000.00	
Miscellaneous Revenues				
Local Revenues				
Licenses: Other	150.00		3,205.00	\$ 3,055.00
Fines and Costs: Municipal Court	141,500.00		124,253.30	(17,246.70)
Interest and Costs on Taxes	90,000.00		120,134.55	30,134.55
Anticipated Utility Operating Surplus	180,000.00		180,000.00	
Street Opening Permits	3,250.00		3,000.00	(250.00)
Cable Television Franchise Fee	30,500.00		54,842.03	24,342.03
State Aid Without Offsetting Appropriations				
Consolidated Municipal Property Tax Relief Aid	449,947.00		449,947.00	
Energy Receipts Tax	945,992.00		945,992.00	
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		89,215.00	1,015.00
Public and Private Revenues Offset with Appropriations				
Recycling Tonnage Grant	2,014.21		2,014.21	
Drunk Driving Enforcement Fund	5,015.71		5,015.71	
Clean Communities Program	9,523.23		9,523.23	
Municipal Alliance on Alcoholism and Drug Abuse	13,103.12		13,103.12	
US Marshalls Equitable Sharing	22,980.00		22,980.00	
Body Armor Grant	3,581.63		3,581.63	
JAG Grant	12,000.00		12,000.00	
Click It or Ticket	4,000.00		4,000.00	
State Highway Grant - TEA	39,690.00		39,690.00	
New Jersey Motor Vehicle Commission		\$ 70,561.66	70,561.66	
Other Special Items				
Whispering Waters Pilot Agreement	312,000.00		300,000.00	(12,000.00)
Senior Village Pilot Agreement	18,000.00		16,500.00	(1,500.00)
County of Salem Pilot Agreement	25,000.00		26,192.80	1,192.80
South Jersey Gas Agreement	20,000.00		20,000.00	
	<u>2,416,446.90</u>	<u>70,561.66</u>	<u>2,515,751.24</u>	<u>28,742.68</u>
Receipts from Delinquent Taxes	<u>780,000.00</u>		<u>750,036.15</u>	<u>(29,963.85)</u>
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes including Reserve for Uncollected Taxes	<u>4,004,950.03</u>		<u>3,830,386.18</u>	<u>(174,563.85)</u>
Budget Totals	7,966,396.93	70,561.66	7,861,173.57	(175,785.02)
Non-Budget Revenue			<u>1,831,887.01</u>	<u>1,831,887.01</u>
	<u>\$ 7,966,396.93</u>	<u>\$ 70,561.66</u>	<u>\$ 9,693,060.58</u>	<u>\$ 1,656,101.99</u>

(Continued)

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Revenues -- Regulatory Basis  
For the Year Ended December 31, 2011

Analysis of Realized Revenue

Allocation of Current Tax Collections:	
Revenue from Collections	\$ 7,506,676.66
Allocated to:	
County and School Taxes	<u>4,652,892.85</u>
Amount for Support of Municipal Budget Appropriations	2,853,783.81
Add: Appropriation "Reserve for Uncollected Taxes"	<u>976,602.37</u>
Amount for Support of Municipal Budget Appropriations	<u><u>\$ 3,830,386.18</u></u>
Receipts from Delinquent Taxes:	
Delinquent Tax Collections	<u><u>\$ 750,036.15</u></u>

Analysis of Non-Budget Revenues

Miscellaneous Revenue not Anticipated:

Receipts:

Interest Earnings on Deposits	\$ 818.34
Parking Meters	23,353.86
Certificate of Occupancy	27,185.75
Accident Report and Gun License	1,935.27
Sale of Recyclables	3,839.90
Registrar of Vital Statistics	3,918.48
Planning and Zoning Fees	3,070.00
Tax Search Fees	130.00
Senior Citizens' and Veterans' Deduction Administration Fee	1,051.23
Miscellaneous	41,934.18
PILOT - Misc	9,240.00
PILOT - SJ Port	31,224.37
Refund of Prior Year Expenses	32,834.77
Interest Earnings on Deposits	1,338.39
SJ Gas Settlement	<u>1,650,000.00</u>
Total Cash Receipts	1,831,874.54
Interest Earnings - Federal and State Grant Fund	<u>12.47</u>
Total Miscellaneous Revenue not Anticipated	<u><u>\$ 1,831,887.01</u></u>

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

**CITY OF SALEM**  
Statement of Expenditures -- Regulatory Basis  
For the Year Ended December 31, 2011

	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>	
<b>OPERATIONS -- WITHIN "CAPS"</b>							
<b>General Government Functions</b>							
Human Resources:							
Other Expenses	\$ 5,000.00	\$ 3,200.00	\$ 8,200.00	\$ 8,101.00		\$ 99.00	
Mayor and Council:							
Salaries and Wages	56,700.00		56,700.00	56,700.00			
Other Expenses	35,000.00	(6,000.00)	29,000.00	27,395.00		1,605.00	
Municipal Clerk:							
Salaries and Wages	67,624.00	11,200.00	78,824.00	78,736.06		87.94	
Other Expenses	19,000.00	12,700.00	31,700.00	29,717.77	\$ 1,908.82	73.41	
Financial Administration:							
Salaries and Wages	117,200.00	500.00	117,700.00	117,637.08		62.92	
Other Expenses	14,000.00	3,800.00	17,800.00	17,005.16	706.04	88.80	
Audit:							
Other Expenses	50,000.00		50,000.00	28,542.66		21,457.34	
Revenue Administration							
Salaries and Wages	49,499.54	1,600.00	51,099.54	51,016.19		83.35	
Other Expenses	9,000.00	(1,150.00)	7,850.00	7,770.08	60.00	19.92	
Assessment of Taxes:							
Salaries and Wages	22,332.00		22,332.00	22,332.00			
Other Expenses	15,000.00	(8,500.00)	6,500.00	6,139.36	150.00	210.64	
Legal Services and Costs:							
Salaries and Wages	77,000.00	270.00	77,270.00	77,261.92		8.08	
Other Expenses	7,000.00	(5,300.00)	1,700.00	1,694.52		5.48	
Engineering Services and Costs:							
Other Expenses	15,000.00		15,000.00	10,000.00		5,000.00	
Public Buildings and Grounds:							
Other Expenses	30,000.00		30,000.00	29,012.33	885.20	102.47	
Housing Regulation:							
Salaries and Wages	96,500.00	4,210.00	100,710.00	100,707.45		2.55	
Other Expenses	10,250.00	(510.00)	9,740.00	8,492.22	1,012.89	234.89	
Community Action Program							
Salaries and Wages	6,000.00		6,000.00	6,000.00			
Other Expenses	1,000.00	1,500.00	2,500.00	2,500.00			
Insurance (N.J.S.A. 40A:4-45.3 (00))							
General Liability	223,736.00		223,736.00	223,736.00			
Workers Compensation	101,325.00		101,325.00	101,325.00			
Employee Group Health	952,101.00		952,101.00	468,554.72		483,546.28	

(Continued)

**CITY OF SALEM**  
Statement of Expenditures -- Regulatory Basis  
For the Year Ended December 31, 2011

	Appropriations			Expended			Unexpended Balance Canceled
	Budget	Budget Modifications	Budget After Modification	Paid or Charged	Encumbered	Reserved	
<u>Land Use Administration</u>							
Planning Board							
Other Expenses	\$ 17,000.00	\$ (2,800.00)	\$ 14,200.00	\$ 14,106.60		\$ 93.40	
<u>Public Safety</u>							
Fire:							
Other Expenses	50,000.00		50,000.00	37,471.33	\$ 7,536.22	4,992.45	
Police:							
Salaries and Wages	1,932,900.00	1,300.00	1,934,200.00	1,934,182.05		17.95	
Other Expenses	90,000.00		90,000.00	52,541.42	11,528.29	25,930.29	
First Aid Organization Contribution							
Other Expenses	10,000.00	(4,000.00)	6,000.00	4,794.55	200.00	1,005.45	
Office of Emergency Management:							
Salaries and Wages	7,750.00	450.00	8,200.00	8,197.00		3.00	
Other Expenses	500.00	(500.00)					
<u>Streets and Roads</u>							
Road Repairs and Maintenance:							
Salaries and Wages	330,000.00	16,250.00	346,250.00	346,249.20		0.80	
Other Expenses	34,000.00	(5,000.00)	29,000.00	23,496.83	3,194.54	2,308.63	
<u>Sanitation</u>							
Street Cleaning:							
Salaries and Wages	47,026.58	1,000.00	48,026.58	47,985.69		40.89	
Other Expenses	1,500.00	(800.00)	700.00	650.00		50.00	
Sanitary Landfill:							
Salaries and Wages	15,000.00	(12,600.00)	2,400.00	2,400.00			
Other Expenses	100,000.00	(16,400.00)	83,600.00	83,342.87		257.13	
Vehicle Maintenance:							
Other Expenses	27,000.00	7,080.00	34,080.00	33,622.86	300.00	157.14	
<u>Health and Welfare</u>							
Public Health Services:							
Other Expenses	1,350.00	(1,000.00)	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	31,000.00	(3,000.00)	28,000.00	27,963.72	12.95	23.33	

(Continued)

**CITY OF SALEM**  
Statement of Expenditures -- Regulatory Basis  
For the Year Ended December 31, 2011

	Appropriations			Expended			Unexpended Balance Canceled
	Budget	Budget Modifications	Budget After Modification	Paid or Charged	Encumbered	Reserved	
<u>Municipal Court:</u>							
Salaries and Wages	\$ 103,000.00	\$ (5,000.00)	\$ 98,000.00	\$ 97,741.67		\$ 258.33	
Other Expenses	20,000.00		20,000.00	17,391.88	\$ 1,289.65	1,318.47	
<u>Public Defender:</u>							
Other Expenses	9,130.00	600.00	9,730.00	9,637.00		93.00	
<u>Utility Expenses and Bulk Purchases</u>							
Street Lighting	125,000.00	(3,000.00)	122,000.00	121,977.84		22.16	
Telephone	66,000.00	5,250.00	71,250.00	70,461.14	768.00	20.86	
Heating Oil	18,000.00	5,345.00	23,345.00	23,218.81		126.19	
Gasoline	70,000.00	29,000.00	99,000.00	97,508.69		1,491.31	
Natural Gas	17,000.00	(3,245.00)	13,755.00	13,754.07		0.93	
Electricity	82,000.00	(17,000.00)	65,000.00	64,665.33		334.67	
Total Operations -- Within "CAPS"	5,210,424.12	9,450.00	5,219,874.12	4,638,737.07	29,552.60	551,584.45	-
Detail:							
Salaries and Wages	2,928,532.12	19,180.00	2,947,712.12	2,947,146.31	-	565.81	-
Other Expenses (Including Contingent)	2,281,892.00	(9,730.00)	2,272,162.00	1,691,590.76	29,552.60	551,018.64	-
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES -- WITHIN "CAPS"</u>							
<u>Deferred Charges</u>							
Deficit in Trust - Other Funds - Uniform Construction Code	1,002.54		1,002.54	1,002.54			
Uniform Construction Code - Anticipated Deficit	12,000.00		12,000.00	12,000.00			
<u>Statutory Expenditures</u>							
Contribution to:							
Public Employees' Retirement System of N.J.	147,278.00		147,278.00	147,278.00			
Social Security System (O.A.S.I.)	160,000.00	(7,700.00)	152,300.00	151,930.50		369.50	
Police and Firemen's Retirement System of N.J.	405,817.00		405,817.00	405,817.00			
Unemployment Compensation	4,000.00	(1,750.00)	2,250.00	2,161.47		88.53	
Total Deferred Charges and Statutory Expenditures -- Municipal -- Within "CAPS"	730,097.54	(9,450.00)	720,647.54	720,189.51	-	458.03	-
Total General Appropriations for Municipal Purposes Within -- "CAPS"	5,940,521.66	-	5,940,521.66	5,358,926.58	29,552.60	552,042.48	-

(Continued)

**CITY OF SALEM**  
Statement of Expenditures -- Regulatory Basis  
For the Year Ended December 31, 2011

	Appropriations			Expended		Unexpended Balance Canceled
	Budget	Budget Modifications	Budget After Modification	Paid or Charged	Encumbered	
<u>OPERATIONS -- EXCLUDED FROM "CAPS"</u>						
Employee Group Health	\$ 13,899.00		\$ 13,899.00	\$ 13,899.00		
Aid to Library (N.J.S.A. 40:54-35)	85,000.00		85,000.00	85,000.00		
Total Operations -- Excluded from "CAPS"	98,899.00	-	98,899.00	98,899.00	-	-
<u>INTERLOCAL MUNICIPAL SERVICE AGREEMENTS</u>						
Police Dispatch Service with County of Salem	130,000.00		130,000.00	65,000.00		\$ 65,000.00
Total Interlocal Municipal Service Agreements	130,000.00	-	130,000.00	65,000.00	-	65,000.00
<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	84,026.00	\$ 3,295.00	879.00
Total Additional Appropriations Offset by Revenues (N.J.S. 40A:4-43.3h) -- Excluded from "CAPS"	88,200.00	-	88,200.00	84,026.00	3,295.00	879.00
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</u> <u>EXCLUDED FROM "CAPS"</u>						
Recycling Tonnage Grant	2,014.21		2,014.21	2,014.21		
State Highway Grant - TEA	39,690.00		39,690.00	39,690.00		
Click It or Ticket	4,000.00		4,000.00	4,000.00		
JAG Grant	12,000.00		12,000.00	12,000.00		
Drunk Driving Enforcement Fund	5,015.71		5,015.71	5,015.71		
Municipal Alliance on Alcoholism and Drug Abuse	19,103.12		19,103.12	19,103.12		
Body Armor Grant	3,581.63		3,581.63	3,581.63		
US Marshalls Equitable Sharing	22,980.00		22,980.00	22,980.00		
Clean Communities Program	9,523.23		9,523.23	9,523.23		
New Jersey Motor Vehicle Commission		\$ 70,561.66	70,561.66	70,561.66		
Total Public and Private Programs Offset by Revenues -- Excluded from "CAPS"	117,907.90	70,561.66	188,469.56	188,469.56	-	-
Total Operations -- Excluded from "CAPS"	435,006.90	70,561.66	505,568.56	436,394.56	3,295.00	65,879.00
Detail:						
Salaries and Wages	-	-	-	-	-	-
Other Expenses	435,006.90	70,561.66	505,568.56	436,394.56	3,295.00	65,879.00

