

CITY OF SALEM

COUNTY OF SALEM

REPORT OF AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2020



CITY OF SALEM
TABLE OF CONTENTS

<u>Exhibit No.</u>		<u>Page