(Continued)

**CITY OF SALEM**  
Statement of Expenditures -- Regulatory Basis  
For the Year Ended December 31, 2011

	Appropriations		Budget After Modification	Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget 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	275,000.00		275,000.00	275,000.00			
Payment of Bond Anticipation Notes and Capital Notes	109,314.00		109,314.00	109,314.00			
Interest on Bonds	36,050.00		36,050.00	32,762.84			\$ 3,287.16
Interest on Notes	31,500.00		31,500.00	31,500.00			
USDA Loan - Repayment for Principal and Interest	31,384.00		31,384.00	31,384.00			
Total Municipal Debt Service -- Excluded from "CAPS"	483,248.00	-	483,248.00	479,960.84	-	-	3,287.16
<u>DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"</u>							
Special Emergency Authorizations - 5 Years (N.J.S. 40A:4-55)	50,000.00		50,000.00	50,000.00			
Deferred to Future Taxation Unfunded - Craven Ave	14,500.00		14,500.00	14,500.00			
Total Deferred Charges - Municipal - Excluded from "CAPS"	64,500.00	-	64,500.00	64,500.00	-	-	-
Transferred to Board of Education for Use of Local School (N.J.S.A. 40:48-17.1 & 17.3)	16,518.00		16,518.00				16,518.00
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	1,049,272.90	\$ 70,561.66	1,119,834.56	1,030,855.40	\$ 3,295.00	\$ 65,879.00	19,805.16
Subtotal General Appropriations	6,989,794.56	70,561.66	7,060,356.22	6,389,781.98	32,847.60	617,921.48	19,805.16
Reserve for Uncollected Taxes	976,602.37		976,602.37	976,602.37			
<b>Total</b>	<b>\$ 7,966,396.93</b>	<b>\$ 70,561.66</b>	<b>\$ 8,036,958.59</b>	<b>\$ 7,366,384.35</b>	<b>\$ 32,847.60</b>	<b>\$ 617,921.48</b>	<b>\$ 19,805.16</b>
Adopted Budget			\$ 7,966,396.93				
Appropriation by 40A:4-87			70,561.66				
Reserve for Federal and State Grant Fund--Appropriated				\$ 188,469.56			
Due General Capital Fund				31,650.00			
Deferred Charges				15,502.54			
Reserve for Uncollected Taxes				976,602.37			
Disbursed				6,154,159.88			
			<u>\$ 8,036,958.59</u>	<u>\$ 7,366,384.35</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, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<b>ASSETS:</b>			
Animal Control Fund:			
Cash	SB-1	\$ 16,445.24	\$ 16,531.97
Other Funds:			
Cash	SB-1	684,708.17	683,534.17
		<u>\$ 701,153.41</u>	<u>\$ 700,066.14</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE:</b>			
Animal Control Fund:			
Due to Current Fund	SB-3	\$ 12,603.44	\$ 12,116.57
Due to State of New Jersey	SB-4	4.20	
Reserve for Animal Control Expenditures	SB-2	3,837.60	4,415.40
Total Animal Control Fund		<u>16,445.24</u>	<u>16,531.97</u>
Other Funds:			
Due to Current Fund	SB-5	9,123.62	1,570.33
Due to Federal and State Grant Fund	B	14,675.00	14,675.00
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	12,659.83	12,643.20
Small Cities Rehab	SB-6	8,046.93	8,046.93
Construction Code	SB-6	(391.85)	(1,002.54)
Developer's Escrow	SB-6	18,352.51	19,615.01
POAA	SB-6	13,076.95	12,701.95
Payroll Withholdings Payable	SB-6	73,757.75	121,470.86
Public Defender	SB-6	2,276.55	1,645.52
Landfill	SB-6	90,635.80	87,198.21
Tax Title Liens	SB-6	332,053.03	295,193.15
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	486.71	5,686.71
Proceeds from Mortgage Notes	SB-6	8,361.92	8,361.92
Off-Duty Police	SB-6	21,294.77	15,429.27
Total Other Funds		<u>684,708.17</u>	<u>683,534.17</u>
		<u>\$ 701,153.41</u>	<u>\$ 700,066.14</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, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<b>ASSETS:</b>			
Cash	SC-1	\$ 25,458.89	\$ 53,167.72
State and Federal Grants Receivable	SC-11	672,582.66	664,376.97
Due from Current Fund	SC-6	23,139.02	364,956.33
Due from Utility Capital Fund	C	559,494.61	559,494.61
Deferred Charge - Overexpenditure of Improvement Authorizations	SC-1	12,168.24	
Deferred Charges to Future Taxation:			
Funded	SC-3	581,010.22	884,940.76
Unfunded	SC-4	4,815,922.36	4,379,596.00
		<u>\$ 6,689,776.00</u>	<u>\$ 6,906,532.39</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE:</b>			
General Serial Bonds	SC-8	\$ 551,000.00	\$ 826,000.00
USDA Loan Payable	SC-9	30,010.22	58,940.76
Bond Anticipation Notes	SC-10	3,813,864.00	3,991,528.00
Improvement Authorizations:			
Funded	SC-7	845,163.45	849,573.17
Unfunded	SC-7	856,934.11	1,082,820.44
Reserve for Encumbrances	SC-7	497,794.20	2,660.00
Reserve for the Payment of Bonds & Notes	C	18,686.30	18,686.30
Capital Improvement Fund	SC-5	76,323.72	76,323.72
		<u>\$ 6,689,776.00</u>	<u>\$ 6,906,532.39</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, 2011 and 2010

ASSETS:	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Operating Fund:			
Cash	SD-1	\$ 681,884.99	\$ 603,783.19
Prepaid Debt Service	D	22,298.00	22,298.00
Due from Utility Capital Fund	SD-15	<u>71,141.07</u>	<u>71,141.07</u>
		<u>704,182.99</u>	<u>697,222.26</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	SD-3	496,677.70	533,263.80
Utility Liens Receivable	SD-4	<u>86,626.43</u>	<u>57,704.84</u>
		<u>583,304.13</u>	<u>590,968.64</u>
Deferred Charges:			
Overexpenditure of Appropriations	D3	<u>68,988.00</u>	<u>        </u>
Total Operating Fund		<u>1,356,475.12</u>	<u>1,288,190.90</u>
Capital Fund:			
Cash	SD-1	885,692.00	952,968.50
Due from Utility Operating Fund	SD-15	151,091.59	
New Jersey Environmental Infrastructure Trust Receivable	SD-19	1,614,209.00	8,674,751.00
Fixed Capital	SD-8	19,581,236.06	19,581,236.06
Fixed Capital Authorized and Uncompleted	SD-9	<u>24,381,605.00</u>	<u>24,343,805.00</u>
Total Capital Fund		<u>46,613,833.65</u>	<u>53,552,760.56</u>
		<u>\$ 47,970,308.77</u>	<u>\$ 54,840,951.46</u>

(Continued)

**CITY OF SALEM**  
**WATER AND SEWER UTILITY FUND**  
 Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis  
 As of December 31, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE:</b>			
Operating Fund:			
Liabilities:			
Appropriation Reserves	D-3	\$ 14,365.19	\$ 13,548.08
Encumbrances	D-3	83,630.23	24,135.65
Accrued Interest on Bonds and Notes	SD-6	170,203.85	97,628.57
Due to Current Fund	SD-7	8,778.29	
Due to Utility Capital Fund	SD-15	151,091.59	
		<u>428,069.15</u>	<u>135,312.30</u>
Reserve for Receivables	D	583,304.13	590,968.64
Fund Balance	D-1	345,101.84	561,909.96
		<u>1,356,475.12</u>	<u>1,288,190.90</u>
Total Operating Fund			
Capital Fund:			
Bond Anticipation Notes	SD-12	290,762.00	295,531.00
Wastewater Improvement Bonds	SD-13	3,599,438.68	3,702,354.19
USDA Loan	SD-14	797,940.19	808,292.59
New Jersey Environmental Infrastructure Trust	SD-18	6,956,039.48	7,278,875.00
State of New Jersey Loan	SD-1	562,520.00	300,856.08
Reserve for Encumbrances	SD-10	4,509.00	1,303,031.00
Due to Current Fund	SD-10	444,965.91	
Due to General Capital Fund	D	559,494.61	559,494.61
Due to Utility Operating Fund	SD-15		71,141.07
Reserve for Salem - Pennsville Interconnect	D	56,110.00	56,110.00
Improvement Authorizations:			
Funded	SD-10	108,206.33	108,017.50
Unfunded	SD-10	9,499,833.34	15,783,658.84
Reserve for Amortization	SD-11	14,845,747.38	14,742,831.87
Deferred Reserve for Amortization	SD-17	8,783,574.33	8,400,074.41
Capital Improvement Fund	SD-16	104,692.40	142,492.40
		<u>46,613,833.65</u>	<u>53,552,760.56</u>
Total Capital Fund		<u>\$ 47,970,308.77</u>	<u>\$ 54,840,951.46</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>REVENUE AND OTHER INCOME REALIZED:</b>		
Operating Surplus Anticipated	\$ 491,407.00	\$ 140,135.15
Water and Sewer Rents	2,505,391.88	2,400,661.07
Miscellaneous	353,648.43	230,462.81
Impact Fee	150,000.00	150,000.00
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	19,135.26	4,525.33
	<u>3,519,582.57</u>	<u>2,925,784.36</u>
Total Income		
<b>EXPENDITURES:</b>		
Operating	2,063,988.00	2,040,000.00
Capital Improvements		20,000.00
Debt Service	917,363.39	339,879.10
Deferred Charges and Statutory Expenditures	328,939.00	319,953.15
Refund of Prior Year Revenue	3,681.30	907.57
	<u>3,313,971.69</u>	<u>2,720,739.82</u>
Total Expenditures		
Excess (Deficit) in Revenue	205,610.88	205,044.54
Adjustment before Fund Balance:		
Expenditures included above which are by statute deferred to budgets of succeeding years	68,988.00	
	<u>274,598.88</u>	205,044.54
Statutory Excess to Fund Balance		
<b>FUND BALANCE:</b>		
Balance January 1	561,909.96	497,000.57
	836,508.84	702,045.11
Decreased by:		
Utilized as Revenue	491,407.00	140,135.15
	<u>345,101.84</u>	<u>561,909.96</u>
Balance December 31		

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, 2011

	Anticipated <u>Budget</u>	<u>Realized</u>	Excess/ <u>(Deficit)</u>
Operating Surplus Anticipated	\$ 491,407.00	\$ 491,407.00	
Water and Sewer Rents	2,375,000.00	2,505,391.88	\$ 130,391.88
Miscellaneous	225,000.00	353,648.43	128,648.43
Impact Fee	150,000.00	150,000.00	
	<u>\$ 3,241,407.00</u>	<u>\$ 3,500,447.31</u>	<u>\$ 259,040.31</u>

Analysis of Realized Revenues

Water and Sewer Rents

Receipts:

Water and Sewer Rents Receivable

\$ 2,505,391.88

Miscellaneous:

Receipts:

Fittings

\$ 433.00

Permits

4,308.20

Miscellaneous

155,696.86

Septage

4,394.70

Alloway Sewer Project

77,973.25

Quinton Sewer Project

80,920.24

Interest on Utility Bills

29,334.74

Interest on Investments

227.82

353,288.81

Due from Water and Sewer Utility Capital Fund:

Interest on Deposits

359.62

\$ 353,648.43

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, 2011

	<u>Appropriations</u>		<u>Paid or Charged</u>	<u>Expended</u>		<u>Unexpended Balance Canceled</u>	<u>Over-Expended</u>
	<u>Original Budget</u>	<u>Budget After Modification</u>		<u>Encumbrances</u>	<u>Reserved</u>		
Operating:							
Salaries and Wages	\$ 950,000.00	\$ 925,700.00	\$ 919,832.80		\$ 5,867.20		
Other Expenses	1,045,000.00	1,069,300.00	1,051,233.32	\$ 83,630.23	3,424.45		\$ 68,988.00
Total Operating	<u>1,995,000.00</u>	<u>1,995,000.00</u>	<u>1,971,066.12</u>	<u>83,630.23</u>	<u>9,291.65</u>	-	<u>68,988.00</u>
Debt Service:							
Payment of Loan Principal	436,110.00	436,110.00	436,103.43			\$ 6.57	
Payment of BANS	4,769.00	4,769.00	4,769.00				
Interest on Loans	468,600.00	468,600.00	468,587.65			12.35	
Interest on Notes	7,989.00	7,989.00	7,903.31			85.69	
Total Debt Service	<u>917,468.00</u>	<u>917,468.00</u>	<u>917,363.39</u>	-	-	<u>104.61</u>	-
Deferred Charges and Statutory Expenditures:							
Statutory Expenditures:							
Public Employees' Retirement System	73,639.00	73,639.00	73,639.00				
Contributions to Social Security System (O.A.S.I.)	75,300.00	75,300.00	70,226.46		5,073.54		
Total Deferred Charges and Statutory Expenditures	<u>148,939.00</u>	<u>148,939.00</u>	<u>143,865.46</u>	-	<u>5,073.54</u>	-	-
Surplus (General Budget)	<u>180,000.00</u>	<u>180,000.00</u>	<u>180,000.00</u>			-	
	<u>\$ 3,241,407.00</u>	<u>\$ 3,241,407.00</u>	<u>\$ 3,212,294.97</u>	<u>\$ 83,630.23</u>	<u>\$ 14,365.19</u>	<u>\$ 104.61</u>	<u>\$ 68,988.00</u>
Accrued Interest on Bonds			\$ 468,587.65				
Accrued Interest on Notes			7,903.31				
Due to Current Fund			184,769.00				
Due to Utility Capital Fund			322,835.52				
Cash Disbursements			<u>2,228,199.49</u>				
			<u>\$ 3,212,294.97</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, 2011**

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

**Description of Financial Reporting Entity** - The City of Salem was incorporated in 1858 and is located in southwest New Jersey approximately thirty-five miles southeast of the City of Philadelphia and ten miles from the Delaware Memorial Bridge. The present population according to the 2011 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 acts as City Administrator and oversees 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**School Taxes** - The municipality is responsible for levying, collecting and remitting school taxes for the City of Salem School District. Operations is charged for the full amount required to be raised from taxation to operate the local school district for the period from July 1 to June 30, increased by the amount deferred at December 31, 2010 and decreased by the amount deferred at December 31, 2011.

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

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

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

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

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

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

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

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

Note 2: **CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be recovered. Although the City does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the 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.

Insured	\$ 893,879.40
Uninsured	135,538.60
Collateralized Under GUDPA	<u>3,730,257.64</u>
Total	<u>\$ 4,759,675.64</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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Tax Rate	\$ 3.687	\$ 3.592	\$ 3.506	\$ 3.339	\$ 2.885
Apportionment of Tax Rate:					
Municipal	1.706	1.609	1.509	1.430	1.160
County	0.888	0.908	0.937	0.916	0.753
County Open Space	0.020	0.022	0.022	0.021	0.017
Local School	1.072	1.053	1.038	0.972	0.955

**Assessed Valuation**

2011	\$ 234,662,914.00
2010	237,308,414.00
2009	238,628,279.00
2008	253,852,544.00
2007	256,190,568.00

**Comparison of Tax Levies and Collections**

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
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%
2007	7,394,017.92	6,351,070.96	85.89%

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>
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%
2007	323,102.01	1,044,040.02	1,367,142.03	18.49%

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>
2011	164
2010	106
2009	86
2008	52
2007	63

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>
2011	\$ 280,700.00
2010	280,700.00
2009	280,700.00
2008	280,700.00
2007	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>
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
2007	396,182.45	50,313.29	2,263,181.06	2,709,676.80	2,423,020.60

Note 6: **FUND BALANCES APPROPRIATED**

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

<u>Year</u>	<u>Balance Dec. 31</u>	<u>Utilized In Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
<b><u>Current Fund</u></b>			
2011	\$ 1,317,795.56	\$ 1,291,000.00 (A)	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%
2007	540,962.23	246,500.00	45.57%
<b><u>Water/Sewer Utility Operating Fund</u></b>			
2011	\$ 345,101.84	\$ 336,000.00 (A)	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
2007	557,726.55	315,058.44	56.49%

(A) = per introduced 2012 budget

Note 7: **INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances were recorded on the various statements of assets, liabilities, reserves and fund balance as of December 31, 2011:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
Current Fund	\$ 475,471.26	\$ 140,691.64
Federal & State Grant Fund	132,227.62	
Trust -- Animal Control Fund		12,603.44
Trust -- Other Funds		23,798.62
General Capital Fund	582,633.63	
Water/Sewer Utility Operating Fund		159,869.88
Water/Sewer Utility Capital Fund	151,091.59	1,004,460.52
	<u>\$ 1,341,424.10</u>	<u>\$ 1,341,424.10</u>

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds. During 2012, 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, future City employees may 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 will be increased to 6.5% plus an additional 1.0% phased-in over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. 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>
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
2009	86,237.00	78,658.00	164,895.00	\$ 73,322.00	91,563.00

**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>
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
2009	199,367.00	128,972.00	328,339.00	\$ 157,686.00	170,654.00

**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.

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, 2011 the balance of the fund was \$33,350.27. It is estimated that, at December 31, 2011, accrued benefits for compensated absences are valued at \$573,912.76.

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 2011</u>	<u>Year 2010</u>	<u>Year 2009</u>
<b><u>Issued</u></b>			
General:			
Bonds and Notes	\$ 4,394,874.22	\$ 4,876,468.76	\$ 5,179,649.05
Water/Sewer Utility:			
Bonds and Notes	12,206,700.35	12,385,908.86	4,918,828.28
Total Issued	<u>16,601,574.57</u>	<u>17,262,377.62</u>	<u>10,098,477.33</u>
<b><u>Authorized but not Issued</u></b>			
General:			
Bonds and Notes	1,002,058.36	388,068.00	852,494.00
Water/Sewer Utility:			
Bonds and Notes	8,126,819.00	8,396,225.92	21,660,083.00
Total Authorized but Not Issued	<u>9,128,877.36</u>	<u>8,784,293.92</u>	<u>22,512,577.00</u>
Total Issued and Authorized but Not Issued	<u>25,730,451.93</u>	<u>26,046,671.54</u>	<u>32,611,054.33</u>
Deductions:			
Funds Temporarily Held To Pay Notes			
Self-liquidating Debt	18,686.30	18,686.30	136,594.30
	20,333,519.35	20,782,134.78	26,578,911.28
Total Deductions	<u>20,352,205.65</u>	<u>20,800,821.08</u>	<u>26,715,505.58</u>
Net Debt	<u>\$ 5,378,246.28</u>	<u>\$ 5,245,850.46</u>	<u>\$ 5,895,548.75</u>

**Summary of Statutory Debt Condition - Annual Debt Statement**

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicated a statutory net debt of 2.32%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District	\$ 3,090,000.00	\$ 3,090,000.00	
Water/Sewer Utility	20,333,519.35	20,333,519.35	
General	5,396,932.58	18,686.30	\$ 5,378,246.28
Bonds Guaranteed by City	19,390,000.00	19,390,000.00	
	<u>\$ 48,210,451.93</u>	<u>\$ 42,832,205.65</u>	<u>\$ 5,378,246.28</u>

Net Debt \$5,378,246.28 divided by the Equalized Valuation Basis per N.J.S.A.40A:2-2 as amended, \$232,071,864.67 equals 2.32%.

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)	\$ 8,122,515.26
Net Debt	<u>5,378,246.28</u>
Remaining Borrowing Power	<u>\$ 2,744,268.98</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	\$ 3,500,447.31
Deductions:	
Operating and Maintenance Cost	\$ 2,212,927.00
Debt Service per Water/Sewer Fund	<u>917,363.39</u>
Total Deductions	<u>3,130,290.39</u>
Excess in Revenue	<u>\$ 370,156.92</u>

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

**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>	
2012	\$ 165,010.22	\$ 24,033.03	\$ 446,759.29	\$ 387,830.99	\$ 1,023,633.53
2013	140,000.00	16,435.00	462,698.16	376,142.12	995,275.28
2014	145,000.00	9,666.25	473,934.15	347,442.75	976,043.15
2015	131,000.00	3,111.25	485,482.22	318,181.30	937,774.77
2016			497,357.97	304,555.55	801,913.52
2017-2021			2,707,592.44	1,299,175.16	4,006,767.60
2022-2026			3,119,126.40	889,791.20	4,008,917.60
2027-2031			2,694,070.25	376,541.43	3,070,611.68
2032-2036			136,412.49	86,567.51	222,980.00
2037-2041			168,335.15	54,644.85	222,980.00
2042-2046			161,649.82	15,767.18	177,417.00
	<u>\$ 581,010.22</u>	<u>\$ 53,245.53</u>	<u>\$ 11,353,418.34</u>	<u>\$ 4,456,640.04</u>	<u>\$ 16,444,314.13</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, 2011, the following deferred charges are shown on the statement of assets, liabilities, reserves and fund balance of the following fund(s):

	<b><u>Balance Dec. 31, 2011</u></b>	<b><u>2012 Budget Appropriation</u></b>
Utility Operating Fund:		
Over-expenditure of Appropriations	\$ 68,988.00	(B)
General Capital Fund:		
Over-expenditure of Improvement Authorization	12,168.24	\$ 12,168.24
Trust Fund:		
Deficit Reserve for Construction Code	391.85	391.85

The appropriations in the Introduced 2012 Budget were not less than that required by the statutes. (B) = Unknown at time 2012 Budget was introduced.

Note 13: **SCHOOL TAXES**

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

	<b><u>Balance Dec. 31,</u></b>	
	<b><u>2011</u></b>	<b><u>2010</u></b>
Balance of Tax	\$ 1,257,884.60	\$ 1,248,812.10
Deferred	1,032,229.00	1,032,229.00
	<hr/>	<hr/>
School Tax Payable	<u>\$ 225,655.60</u>	<u>\$ 216,583.10</u>

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

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

<b><u>Year</u></b>	<b><u>City Contributions</u></b>	<b><u>Amount Reimbursed</u></b>	<b><u>Ending Balance</u></b>
2011	\$ 2,827.05	\$ 2,827.05	\$ 10,955.24
2010	30,528.77	30,528.77	10,955.24
2009	2,254.47	2,254.47	10,955.24

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Note 15: **POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN**

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

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

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the City on a monthly basis. The City contributions to SHBP for the year ended December 31, 2011, 2010, and 2009 were \$327,641.85, \$239,183.24, and \$204,790.82, respectively, which equaled the required contributions for the year. There were approximately 28, 23, and 24 retired participants eligible at December 31, 2011, 2010, and 2009, 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, 2011, \$19,390,000.00 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
	<u>1,073,489.08</u>

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

The City of Salem's 2012 Introduced Budget has a budget appropriation of \$135,000.00 to cover any future deficits instead of requiring Salem Up For Salem, Inc. to make a withdraw from the Debt Service Reserve fund.

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.

Note 18: **SUBSEQUENT EVENTS**

On March 19, 2012 the City of Salem adopted a "Qualified Bond Ordinance" for \$3,400,000.00 (\$3,110,000.00 General Capital Fund, \$290,000.00 Utility Capital Fund). The bonds authorized by the "Qualified Bond Ordinance" would permanently fund and retire bond anticipation notes issued and outstanding under previously adopted bond ordinances. Thus, no "new" debt is being authorized. The City requested the Local Finance Board to approve the issuance of \$3,400,000.00 qualified bonds pursuant to the provisions of the Municipal Qualified Bond Act (N.J.S.A. 40A:3-1 et seq.) and, in particular, N.J.S.A. 40A:3-4. A June 2012 Bonds Sale is anticipated.

**SUPPLEMENTAL EXHIBITS**

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

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Current Cash -- Treasurer  
For the Year Ended December 31, 2011

	<u>Regular Fund</u>	<u>Federal and State Grant Fund</u>
Balance December 31, 2010	\$ 2,062,453.36	\$ 22,520.93
Increased by Receipts:		
Taxes Receivable	\$ 7,979,276.43	
Tax Title Liens	182,852.06	
Prepaid Taxes	60,791.38	
Due State of New Jersey Senior Citizens' & Veterans' Deductions	52,561.64	
Miscellaneous Revenue Anticipated	2,153,281.68	
Miscellaneous Revenue Not Anticipated	1,831,874.54	
Due Federal and State Grant Fund - Received for	96,890.44	
Due Trust -- Other Funds - Received for	625.00	
Due General Capital Fund - Received for	149,827.95	
Due Utility Operating Fund - Received from	182,019.54	
Accounts Payable	17,500.00	
Due Current Fund - MRA Interest Earned on Deposits	12.47	
	12,707,500.66	12.47
	14,769,954.02	22,533.40
Decreased by Disbursements:		
Appropriations	6,154,159.88	
Appropriation Reserves	402,213.05	
County Taxes Payable	2,137,125.85	
Local School Taxes Payable	2,506,694.50	
Due Federal and State Grant Fund - Disbursed for	150,815.34	
Due Trust -- Other Funds - Disbursed to	6,500.00	
Due Trust -- Other Funds - Disbursed for	2,695.41	
Due General Capital Fund - Disbursed to	466,098.15	
Due General Capital Fund - Disbursed for	71,703.79	
Due Utility Operating Fund - Disbursed for	10,797.83	
Due Utility Capital Fund - Disbursed for	444,965.91	
Refund of Prior Year Revenue	4,170.29	
Federal and State Grants Appropriated	13,191.00	
	12,357,940.00	13,191.00
	\$ 2,412,014.02	\$ 9,342.40
Balance December 31, 2011	\$ 2,412,014.02	\$ 9,342.40

**CITY OF SALEM**  
**CURRENT FUND**  
 Statement of Taxes Receivable and Analysis of Property Tax Levy  
 For the Year Ended December 31, 2011

	Balance	Levy	Added / Omitted Taxes	Collected		Due from State of New Jersey	Adjustments and Canceled	Transferred to Liens	Balance
	Dec. 31, 2010			2010	2011				Dec. 31, 2011
Prior	\$ 64,252.55						\$ (34,317.99)		\$ 98,570.54
2010	815,045.88				\$ 567,184.09	\$ (750.00)	66,710.73	\$ 171,894.34	10,006.72
2011		\$ 8,654,368.60	\$ 19,011.26	\$ 42,216.52	7,412,092.34	52,367.80	35,772.93	141,238.83	989,691.44
	<u>\$ 879,298.43</u>	<u>\$ 8,654,368.60</u>	<u>\$ 19,011.26</u>	<u>\$ 42,216.52</u>	<u>\$ 7,979,276.43</u>	<u>\$ 51,617.80</u>	<u>\$ 68,165.67</u>	<u>\$ 313,133.17</u>	<u>\$ 1,098,268.70</u>

Analysis of Property Tax Levy

Tax Yield:

General Purpose	\$ 8,654,368.60
Added / Omitted Taxes	<u>19,011.26</u>
	<u>\$ 8,673,379.86</u>

Tax Levy:

Local District School Tax	\$ 2,499,249.00
2011 Budget Appropriation Transferred to Board of Education for Use of Local School (N.J.S.A. 40:48-17.1 & 17.3)	<u>16,518.00</u>
	2,515,767.00
County Taxes:	
County Tax	2,084,656.05
County Open Space Tax	47,690.84
Due County for Added and Omitted Taxes	4,667.58
Due County Open Space for Added and Omitted Taxes	<u>111.38</u>
	2,137,125.85
Local Tax for Municipal Purposes	3,926,591.73
Library Tax	78,358.30
Add: Additional Tax Levied - Added and Omitted Taxes	14,232.30
Add: Additional Tax Levied - Rounding	<u>1,304.68</u>
	<u>4,020,487.01</u>
	<u>\$ 8,673,379.86</u>

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Tax Title Liens  
For the Year Ended December 31, 2011

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Balance December 31, 2010		\$ 470,376.66
Increased by:		
Transfers from Taxes Receivable	\$ 313,133.17	
Interest and Costs - Tax Sale / Adjustments	<u>39,664.74</u>	
		<u>352,797.91</u>
		823,174.57
Decreased by:		
Collected by Current Fund		<u>182,852.06</u>
Balance December 31, 2011		<u><u>\$ 640,322.51</u></u>

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Prepaid Taxes  
For the Year Ended December 31, 2011

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Balance December 31, 2010	\$ 42,216.52
Increased by:	
Collections -- 2012 Taxes	<u>60,791.38</u>
	103,007.90
Decreased by:	
Applied to 2011 Taxes Receivable	<u>42,216.52</u>
Balance December 31, 2011	<u><u>\$ 60,791.38</u></u>

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

Statement of Revaluation Note Payable / Deferred Charges - Special Emergency Revaluation  
For the Year Ended December 31, 2011

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Balance December 31, 2010	\$	50,000.00
Decreased by:		
Budget Appropriation		<u>50,000.00</u>

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Due to State of New Jersey  
Senior Citizens' and Veterans' Deductions  
For the Year Ended December 31, 2011

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Balance December 31, 2010		\$ 1,516.92
Increased by:		
Cash Received	\$ 52,561.64	
Prior Year Senior Citizens' and Veterans' Deductions Disallowed by Tax Collector	750.00	
		53,311.64
		54,828.56
Decreased by:		
2011 Levy -- Deductions per Tax Billing	\$ 54,750.00	
2011 Senior Citizens' and Veterans' Deductions Granted by Tax Collector	1,500.00	
		56,250.00
2011 Senior Citizens' and Veterans' Deductions Disallowed by Tax Collector	(3,882.20)	
		52,367.80
Balance December 31, 2011		\$ 2,460.76

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Revenue Accounts Receivable  
For the Year Ended December 31, 2011

<u>Miscellaneous Revenues</u>	<u>Balance Dec. 31, 2010</u>	<u>Accrued in 2011</u>	<u>Collected</u>	<u>Applied</u>	<u>Due from Utility Operating</u>	<u>Balance Dec. 31, 2011</u>
Licenses - Other		\$ 3,205.00	\$ 3,205.00			
Fines and Costs - Municipal Court	\$ 9,699.63	122,860.02	124,253.30			\$ 8,306.35
Interest and Costs on Taxes		120,134.55	120,134.55			
Anticipated Utility Operating Surplus		180,000.00			\$ 180,000.00	
Street Opening Permits		3,000.00	3,000.00			
Cable Television Franchise Fee		54,842.03	54,842.03			
Consolidated Municipal Property Tax Relief Aid		449,947.00	449,947.00			
Energy Receipts Tax		945,992.00	945,992.00			
Garbage and Trash - Pick up Stickers		89,215.00	89,215.00			
Recycling Tonnage Grant		2,014.21		2,014.21		
Drunk Driving Enforcement Fund		5,015.71		5,015.71		
Clean Communities Program		9,523.23		9,523.23		
Municipal Alliance on Alcoholism and Drug Abuse		13,103.12		13,103.12		
US Marshalls Equitable Sharing		22,980.00		22,980.00		
Body Armor Grant		3,581.63		3,581.63		
JAG Grant		12,000.00		12,000.00		
Click It or Ticket		4,000.00		4,000.00		
State Highway Grant - TEA		39,690.00		39,690.00		
New Jersey Motor Vehicle Commission		70,561.66		70,561.66		
Whispering Waters Pilot Agreement		300,000.00	300,000.00			
Senior Village Pilot Agreement		16,500.00	16,500.00			
County of Salem Pilot Agreement		26,192.80	26,192.80			
South Jersey Gas Agreement		20,000.00	20,000.00			
<b>Total Miscellaneous Revenue</b>	<b>\$ 9,699.63</b>	<b>\$ 2,514,357.96</b>	<b>\$ 2,153,281.68</b>	<b>\$ 182,469.56</b>	<b>\$ 180,000.00</b>	<b>\$ 8,306.35</b>

**CITY OF SALEM**  
**CURRENT FUND**  
 Statement of Appropriation Reserves  
 For the Year Ended December 31, 2011

	Balance December 31, 2010		Transfers	Balance After Modification	Disbursed	Lapsed to Fund Balance
	Encumbered	Reserved				
<b>OPERATIONS -- WITHIN "CAPS"</b>						
<b>General Government Functions</b>						
Human Resources:						
Other Expenses		\$ 3,475.00		\$ 3,475.00		\$ 3,475.00
Mayor and Council:						
Salaries and Wages		335.56		335.56		335.56
Other Expenses	\$ 3,472.56	8,403.86		11,876.42	\$ 11,608.42	268.00
Municipal Clerk:						
Salaries and Wages		548.51		548.51		548.51
Other Expenses	1,315.13	426.89		1,742.02	1,083.09	658.93
Financial Administration:						
Salaries and Wages		126.66		126.66		126.66
Other Expenses	4,194.28	71.34		4,265.62	208.78	4,056.84
Audit Services:						
Other Expenses		36,454.20		36,454.20	36,454.20	
Revenue Administration:						
Salaries and Wages		0.03		0.03		0.03
Other Expenses	2,579.50	1,095.42		3,674.92	1,458.04	2,216.88
Assessment of Taxes:						
Salaries and Wages		2.70		2.70		2.70
Other Expenses	950.00	10,435.65		11,385.65	950.00	10,435.65
Legal Services and Costs:						
Salaries and Wages		15.36		15.36		15.36
Other Expenses		90.00		90.00		90.00
Engineering Services and Costs:						
Other Expenses		4.03		4.03		4.03
Public Buildings and Grounds:						
Salaries and Wages		5.00		5.00		5.00
Other Expenses	669.10	2,113.47		2,782.57	490.10	2,292.47
Housing Enforcement:						
Salaries and Wages		2.76		2.76		2.76
Other Expenses	1,304.54	30.97		1,335.51	944.85	390.66
Insurance:						
General Liability		0.01		0.01		0.01
Workers Compensation		303.87		303.87		303.87
Employee Group Health	78,748.33	182,694.39		261,442.72	255,218.46	6,224.26
<b>Land Use Administration</b>						
Planning Board:						
Other Expenses	400.00	58.89		458.89	400.00	58.89
<b>Public Safety</b>						
Fire:						
Other Expenses	640.00	7,640.90		8,280.90	7,964.90	316.00
Police:						
Salaries and Wages		301.36		301.36		301.36
Other Expenses	11,627.01	4,264.31		15,891.32	15,677.01	214.31
First Aid Organization Contribution:						
Other Expenses	555.86	1,151.36		1,707.22	555.86	1,151.36
Office of Emergency Management:						
Salaries and Wages		5.04		5.04		5.04
Other Expenses		100.00		100.00		100.00
<b>Streets and Roads</b>						
Road Repairs and Maintenance:						
Salaries and Wages		0.68		0.68		0.68
Other Expenses	8,783.31	121.66		8,904.97	6,789.41	2,115.56
<b>Sanitation</b>						
Street Cleaning:						
Salaries and Wages		60.62		60.62		60.62
Other Expenses		33.65		33.65		33.65
Sanitary Landfill:						
Salaries and Wages		2,165.44		2,165.44		2,165.44
Other Expenses		6,403.55		6,403.55		6,403.55
Vehicle Maintenance:						
Other Expenses	2,493.32	1,119.63		3,612.95	1,800.71	1,812.24

(Continued)

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Appropriation Reserves  
For the Year Ended December 31, 2011

	Balance December 31, 2010		Transfers	Balance After Modification	Disbursed	Lapsed to Fund Balance
	Encumbered	Reserved				
<u>Health and Welfare</u>						
Public Health Services:						
Other Expenses		\$ 1,350.00		\$ 1,350.00		\$ 1,350.00
<u>Recreation and Education</u>						
Parks and Playgrounds:						
Other Expenses	\$ 10,000.00	424.51		10,424.51	\$ 10,012.95	411.56
<u>Other Common Operating Functions</u>						
Celebration of Public Events, Anniversary or Holiday						
Other Expenses		500.00		500.00		500.00
<u>Municipal Court</u>						
Municipal Court Administration:						
Salaries and Wages		52.07		52.07		52.07
Other Expenses	1,551.51	52.22		1,603.73	1,551.51	52.22
Public Defender:						
Other Expenses		14.98		14.98		14.98
<u>Utility Expenses and Bulk Purchases</u>						
Street Lighting		34.32		34.32		34.32
Telephone	2,059.94	0.23		2,060.17	2,059.94	0.23
Heating Oil		87.48		87.48		87.48
Gasoline		246.81		246.81		246.81
Natural Gas	2,245.50	916.09		3,161.59	2,245.50	916.09
Electricity	289.80	675.45		965.25	834.32	130.93
<u>Statutory Expenditures</u>						
Contribution to:						
Social Security System (O.A.S.I.)		520.60		520.60		520.60
Unemployment and Disability		550.74		550.74		550.74
<u>Operations -- Excluded from "CAPS"</u>						
Aid to Library (N.J.S.A. 40:54-35)	39,400.00			39,400.00	39,400.00	
<u>ADDITIONAL APPROPRIATIONS OFFSET BY REVENUES</u>						
Garbage and Trash Collections:						
Other Expenses	4,655.00	0.27		4,655.27	4,505.00	150.27
	<u>\$ 177,934.69</u>	<u>\$ 275,488.54</u>	<u>\$ -</u>	<u>\$ 453,423.23</u>	<u>\$ 402,213.05</u>	<u>\$ 51,210.18</u>

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Due County for Added and Omitted Taxes  
For the Year Ended December 31, 2011

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Increased by:		
County General Share of 2011 Added / Omitted Taxes	\$ 4,667.58	
County Open Space Preservation Share of 2011 Added / Omitted Taxes	<u>111.38</u>	
		\$ 4,778.96
Decreased by Payments		
		<u>\$ 4,778.96</u>

Exhibit SA-10

**CURRENT FUND**  
Statement of Due County Taxes  
For the Year Ended December 31, 2011

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Increased by:		
County General Share of 2011 Levy	\$ 2,084,656.05	
County Open Space Preservation Share of 2011 Levy	<u>47,690.84</u>	
		\$ 2,132,346.89
Decreased by Payments		
		<u>\$ 2,132,346.89</u>

**CITY OF SALEM**  
**CURRENT FUND**  
Statement of Local District School Tax  
For the Year Ended December 31, 2011

---

Balance December 31, 2010		
School Tax Payable	\$ 216,583.10	
School Tax Deferred	<u>1,032,229.00</u>	\$ 1,248,812.10
Increased by:		
Levy -- School Year July 1, 2011 to June 30, 2012	2,499,249.00	
2011 Budget Appropriation Transferred to Board of Education for Use of Local School (N.J.S.A. 40:48-17.1 & 17.3)	<u>16,518.00</u>	<u>2,515,767.00</u>
		3,764,579.10
Decreased by:		
Payments		<u>2,506,694.50</u>
Balance December 31, 2011		
School Tax Payable	225,655.60	
School Tax Deferred	<u>1,032,229.00</u>	<u>\$ 1,257,884.60</u>

**CITY OF SALEM**  
**CURRENT FUND**  
 Statement of Due to Federal & State Grant Fund  
 For the Year Ended December 31, 2011

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Balance December 31, 2010		\$ 165,489.99
Increased by:		
Collected for Federal & State Grant Fund - Unappropriated Grants	\$ 8,469.37	
Collected for Federal & State Grant Fund - Grant Receivables	<u>88,421.07</u>	
		\$ 96,890.44
Matching Funds		<u>6,000.00</u>
		<u>102,890.44</u>
		268,380.43
Decreased by:		
Disbursed for Federal & State Grant Fund		150,815.34
Interest Earnings - Due to Current Fund		<u>12.47</u>
		<u>150,827.81</u>
Balance December 31, 2011		<u><u>\$ 117,552.62</u></u>

**CITY OF SALEM**  
**FEDERAL AND STATE GRANT FUND**  
Statement of Federal and State Grants Receivable  
For the Year Ended December 31, 2011

<u>Program</u>	<u>Balance Dec. 31, 2010</u>	<u>Revenue Anticipated</u>	<u>Transferred from Unappropriated</u>	<u>Received by Current Fund</u>	<u>Balance Dec. 31, 2011</u>
Recycling Tonnage Grant		\$ 2,014.21	\$ 2,014.21		
State Highway Grant - TEA		39,690.00	39,690.00		
Click It or Ticket		4,000.00	4,000.00		
JAG Grant		12,000.00	12,000.00		
Drunk Driving Enforcement Fund		5,015.71	5,015.71		
Municipal Alliance on Alcoholism and Drug Abuse		13,103.12	4,766.94	\$ 8,336.18	
Body Armor Grant		3,581.63	3,581.63		
US Marshalls Equitable Sharing		22,980.00	22,980.00		
Clean Communities Program		9,523.23		9,523.23	
New Jersey Motor Vehicle Commission		70,561.66		70,561.66	
National Fish and Wildlife Foundation	\$ 5,800.00				\$ 5,800.00
	<u>\$ 5,800.00</u>	<u>\$ 182,469.56</u>	<u>\$ 94,048.49</u>	<u>\$ 88,421.07</u>	<u>\$ 5,800.00</u>

**CITY OF SALEM**  
**FEDERAL AND STATE GRANT FUND**  
Statement of Reserve for Federal and State Grants -- Appropriated  
For the Year Ended December 31, 2011

<u>Program</u>	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Transferred</u> <u>from</u> <u>Budget</u> <u>Appropriation</u>	<u>Expended</u>	<u>Balance</u> <u>Dec. 31, 2011</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	4,181.19		\$ 2,850.00	1,331.19
JAG Grant		\$ 12,000.00		12,000.00
Click It or Ticket	3,400.00	4,000.00	7,400.00	
	<u>10,470.16</u>	<u>16,000.00</u>	<u>10,250.00</u>	<u>16,220.16</u>
State Grants:				
Clean Communities Grant	31,250.43	9,523.23	14,577.17	26,196.49
Municipal Alliance on Alcohol and Drug Abuse	5,307.87	19,103.12	13,464.43	10,946.56
Drunk Driving Enforcement Fund	16,639.50	5,015.71	1,831.70	19,823.51
Neighborhood Preservation Program	5,403.26			5,403.26
N.J. Department of Community Affairs - Balanced Housing Phase II	13,191.00		13,191.00	
Motor Vehicle Commission Police	9,743.75	70,561.66	80,305.41	
Domestic Violence Training	6,800.00			6,800.00
Recycling Tonnage	7,213.06	2,014.21	7,500.00	1,727.27
Stormwater Grant	2,500.00		2,500.00	
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	1,500.00	3,581.63	5,081.63	
	<u>103,967.27</u>	<u>149,489.56</u>	<u>138,451.34</u>	<u>115,005.49</u>
Other Grants:				
US Marshalls Equitable Sharing		22,980.00	15,305.00	7,675.00
	<u>-</u>	<u>22,980.00</u>	<u>15,305.00</u>	<u>7,675.00</u>
	<u>\$ 114,437.43</u>	<u>\$ 188,469.56</u>	<u>\$ 164,006.34</u>	<u>\$ 138,900.65</u>
Disbursed Federal & State Grant Fund			\$ 13,191.00	
Disbursed Current Fund			150,815.34	
Budget - Match		\$ 6,000.00		
Budget		182,469.56		
		<u>\$ 188,469.56</u>	<u>\$ 164,006.34</u>	

**CITY OF SALEM**  
**FEDERAL AND STATE GRANT FUND**  
Statement of Reserve for Federal and State Grants -- Unappropriated  
For the Year Ended December 31, 2011

<u>Program</u>	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>2011</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, 2011</u>
Recycling Tonnage	\$ 2,014.21	\$ 3,254.71	\$ 2,014.21	\$ 3,254.71
Municipal Alliance on Alcohol and Drug Abuse	4,766.94	782.33	4,766.94	782.33
Body Armor Fund	3,581.63	2,630.19	3,581.63	2,630.19
Click it or Ticket	4,000.00		4,000.00	
Drunk Driving Enforcement Fund	5,015.71	1,802.14	5,015.71	1,802.14
State Highway Grant - TEA	39,690.00		39,690.00	
JAG Grant	12,000.00		12,000.00	
US Marshalls Equitable Sharing	22,980.00		22,980.00	
	<u>\$ 94,048.49</u>	<u>\$ 8,469.37</u>	<u>\$ 94,048.49</u>	<u>\$ 8,469.37</u>

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

**CITY OF SALEM**  
**TRUST FUNDS**  
Statement of Trust Cash - Treasurer  
For the Year Ended December 31, 2011

	<u>Animal Control</u>	<u>Other</u>
Balance December 31, 2010	\$ 16,531.97	\$ 683,534.17
Increased by Receipts:		
Dog License Fees Collected	\$ 2,004.90	
Current Fund Budget Appropriation	25,000.00	
Due to Current Fund - MRA Interest Earned on Deposits	6.52	\$ 134.03
Due to Current Fund - Received from		6,500.00
Reserve for:		
Community Development Housing Equity		16.63
Construction Code		60,754.00
Developer's Escrow		1,700.00
POAA		375.00
Payroll Withholdings Payable		5,936,466.84
Public Defender		6.03
Landfill		3,437.59
Tax Title Liens		537,284.25
Off-Duty Police		24,735.50
	<u>27,011.42</u>	<u>6,571,409.87</u>
	43,543.39	7,254,944.04
Decreased by Disbursements:		
Due State Department of Health	477.60	
Expenditures Under R.S. 4:19-15.11	26,620.55	
Due to Current Fund - MRA Interest Earned on Deposits		148.61
Reserve for:		
Construction Code		58,450.44
Developer's Escrow		2,962.50
Payroll Withholdings Payable		5,984,179.95
Tax Title Liens		500,424.37
Shade Tree Commission		5,200.00
Off-Duty Police		18,870.00
	<u>27,098.15</u>	<u>6,570,235.87</u>
Balance December 31, 2011	<u>\$ 16,445.24</u>	<u>\$ 684,708.17</u>

**CITY OF SALEM**  
**TRUST -- ANIMAL CONTROL FUND**  
Statement of Reserve for Animal Control Expenditures  
For the Year Ended December 31, 2011

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Balance December 31, 2010		\$ 4,415.40
Increased by:		
Current Fund Budget Appropriation Received	\$ 25,000.00	
Dog License Fees Collected	2,004.90	
		27,004.90
		31,420.30
Decreased by:		
Transferred to Due to State of New Jersey	481.80	
Transferred to Due to Current Fund - Excess Reserve	480.35	
Expenditures Under R.S.4:19- 15.11	26,620.55	
		27,582.70
Balance December 31, 2011		\$ 3,837.60

License Fees Collected

<u>Year</u>	<u>Amount</u>
2010	\$ 1,900.60
2009	1,937.00
	\$ 3,837.60

**Exhibit SB-3**

**TRUST -- ANIMAL CONTROL FUND**  
Statement of Due to Current Fund  
For the Year Ended December 31, 2011

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Balance December 31, 2010		\$ 12,116.57
Increased by:		
Receipts - Interest on Deposits	\$ 6.52	
Excess reserve	480.35	
		486.87
Balance December 31, 2011		\$ 12,603.44

**CITY OF SALEM**  
TRUST -- ANIMAL CONTROL FUND  
Statement of Due to State of New Jersey  
For the Year Ended December 31, 2011

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Increased by:		
Transferred from Reserve for Animal Control Expenditures	\$	481.80
Decreased by:		
Payments		<u>477.60</u>
Balance December 31, 2011	\$	<u><u>4.20</u></u>

**CITY OF SALEM**  
**TRUST -- OTHER FUNDS**  
**Statement of Due to Current Fund**  
**For the Year Ended December 31, 2011**

Balance December 31, 2010		\$ 1,570.33
Increased by:		
Disbursements made for Trust -- Other Funds by Current Fund	\$ 2,695.41	
Received from Current Fund	6,500.00	
Receipts - Interest Earned on Deposits	134.03	
		9,329.44
		10,899.77
Decreased by:		
Receipts Collected by Current Fund	625.00	
Disbursed to Current Fund - MRA Interest Earnings	148.61	
Budget Appropriation - UCC Deficit	1,002.54	
		1,776.15
Balance December 31, 2011		\$ 9,123.62
 <u>Analysis of Balance Dec. 31, 2011</u>		
Community Development Housing Equity		\$ (220.09)
Construction Code		5,270.47
Developer's Escrow		3,624.28
POAA		0.12
Payroll Agency		24,866.11
Net Payroll		0.25
Public Defender		(36,209.75)
Tax Title Liens		52,819.29
Unemployment		(29,241.75)
Small Cities		(11,854.00)
UDAG		68.69
		\$ 9,123.62

**CITY OF SALEM**  
**TRUST -- OTHER FUNDS**  
**Statement of Changes in Reserves**  
**For the Year Ended December 31, 2011**

	Balance Dec. 31, 2010	Increased by			Decreased by		Balance Dec. 31, 2011
		Interest Earnings	Receipts	Other	Disbursements	Other	
Reserve for:							
Community Development Block Grant of 1974:							
Community Development Housing Equity	\$ 12,643.20	\$ 16.63					\$ 12,659.83
Small Cities Rehab	8,046.93						8,046.93
Construction Code	(1,002.54)		\$ 60,754.00	\$ 1,002.54	\$ 58,450.44	\$ 2,695.41	(391.85)
Developer's Escrow	19,615.01		1,700.00		2,962.50		18,352.51
POAA	12,701.95		375.00				13,076.95
Payroll Withholdings Payable	121,470.86		5,936,466.84		5,984,179.95		73,757.75
Public Defender	1,645.52	6.03		625.00			2,276.55
Landfill	87,198.21	3,437.59					90,635.80
Tax Title Liens	295,193.15		537,284.25		500,424.37		332,053.03
Unemployment Compensation	10,955.24						10,955.24
Accumulated Sick Leave	33,350.27						33,350.27
Shade Tree Commission	5,686.71				5,200.00		486.71
Proceeds from Mortgage Notes	8,361.92						8,361.92
Off-Duty Police	15,429.27		24,735.50		18,870.00		21,294.77
	<u>\$ 631,295.70</u>	<u>\$ 3,460.25</u>	<u>\$ 6,561,315.59</u>	<u>\$ 1,627.54</u>	<u>\$ 6,570,087.26</u>	<u>\$ 2,695.41</u>	<u>\$ 624,916.41</u>
Receipt Collected by Current Fund				\$ 625.00			
Current Fund Budget Appropriation				1,002.54			
Cash Disbursements made by Current Fund						\$ 2,695.41	
				<u>\$ 1,627.54</u>		<u>\$ 2,695.41</u>	

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

**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
Statement of General Capital Cash  
For the Year Ended December 31, 2011

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Balance December 31, 2010		\$ 53,167.72
Increased by Receipts:		
Due to Current Fund - MRA Interest Earned on Deposits	\$ 16.47	
Due Current Fund - Received from	466,098.15	
State and Federal Grants Receivable	81,798.00	
Capital Improvement Fund	50,000.00	
		597,912.62
		651,080.34
Decreased by Disbursements:		
Improvement Authorizations	513,430.06	
Due Current Fund - MRA Interest Earned on Deposits	23.15	
Expenditure without an appropriation	12,168.24	
Due Current Fund - Disbursed for	31,650.00	
Bond Anticipation Note	68,350.00	
		625,621.45
Balance December 31, 2011		\$ 25,458.89

**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
 Analysis of General Capital Cash  
 For the Year Ended December 31, 2011

	Balance (Deficit) <u>Dec. 31, 2010</u>	Miscellaneous Receipts	Disbursements		Transfers		Balance (Deficit) <u>Dec. 31, 2011</u>
			Improvement Authorizations	Miscellaneous	To	From	
Capital Improvement Fund	\$ 76,323.72	\$ 50,000.00				\$ 50,000.00	\$ 76,323.72
Due Current Fund	(364,956.33)	466,114.62		\$ 31,673.15	\$ 71,703.79	164,327.95	(23,139.02)
Due Utility Capital Fund	(559,494.61)						(559,494.61)
Deferred Charges				12,168.24			(12,168.24)
Federal & State Grants Receivable	(664,376.97)	81,798.00			59,968.31	149,972.00	(672,582.66)
Reserve for Payment of Bonds & Notes	18,686.30						18,686.30
Reserve for Encumbrances	2,660.00				497,794.20	2,660.00	497,794.20
Improvement Authorizations:							
Ordinance							
<u>Number</u>							
96-16	(56,500.00)				14,500.00		(42,000.00)
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	570,451.48		\$ 81,798.00				488,653.48
05-28	462,870.79		10,827.50				452,043.29
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	(92,630.63)				89,859.64		(2,770.99)
08-10	(29,530.70)						(29,530.70)
08-14	7,208.76		4,745.00				2,463.76
08-17	3,401.89		3,609.00		2,660.00		2,452.89
08-23	332,547.68		214,109.83	68,350.00			50,087.85
09-21	10,986.06		9,928.00				1,058.06
11-01			22,745.78		50,000.00	10,000.00	17,254.22
11-08			75,164.94		149,972.00		74,807.06
11-16			90,502.01			559,497.99	(650,000.00)
	<u>\$ 53,167.72</u>	<u>\$ 597,912.62</u>	<u>\$ 513,430.06</u>	<u>\$ 112,191.39</u>	<u>\$ 936,457.94</u>	<u>\$ 936,457.94</u>	<u>\$ 25,458.89</u>



**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
 Statement of Deferred Charges to Future Taxation -- Unfunded  
 For the Year Ended December 31, 2011

Ordinance Number	Improvement Description	Balance Dec. 31, 2010	Increased by Authorizations	Decreased by	Balance Dec. 31, 2011	Analysis of Balance Dec. 31, 2011		Unexpended Improvement Authorization
						Expenditures	Financed by Bond Anticipation Notes	
96-16	Improvements to Craven Avenue	\$ 56,500.00		\$ 14,500.00	\$ 42,000.00	\$ 42,000.00		
04-11	Acquisition of New and Additional Equipment	71,538.00		2,754.00	68,784.00		\$ 68,784.00	
04-12	Improvement of Thompson Street	132,366.00		8,299.00	124,067.00		124,067.00	
04-13	Improvement of Fenwick Avenue	37,878.00		2,374.00	35,504.00		35,504.00	
05-07	Substantial Reconditioning of a Fire Truck	67,903.00		9,699.00	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	445,233.00		26,189.00	419,044.00		419,044.00	
06-13	Hires Avenue	90,459.00			90,459.00	90,459.00		
06-19	Recycling Truck	95,000.00			95,000.00		95,000.00	
06-29	Police Equipment	95,000.00			95,000.00		95,000.00	
07-09	Telephone Equipment	32,151.00		1,149.00	31,002.00		31,002.00	
07-11	New Fire Fighting Equipment	112,689.00		6,261.00	106,428.00		106,428.00	
07-13	Construction of Hires Avenue Phase II	170,676.00		16,033.00	154,643.00		154,643.00	
07-14	Improvements to Johnson Street	88,329.00		4,906.00	83,423.00		83,388.00	35.00
08-09	Improvements to Grieves Parkway	102,500.00		89,859.64	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		142,800.00	
08-23	Assistance to Stand up for Salem, Inc.	2,500,000.00		31,650.00	2,468,350.00		2,400,000.00	68,350.00
11-16	Finlaw Building Resurface		\$ 650,000.00		650,000.00	650,000.00		
		<u>\$ 4,379,596.00</u>	<u>\$ 650,000.00</u>	<u>\$ 213,673.64</u>	<u>\$ 4,815,922.36</u>	<u>\$ 814,760.69</u>	<u>\$ 3,813,864.00</u>	<u>\$ 187,297.67</u>
	Budget Appropriation - BAN Principal			\$ 109,314.00				
	Grant Received			89,859.64				
	Budget Appropriation - Deferred Charge			14,500.00				
				<u>\$ 213,673.64</u>				
				Improvement Authorizations -- Unfunded				\$ 856,934.11
				Less:				
				Unexpended Proceed of Bond Anticipation Notes				
				Ordinance Numbers:				
					04-12	\$ 59,418.92		
					04-13	30,803.92		
					05-07	8,428.97		
					05-28	452,043.29		
					06-19	3,886.65		
					06-29	768.99		
					07-11	7,136.88		
					07-14	54,608.08		
					08-17	2,452.89		
					08-23	50,087.85		
								669,636.44
								<u>\$ 187,297.67</u>

**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
Statement of Capital Improvement Fund  
For the Year Ended December 31, 2011

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Balance December 31, 2010		\$ 76,323.72
Increased by:		
Budget Appropriation - Current Fund		50,000.00
		126,323.72
Decreased by:		
Improvement Authorizations		50,000.00
Balance December 31, 2011		\$ 76,323.72

## Exhibit SC-6

**GENERAL CAPITAL FUND**  
Statement of Due from Current Fund  
For the Year Ended December 31, 2011

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Balance December 31, 2010		\$ 364,956.33
Increased by:		
Collected by Current Fund	\$ 149,827.95	
Budget Appropriation - Deferred Charge	14,500.00	
BAN paydown disbursed for Current Fund	31,650.00	
Interest Earnings disbursed to Current Fund MRA	23.15	
		196,001.10
		560,957.43
Decreased by:		
Improvement Authorization disbursement made for General Capital by Current Fund	71,703.79	
Received from Current Fund	466,098.15	
Interest Earnings	16.47	
		537,818.41
Balance December 31, 2011		\$ 23,139.02

**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
 Statement of Improvement Authorizations  
 For the Year Ended December 31, 2011

Improvement Description	Ordinance Number	Amount	Balance Dec. 31, 2010		Authorizations	Paid or Charged	Transferred From Encumbrances	Transferred To Encumbrances	Balance Dec. 31, 2011	
			Funded	Unfunded					Funded	Unfunded
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	570,451.48			\$ 81,798.00			488,653.48	
Improvement of East & West Broadway	05-28	525,000.00		462,870.79		10,827.50				452,043.29
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						54,643.08
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	7,208.76			4,745.00			2,463.76	
Various Improvements	08-17	150,000.00		3,401.89		3,609.00	\$ 2,660.00			2,452.89
Assistance to Stand up for Salem, Inc.	08-23	2,500,000.00		332,547.68		214,109.83				118,437.85
Various Improvements	09-21	50,000.00	10,986.06			9,928.00			1,058.06	
Various Improvements	11-01	50,000.00			\$ 50,000.00	32,745.78			17,254.22	
Union Street Improvements	11-08	149,972.00			149,972.00	75,164.94			74,807.06	
Finlaw Building Resurface	11-16	650,000.00			650,000.00	152,205.80		\$ 497,794.20		
			<u>\$ 849,573.17</u>	<u>\$ 1,082,820.44</u>	<u>\$ 849,972.00</u>	<u>\$ 585,133.85</u>	<u>\$ 2,660.00</u>	<u>\$ 497,794.20</u>	<u>\$ 845,163.45</u>	<u>\$ 856,934.11</u>
Grants Receivable					\$ 149,972.00					
Cash Disbursements						\$ 513,430.06				
Capital Improvement Fund					50,000.00					
Bonds and Notes Authorized					650,000.00					
Due Current Fund						71,703.79				
					<u>\$ 849,972.00</u>	<u>\$ 585,133.85</u>				

**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
 Statement of General Serial Bonds  
 For the Year Ended December 31, 2011

<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, 2010</u>	<u>Paid By Budget Appropriation</u>	<u>Balance Dec. 31, 2011</u>
			<u>Date</u>	<u>Amount</u>				
Various Capital Improvements	7/1/1998	\$ 1,727,000.00			4.60%	\$ 150,000.00	\$ 150,000.00	
Various Capital Improvements	1/15/2003	1,361,000.00	01/15/12	\$ 135,000.00				
			01/15/13	140,000.00				
			01/15/14	145,000.00				
			01/15/15	131,000.00	4.75%	<u>676,000.00</u>	<u>125,000.00</u>	<u>\$ 551,000.00</u>
						<u>\$ 826,000.00</u>	<u>\$ 275,000.00</u>	<u>\$ 551,000.00</u>

**GENERAL CAPITAL FUND**  
 Statement of USDA Loan Payable  
 For the Year Ended December 31, 2011

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturity of Loan Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2010</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2011</u>
			<u>Date</u>	<u>Amount</u>				
Purchase of Fire Truck	09/01/02	\$ 247,500.00	03/16/12	\$ 14,981.19				
			09/16/12	15,029.03	4.75%			
						<u>\$ 58,940.76</u>	<u>\$ 28,930.54</u>	<u>\$ 30,010.22</u>

**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
**Statement of Bond Anticipation Notes**  
**For the Year Ended December 31, 2011**

Ordinance Number	Improvement Description	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2010	Increase	Decrease	Balance Dec. 31, 2011
04-11	Acquisition of New and Additional Equipment	6/16/2004	6/10/2010 6/10/2011	6/10/2011 3/9/2012	2.04% 4.60%	\$ 71,538.00	\$ 68,784.00	\$ 71,538.00	\$ 68,784.00
04-12	Improvement of Thompson Street	6/16/2004	6/10/2010 6/10/2011	6/10/2011 3/9/2012	2.04% 4.60%	132,366.00	124,067.00	132,366.00	124,067.00
04-13	Improvement of Fenwick Avenue	6/16/2004	6/10/2010 6/10/2011	6/10/2011 3/9/2012	2.04% 4.60%	37,878.00	35,504.00	37,878.00	35,504.00
05-07	Substantial Reconditioning of a Fire Truck	6/16/2005	6/10/2010 6/10/2011	6/10/2011 3/9/2012	2.04% 4.60%	67,903.00	58,204.00	67,903.00	58,204.00
05-28	Improvements of East & West Broadway	9/22/2005	6/10/2010 6/10/2011	6/10/2011 3/9/2012	2.04% 4.60%	445,233.00	419,044.00	445,233.00	419,044.00
07-09	Telephone Equipment	6/14/2007	6/10/2010 6/10/2011	6/10/2011 3/9/2012	2.04% 4.60%	32,151.00	31,002.00	32,151.00	31,002.00
07-11	New Fire Fighting Equipment	6/14/2007	6/10/2010 6/10/2011	6/10/2011 3/9/2012	2.04% 4.60%	112,689.00	106,428.00	112,689.00	106,428.00
07-13	Construction of Hires Avenue Phase II	6/14/2007	6/10/2010 6/10/2011	6/10/2011 3/9/2012	2.04% 4.60%	170,676.00	154,643.00	170,676.00	154,643.00
07-14	Improvements to Johnson Street	6/14/2007	6/10/2010 6/10/2011	6/10/2011 3/9/2012	2.04% 4.60%	88,294.00	83,388.00	88,294.00	83,388.00
08-23	Assistance to Stand up for Salem, Inc.	12/12/2008	12/17/2010 12/17/2011	12/17/2011 12/17/2012	4.00% 4.00%	2,500,000.00	2,400,000.00	2,500,000.00	2,400,000.00
08-17	Various Improvements	6/12/2009	6/10/2010 6/10/2011	6/10/2011 3/9/2012	2.04% 4.60%	142,800.00	142,800.00	142,800.00	142,800.00
06-19	Recycling Truck	6/10/2010	6/10/2010 6/10/2011	6/10/2011 3/9/2012	2.04% 4.60%	95,000.00	95,000.00	95,000.00	95,000.00
06-29	Police Equipment	6/10/2010	6/10/2010 6/10/2011	6/10/2011 3/9/2012	2.04% 4.60%	95,000.00	95,000.00	95,000.00	95,000.00
						<u>\$ 3,991,528.00</u>	<u>\$ 3,813,864.00</u>	<u>\$ 3,991,528.00</u>	<u>\$ 3,813,864.00</u>
Budget Appropriation								\$ 109,314.00	
BANS not Renewed								68,350.00	
Renewals							<u>\$ 3,813,864.00</u>	<u>3,813,864.00</u>	
						<u>\$ 3,813,864.00</u>	<u>\$ 3,991,528.00</u>		

**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
Statement of Federal & State Grants Receivable  
For the Year Ended December 31, 2011

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Balance December 31, 2010		\$ 664,376.97
Increased by:		
Ordinance 11-08		149,972.00
		814,348.97
Decreased by:		
Collected by Current Fund	\$ 59,968.31	
Receipts	81,798.00	
		141,766.31
Balance December 31, 2011		\$ 672,582.66
 <u>Analysis of Balance December 31</u>		
New Jersey Department of Transportation Union Street Ordinance 2011-08		\$ 90,003.69
New Jersey Economic Development Authority		582,578.97
		\$ 672,582.66

**CITY OF SALEM**  
**GENERAL CAPITAL FUND**  
Statement of Bonds and Notes Authorized But Not Issued  
For the Year Ended December 31, 2011

Ordinance Number	Balance Dec. 31, 2010	Increased by:		Decreased by:		Balance Dec. 31, 2011	
		BANS not Renewed	Authorizations	Budget Appropriation	Grant Received		
96-16, 95-04	Improvements to Craven Avenue	\$ 56,500.00		\$ 14,500.00		\$ 42,000.00	
05-08	Reconstruction of the Finlaw Building	100,000.00				100,000.00	
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	102,500.00			\$ 89,859.64	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>\$ 388,068.00</u>	<u>\$ 68,350.00</u>	<u>\$ 650,000.00</u>	<u>\$ 14,500.00</u>	<u>\$ 89,859.64</u>	<u>\$ 1,002,058.36</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, 2011

	<u>Operating</u>		<u>Capital</u>
Balance December 31, 2010	\$ 603,783.19		\$ 952,968.50
Increased by Receipts:			
Consumer Accounts Receivable	\$ 2,505,391.88		
Miscellaneous Revenue	353,288.81		
Impact Fee	150,000.00		
Due Utility Operating Fund - Received from		\$ 280,000.00	
NJ Department of Agriculture Grant		76.00	
State of New Jersey Loan		261,663.92	
New Jersey Environmental Infrastructure Trust		7,068,209.00	
Due Utility Operating Fund - Interest Earnings		<u>359.62</u>	
		<u>3,008,680.69</u>	<u>7,610,308.54</u>
		3,612,463.88	8,563,277.04
Decreased by Disbursements:			
Budget Appropriations	2,228,199.49		
Appropriation Reserves	18,548.47		
Accrued Interest on Bonds and Notes	218,130.09		
Refund of Prior Year Revenue	3,681.30		
Due Current Fund - Disbursed to	182,019.54		
Due Utility Operating Fund - Disbursed for		502,592.28	
Due Utility Capital Fund - Disbursed to	280,000.00		
Improvement Authorizations		<u>7,174,992.76</u>	
		<u>2,930,578.89</u>	<u>7,677,585.04</u>
Balance December 31, 2011	<u>\$ 681,884.99</u>		<u>\$ 885,692.00</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, 2011**

	Balance (Deficit) Dec. 31, 2010	Miscellaneous Receipts	Disbursements		Transfers		Balance (Deficit) Dec. 31, 2011
			Improvement Authorizations	Miscellaneous	From	To	
Capital Improvement Fund	\$ 142,492.40				\$ 37,800.00		\$ 104,692.40
Due Current Fund						\$ 444,965.91	444,965.91
Due General Capital Fund	559,494.61						559,494.61
Due Utility Operating Fund	71,141.07	\$ 280,359.62		\$ 502,592.28			(151,091.59)
Encumbrances	1,303,031.00				1,300,031.00	1,509.00	4,509.00
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	70,013.49	76.00					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	(127,969.96)	261,663.92	\$ 262,643.92				(128,949.96)
07-15, 08-18, 09-15	(595,790.16)	5,904,850.00	6,426,455.55		1,509.00	1,100,111.00	(18,793.71)
07-20	231.70						231.70
08-13	9,313.00						9,313.00
09-14	(633,564.45)	1,163,359.00	448,282.12		444,965.91	199,920.00	(163,533.48)
11-83			37,611.17			37,800.00	188.83
	<u>\$ 952,968.50</u>	<u>\$ 7,610,308.54</u>	<u>\$ 7,174,992.76</u>	<u>\$ 502,592.28</u>	<u>\$ 1,784,305.91</u>	<u>\$ 1,784,305.91</u>	<u>\$ 885,692.00</u>

**CITY OF SALEM**  
**WATER AND SEWER UTILITY OPERATING FUND**  
**Statement of Consumer Accounts Receivable**  
**For the Year Ended December 31, 2011**

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Balance December 31, 2010		\$ 533,263.80
Increased by:		
Water and Sewer Rents Levied - Net of Adjustments		2,497,727.37
		3,030,991.17
Decreased by:		
Collected by Utility Operating Fund	\$ 2,505,391.88	
Transferred to Utility Liens Receivable	28,921.59	
		2,534,313.47
Balance December 31, 2011		\$ 496,677.70

## Exhibit SD-4

**WATER AND SEWER UTILITY OPERATING FUND**  
**Statement of Utility Liens Receivable**  
**For the Year Ended December 31, 2011**

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Balance December 31, 2010		\$ 57,704.84
Increased by:		
Transferred from Consumer Accounts Receivable		28,921.59
Balance December 31, 2011		\$ 86,626.43

**CITY OF SALEM**  
**WATER AND SEWER UTILITY OPERATING FUND**  
 Statement of Appropriation Reserves  
 For the Year Ended December 31, 2011

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	Balance December 31, 2010		Balance After Transfers	Disbursed	Lapsed to Fund Balance
	<u>Reserved</u>	<u>Encumbered</u>			
Operating:					
Salaries and Wages	\$ 8,782.30		\$ 8,782.30		\$ 8,782.30
Other Expenses	21.65	\$ 24,135.65	24,157.30	\$ 18,548.47	5,608.83
Statutory Expenditures:					
Contributions to Social Security System (O.A.S.I.)	3,443.97		3,443.97		3,443.97
Unemployment Compensation Insurance	1,300.16		1,300.16		1,300.16
	\$ 13,548.08	\$ 24,135.65	\$ 37,683.73	\$ 18,548.47	\$ 19,135.26

**CITY OF SALEM**  
**WATER AND SEWER UTILITY OPERATING FUND**  
**Statement of Accrued Interest on Bonds and Notes**  
**For the Year Ended December 31, 2011**

Balance December 31, 2010		\$ 97,628.57
Increased by:		
Charged to Budget Appropriation - Interest on Loans	\$ 468,587.65	
Charged to Budget Appropriation - Interest on Notes	7,903.31	
		476,490.96
		574,119.53
Decreased by:		
Due to Current Fund	6,028.83	
Due to Utility Capital Fund	179,756.76	
Cash Disbursements	218,130.09	
		403,915.68
Balance December 31, 2011		\$ 170,203.85

Analysis of Accrued Interest December 31, 2011

Principal Outstanding <u>Dec. 31, 2011</u>	Interest Rate	From	To	Period	Amount
Wastewater Improvement Bonds	5.00%	08/01/11	12/31/11	150 days	\$ 75,004.36
USDA Loan	4.25%	07/01/11	12/31/11	180 days	16,956.23
EIT Loan	5.00%	08/01/11	12/31/11	150 days	73,065.31
Bond Anticipation Notes	4.60%	06/14/11	12/31/11	200 days	5,177.95
					\$ 170,203.85

**CITY OF SALEM**  
**WATER AND SEWER UTILITY OPERATING FUND**  
**Statement of Due Current Fund**  
**For the Year Ended December 31, 2011**

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Increased by:			
Disbursed to Current Fund			\$ 182,019.54
Decreased by:			
BAN Paid by Current Fund	\$ 4,769.00		
BAN Interest paid by Current Fund	<u>6,028.83</u>		
		\$ 10,797.83	
Surplus Anticipated as Current Fund Revenue		<u>180,000.00</u>	
			<u>190,797.83</u>
Balance December 31, 2011 (Due to)			<u><u>\$ 8,778.29</u></u>

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
 Statement of Fixed Capital  
 For the Year Ended December 31, 2011

<u>Account</u>	<u>Balance</u> <u>Dec. 31, 2010 and 2011</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, 2011

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Ordinance Date</u>	<u>Amount</u>	<u>Balance Dec. 31, 2010</u>	<u>2011 Authorizations</u>	<u>Balance Dec. 31, 2011</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
				<u>\$ 24,343,805.00</u>	<u>\$ 37,800.00</u>	<u>\$ 24,381,605.00</u>

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
**Statement of Improvement Authorizations**  
**For the Year Ended December 31, 2011**

Improvement Description	Ordinance Number	Amount	Balance Dec. 31, 2010		Authorizations	Increased by:	Decreased by:		Balance Dec. 31, 2011	
			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		731,173.96		\$ 3,000.00	\$ 262,643.92	\$ 3,000.00		468,530.04
Improvement of the Water Supply and Distribution System	07-15, 08-18, 09-15	17,000,000.00		12,115,959.84		1,100,111.00	6,426,455.55	1,509.00		6,788,106.29
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		2,866,435.55		199,920.00	893,248.03			2,173,107.52
Various Water and Sewer Capital Improvements	11-83	37,800.00			\$ 37,800.00		37,611.17		188.83	
			<u>\$108,017.50</u>	<u>\$15,783,658.84</u>	<u>\$ 37,800.00</u>	<u>\$1,303,031.00</u>	<u>\$7,619,958.67</u>	<u>\$ 4,509.00</u>	<u>\$108,206.33</u>	<u>\$9,499,833.34</u>
Paid by Current Fund								\$ 444,965.91		
Cash Disbursements								<u>7,174,992.76</u>		
								<u>\$7,619,958.67</u>		

**CITY OF SALEM**  
WATER AND SEWER UTILITY CAPITAL FUND  
Statement of Reserve for Amortization  
For the Year Ended December 31, 2011

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Balance December 31, 2010	\$ 14,742,831.87
Increased by:	
Paid by Utility Operating Fund:	
Wastewater Improvement Bonds	<u>102,915.51</u>
Balance December 31, 2011	<u><u>\$ 14,845,747.38</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, 2011

Ordinance Number	Improvement Description	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2010	Increased	Decreased	Balance Dec. 31, 2011
05-27	Various Water and Sewerage System Improvements	09/22/05	06/10/10	06/10/11	2.04%	\$ 295,531.00		\$ 295,531.00	
05-27	Various Water and Sewerage System Improvements		06/10/11	03/09/12	4.60%		\$ 290,762.00		\$ 290,762.00
						<u>\$ 295,531.00</u>	<u>\$ 290,762.00</u>	<u>\$ 295,531.00</u>	<u>\$ 290,762.00</u>
	Paid by Current Fund							\$ 4,769.00	
	Renewals						\$ 290,762.00	290,762.00	
							<u>\$ 290,762.00</u>	<u>\$ 295,531.00</u>	

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
**Statement of Water and Sewer Wastewater Improvement Bonds**  
**For the Year Ended December 31, 2011**

<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, 2010</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2011</u>
			<u>Date</u>	<u>Amount</u>				
Treatment System	08/01/91	\$ 4,939,700.00	2/1/2012	\$ 53,395.77				
			8/1/2012	54,730.95				
			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>\$ 3,702,354.19</u>	<u>\$ 102,915.51</u>	<u>\$ 3,599,438.68</u>
Reserve for Amortization							<u>\$ 102,915.51</u>	

**CITY OF SALEM**  
 WATER AND SEWER UTILITY CAPITAL FUND  
 Statement of USDA Loan Payable  
 For the Year Ended December 31, 2011

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Bonds Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2010</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2011</u>
			<u>Date</u>	<u>Amount</u>				
Capital Improvements	05/16/05	\$ 854,000.00	1/1/2012	\$ 5,341.77				
			7/1/2012	5,455.28				
			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>\$ 808,292.59</u>	<u>\$ 10,352.40</u>	<u>\$ 797,940.19</u>
Deferred Reserve for Amortization							<u>\$ 10,352.40</u>	

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
**Statement of Due Utility Operating Fund**  
**For the Year Ended December 31, 2011**

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Balance December 31, 2010 (Due to)		\$ 71,141.07
Increased by:		
Realized as Utility Operating Fund Revenue:		
Utility Capital Fund Interest Earnings	\$ 359.62	
Received from Utility Operating Fund	<u>280,000.00</u>	
		<u>280,359.62</u>
		351,500.69
Decreased by:		
Disbursed for Utility Operating Fund		
Loan Principal	322,835.52	
Loan Interest	<u>179,756.76</u>	
		<u>502,592.28</u>
Balance December 31, 2011 (Due from)		<u><u>\$ 151,091.59</u></u>

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
**Statement of Capital Improvement Fund**  
**For the Year Ended December 31, 2011**

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Balance December 31, 2010		\$ 142,492.40
Decreased by:		
Improvement Authorization		37,800.00
Balance December 31, 2011		\$ 104,692.40

## Exhibit SD-17

**WATER AND SEWER UTILITY CAPITAL FUND**  
**Statement of Deferred Reserve for Amortization**  
**For the Year Ended December 31, 2011**

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Balance December 31, 2010		\$ 8,400,074.41
Increased by:		
Paid by Utility Operating Fund:		
USDA Loan	\$ 10,352.40	
EIT Loan	322,835.52	
Bond Anticipation Note	4,769.00	
Improvement Authorization	37,800.00	
NJ EIT Receivable Adjustment	7,667.00	
NJ Department of Agriculture Grant	76.00	
		383,499.92
Balance December 31, 2011		\$ 8,783,574.33

**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, 2011**

<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, 2010</u>	<u>Paid</u>	<u>Balance Dec. 31, 2011</u>
			<u>Date</u>	<u>Amount</u>				
Water Plant	03/10/10	\$ 2,890,000.00	8/1/2012	\$ 105,000.00	5.00%			
			8/1/2013	110,000.00	5.00%			
			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%						
					\$ 2,890,000.00	\$ 100,000.00	\$ 2,790,000.00	
Water Plant	03/10/10	3,701,812.00	2/1/2012	64,944.07				
			8/1/2012	129,888.14				
			2/1/2013	64,944.07				
			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							
					3,701,812.00	194,832.21	3,506,979.79	

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, 2011

<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, 2010</u>	<u>Paid</u>	<u>Balance Dec. 31, 2011</u>
			<u>Date</u>	<u>Amount</u>				
Pumping Station	03/10/10	\$ 345,000.00	8/1/2012	\$ 10,000.00	5.00%			
			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%		\$ 345,000.00	\$ 10,000.00	\$ 335,000.00		
Pumping Station	03/10/10	342,063.00	2/1/2012	6,001.10				
			8/1/2012	12,002.21				
			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							
						342,063.00	18,003.31	324,059.69
						<u>\$ 7,278,875.00</u>	<u>\$ 322,835.52</u>	<u>\$ 6,956,039.48</u>

**CITY OF SALEM**  
WATER AND SEWER UTILITY CAPITAL FUND  
Statement of New Jersey Environmental Infrastructure Trust Receivable  
For the Year Ended December 31, 2011

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Balance December 31, 2010	\$ 8,674,751.00
Increased by:	
Adjustment	<u>7,667.00</u>
	\$ 8,682,418.00
Decreased by:	
Received	<u>7,068,209.00</u>
Balance December 31, 2011	<u>\$ 1,614,209.00</u>

**CITY OF SALEM**  
**WATER AND SEWER UTILITY CAPITAL FUND**  
**Statement of Bonds and Notes Authorized But Not Issued**  
**For the Year Ended December 31, 2011**

Ordinance Number		Balance Dec. 31, 2010	Decreased by:	Balance Dec. 31, 2011
02-31	Various Water and Sewer Capital Improvements	\$ 76.00	\$ 76.00	
05-27	Various Water and Sewerage System Improvements	7.00		\$ 7.00
06-08	Quinton / Elkinton Dams	859,143.92	261,663.92	597,480.00
07-15, 08-18, 09-15	Improvement of the Water Supply and Distribution System	5,408,188.00	7,667.00	5,400,521.00
09-14	Improvements of the Sanitary Sewerage System	2,128,811.00		2,128,811.00
		<u>\$ 8,396,225.92</u>	<u>\$ 269,406.92</u>	<u>\$ 8,126,819.00</u>
	NJ Department of Agriculture Grant		\$ 76.00	
	NJ EIT Receivable Adjustment		7,667.00	
	State of New Jersey Loan		261,663.92	
			<u>\$ 269,406.92</u>	

**CITY OF SALEM**  
**PART 2**  
**SINGLE AUDIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND 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

**Compliance**

We have audited the compliance of the City of Salem, in the County of Salem, State of New Jersey, with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the New Jersey State Grant Compliance Supplement that could have a direct and material effect on each of the City's major federal and state programs for the year ended December 31, 2011. The City's major federal and state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 federal or 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, City of Salem complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2011.

**Internal Control Over Compliance**

Management of the City of Salem is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or 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 federal or state program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management of the City, others within the City, the Division of Local Government Services, Department of Community Affairs, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants



Henry J. Ludwigsen  
Certified Public Accountant  
Registered Municipal Accountant

Woodbury, New Jersey  
May 17, 2012

**CITY OF SALEM**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended December 31, 2011

Federal Grantor/ Program Title	C.F.D.A. Number	State Account Number	Grant Number	Program/ Award Amount	Matching Contribution	Grant Period		Expended	(Memo Only)	
						From	To		Cash Received	Accumulated Expenditures
<u>Environmental Protection Agency</u>										
Pass through State of NJ Environmental Protection:										
ARRA - Drinking Water State Revolving Fund	66.468	4840-707-029	N/A	\$ 5,000,000.00	N/A	01/01/10	proj. close	\$ 861,750.00	\$ 861,750.00	\$ 5,000,000.00
ARRA - Drinking Water State Revolving Fund	66.468	4840-707-029	N/A	1,008,730.00	N/A	01/01/10	proj. close	1,008,730.00	1,008,730.00	1,008,730.00
ARRA - CW State Revolving Fund	66.458	4860-711-001	N/A	684,126.00	N/A	01/01/10	proj. close	534,126.00	534,126.00	684,126.00
ARRA - CW State Revolving Fund	66.458	4860-711-001	N/A	342,063.00	N/A	01/01/10	proj. close	342,063.00	342,063.00	342,063.00
								<u>2,746,669.00</u>	<u>2,746,669.00</u>	<u>7,034,919.00</u>
<u>Department of Agriculture</u>										
Pass through National Fish and Wildlife Foundation:										
Salem Brownfields Waterfront Planning	10.683	N/A	2007-0084-013	55,300.00	3,500.00	01/14/08	proj. close	2,850.00		53,968.81
								<u>2,850.00</u>		<u>53,968.81</u>
<u>Department of Transportation</u>										
Pass through State of NJ Law & Public Safety:										
Occupant Protection Incentive Grants	20.602	1160-100-113	N/A	4,000.00	N/A	01/01/10	12/31/10	4,000.00		4,000.00
Occupant Protection Incentive Grants	20.602	1160-100-113	N/A	3,400.00	N/A	01/01/09	12/31/09	3,400.00		3,400.00
								<u>7,400.00</u>		<u>7,400.00</u>
Total Federal Awards								<u>\$ 2,756,919.00</u>		

The accompanying Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

**CITY OF SALEM**  
 Schedule of Expenditures of State Financial Assistance  
 For the Year Ended December 31, 2011

State Grantor/ Program Title	State GMIS Number	Grant Number	Program/ Award Amount	Matching Contribution	Grant Period		Balance Dec. 31, 2010	Revenue Realized	Expended	Balance Dec. 31, 2011	(Memo Only)	
					From	To					Cash Received	Accumulated Expenditures
<b>Department of Environmental Protection</b>												
Clean Communities	042-4900-765-004	N/A	\$ 7,649.45	N/A	01/01/07	12/31/07	\$ 2,160.09		\$ 2,160.09			\$ 7,649.45
Clean Communities	042-4900-765-004	N/A	7,994.11	N/A	01/01/08	12/31/08	7,994.11		7,994.11			7,994.11
Clean Communities	042-4900-765-004	N/A	10,334.79	N/A	01/01/09	12/31/09	10,334.79		4,422.97	\$ 5,911.82		4,422.97
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		
Clean Communities	042-4900-765-004	N/A	9,523.23	N/A	01/01/11	12/31/11		\$ 9,523.23		9,523.23	\$ 9,523.23	
Recycling Tonnage	042-4900-752-xxx	N/A	642.48	N/A	01/01/06	12/31/06	642.48		642.48			642.48
Recycling Tonnage	042-4900-752-xxx	N/A	3,002.50	N/A	01/01/08	12/31/08	3,002.50		3,002.50			3,002.50
Recycling Tonnage	042-4900-752-xxx	N/A	3,568.08	N/A	01/01/09	12/31/09	3,568.08		3,568.08			3,568.08
Recycling Tonnage	042-4900-752-xxx	N/A	2,014.21	N/A	01/01/10	12/31/10		2,014.21		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	
Stormwater	042-xxxx-xxx-xxx	N/A	2,500.00	N/A	01/01/07	12/31/07			2,500.00			2,500.00
2003 Dam Lake and Stream Project	042-4895-574-001	N/A	562,520.00	N/A	01/01/06	proj. close		261,663.92	261,663.92		261,663.92	562,520.00
							<u>38,463.49</u>	<u>273,201.36</u>	<u>286,241.09</u>	<u>27,923.76</u>	<u>274,441.86</u>	<u>592,586.53</u>
<b>Department of Law &amp; Public Safety</b>												
Body Armor Fund	066-1020-718-001	N/A	2,250.00	N/A	01/01/09	12/31/09	1,500.00		1,500.00			2,250.00
Body Armor Fund	066-1020-718-001	N/A	3,581.63	N/A	01/01/10	12/31/10		3,581.63	3,581.63			3,581.63
Body Armor Fund	066-1020-718-001	N/A	2,630.19	N/A	01/01/11	12/31/11					2,630.19	
Drunk Driving Enforcement Fund	066-xxxx-xxx-xxx	N/A	10,343.41	N/A	01/01/03	12/31/03	7,759.46		1,831.70	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	
							<u>18,139.50</u>	<u>8,597.34</u>	<u>6,913.33</u>	<u>19,823.51</u>	<u>4,432.33</u>	<u>10,247.28</u>
<b>New Jersey Economic Development Authority</b>												
Hazardous Discharge Site Remediation P28391	N/A	N/A	Various	N/A	03/16/09	proj. close		81,798.00	81,798.00		81,798.00	81,798.00
							<u>-</u>	<u>81,798.00</u>	<u>81,798.00</u>	<u>-</u>	<u>81,798.00</u>	<u>81,798.00</u>
<b>Department of Transportation</b>												
Division of Motor Vehicle	078-6400-100-255	N/A	95,199.97	N/A	01/01/10	12/31/10	9,743.75		9,743.75			95,199.97
Division of Motor Vehicle	078-6400-100-255	N/A	70,561.66	N/A	01/01/11	12/31/11		70,561.66	70,561.66		70,561.66	70,561.66
Grievous Parkway	078-xxxx-xxx-xxx	N/A	102,500.00	N/A	01/1/011	proj. close		89,859.64	89,859.64		89,859.64	89,859.64
Union Street	078-xxxx-xxx-xxx	N/A	149,972.00	N/A	01/1/011	proj. close		59,968.31	59,968.31		59,968.31	59,968.31
							<u>9,743.75</u>	<u>220,389.61</u>	<u>230,133.36</u>	<u>-</u>	<u>220,389.61</u>	<u>315,589.58</u>
<b>Department of Community Affairs</b>												
Balanced Housing Neighborhood Presevation	022-8020-100-101	02-1280-00	2,891,000.00	N/A	08/01/01	08/31/04	13,191.00		13,191.00			2,891,000.00
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>18,594.26</u>	<u>-</u>	<u>13,191.00</u>	<u>5,403.26</u>	<u>-</u>	<u>3,385,596.74</u>
<b>New Jersey Environmental Infrastructure Trust</b>												
Water Plant	N/A	N/A	5,593,686.00	N/A	01/01/10	proj. close		4,184,370.00	4,184,370.00		4,184,370.00	4,184,370.00
Pumping Station	N/A	N/A	342,063.00	N/A	01/01/10	proj. close		137,170.00	137,170.00		137,170.00	137,170.00
							<u>-</u>	<u>4,321,540.00</u>	<u>4,321,540.00</u>	<u>-</u>	<u>4,321,540.00</u>	<u>4,321,540.00</u>
<b>Department of Treasury</b>												
Pass through County of Salem:												
Drug and Alcohol Grant (Municipal Alliance)	N/A	N/A	N/A	6,000.00	01/01/10	12/31/10	5,307.87		5,307.87			6,000.00
Drug and Alcohol Grant (Municipal Alliance)	N/A	N/A	13,103.12	6,000.00	01/01/11	12/31/11		19,103.12	8,156.56	10,946.56	9,118.51	8,156.56
							<u>5,307.87</u>	<u>19,103.12</u>	<u>13,464.43</u>	<u>10,946.56</u>	<u>9,118.51</u>	<u>14,156.56</u>
Total State Financial Assistance							<u>\$ 4,924,629.43</u>	<u>\$ 4,953,281.21</u>				

The accompanying Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

**CITY OF SALEM**Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance  
For the Year Ended December 31, 2011Note 1: **GENERAL**

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal awards and 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. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

Note 2: **BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of federal awards and 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>Federal</u>	<u>State</u>
Federal and State Grant Fund	\$ 10,250.00	\$ 138,451.34
General Capital Fund		231,625.95
Utility Capital Fund	<u>2,746,669.00</u>	<u>4,583,203.92</u>
	<u>\$ 2,756,919.00</u>	<u>\$ 4,953,281.21</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, 2011**

**CITY OF SALEM**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended December 31, 2011

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

**Financial Statements**

Type of auditor's report issued Qualified

Internal control over financial reporting:

Material weaknesses identified?  X  yes   no

Were significant deficiencies identified that were not considered to be a material weakness?  X  yes   none reported

Noncompliance material to financial statements noted?   yes  X  no

**Federal Awards**

Internal control over compliance:

Material weaknesses identified?   yes  X  no

Were significant deficiencies identified that were not considered to be a material weakness?   yes  X  none reported

Type of auditor's report on compliance for major programs Unqualified

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

Identification of major programs:

<b><u>CFDA Numbers</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
66.468	ARRA - Drinking Water State Revolving Fund
66.458	ARRA - CW State Revolving Fund

Dollar threshold used to determine Type A programs \$ 300,000.00

Auditee qualified as low-risk auditee?   yes  X  no

**CITY OF SALEM**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2011

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

**State Financial Assistance**

Internal control over compliance:

Material weaknesses identified?  yes  no

Were significant deficiencies identified that were not considered to be a material weakness?  yes  none reported

Type of auditor's report on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a)) or New Jersey Circular 04-04-OMB?  yes  no

Identification of major programs:

<u>GMIS Numbers</u>	<u>Name of State Program</u>
N/A	NJEIT
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Dollar threshold used to determine Type A programs \$ 300,000.00

Auditee qualified as low-risk auditee?  yes  no

**CITY OF SALEM**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2011

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

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

**Finding No. 2011-1**

**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
- The preparation of financial statements.

**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.

**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.
- Financial statements were not prepared by City personnel.

**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.
- Prepare financial statements.

**Recommendation**

That general ledgers for all funds are properly maintained, general and utility capital budget status reports are properly maintained, written procedures for all financial transactions are prepared, and the City prepares financial statements.

**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, 2011

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

**Finding No. 2011-2**

**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 2011.

**Context**

A fixed asset ledger was not provided for examination.

**Effect**

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

**Cause**

Failure to maintain a fixed asset ledger.

**Recommendation**

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

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

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

**Finding No. 2011-3**

**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**

In a sample population of twelve, a certificate of availability of funds was not provided for examination in two instances.

**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 implemented.

**Recommendation**

That certificate of availability of funds, signed by the chief financial officer or certifying finance officer, is 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, 2011

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

**Finding No. 2011-4**

**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. 2011-5**

**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. An Improvement Authorization and Utility Operating Fund OE were over-expended.

**Context**

Review of Budget Account Status Reports showed over-expenditures. Review of Construction Code assets and liabilities shows a deficit. Review of Improvement Authorizations showed over-expenditure.

**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 establishes procedures 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, 2011

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

**Finding No. 2011-6**

**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 timely and posted to the proper budget year appropriations.

**Context**

Review of Health Benefits invoices revealed they were not always paid timely and posted to the proper budget year.

**Effect**

Budget appropriations could be over/under stated.

**Cause**

Failure to pay timely and properly post Health Benefit expenditures.

**Recommendation**

That Health Benefit expenditures are paid timely 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. 2011-7**

**Criteria or Specific Requirement**

N.J.S.A. 40A: 5-15 requires receipts to be deposited within 48 hours after collection.

**Condition**

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

**Context**

7 out of 40 Tax/Utility Cash Receipts selected for examination were not deposited within 48 hours of collection.

**Effect**

Non-compliance with state statute.

**Cause**

Lack of established procedures to insure that the requirements of N.J.S.A. 40A: 5-15 are met.

**Recommendation**

That all Tax/Utility Cash Receipts are deposited within 48 hours after collection as required by N.J.S.A. 40A: 5-15.

**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, 2011

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***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.

No Current Year Findings.

***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

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

**FINANCIAL STATEMENT FINDINGS**

**Finding No. 2010-1**

**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 2011-1.

**Corrective Action Planned**

Proper maintenance of General Ledger will be implemented.

**Finding No. 2010-2**

**Condition**

A fixed asset ledger was not maintained for the year 2010.

**Current Status**

This condition still exists and is current year finding 2011-2.

**Corrective Action Planned**

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

**Finding No. 2010-3**

**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 2011-3.

**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

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

**Finding No. 2010-4**

**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 2011-4.

**Corrective Action Planned**

Balance will be analyzed and proper disposition made.

**Finding No. 2010-5**

**Condition**

Budget Line Items were over-expended prior to transfers. Trust Other Funds Reserve for Construction Code has a deficit.

**Current Status**

This condition still exists and is current year finding 2011-5.

**Corrective Action Planned**

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

**Finding No. 2010-6**

**Condition**

Analysis of Payroll Agency balances in the Trust Other Fund was not properly maintained.

**Current Status**

This condition has been resolved.

**Finding No. 2010-7**

**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 2011-6.

**Corrective Action Planned**

Health Benefit bills will be paid timely.

**FEDERAL AWARDS**

None

**STATE FINANCIAL ASSISTANCE PROGRAMS**

None

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

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

<u>Name</u>	<u>Title</u>	<u>Amount of Surety Bond</u>
Robert L. Davis	Mayor	
Karen L. Tuthill	President of Council	
Sherman Hampton	Councilperson	
Horace H. Johnson	Councilperson	
Robert D. Johnson	Councilperson	
Robert Lanard	Councilperson	
William D. Sumiel, Jr.	Councilperson	
James G. Waddington	Councilperson	
Charles Washington	Councilperson	
Thomas W. Smith	City Clerk, Administrator	\$100,000 (A)
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)
Kathy Spicer	Court Administrator (01/01/11 – 06/30/11)	40,000 (A)
Tiffany Arrowood	Court Administrator (07/11/11 – 12/31/11)	40,000 (A)
Antonia Bubier	Deputy Court Administrator	40,000 (A)
David Puma	Solicitor	
Remington & Vernick	Engineer	
Gary Salber	Public Defender	
Dr. Isaac Ashley Young	Neighborhood Preservation Coordinator	

(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", is centered within a light gray rectangular box.

Henry J. Ludwigsen  
Certified Public Accountant  
Registered Municipal Accountant

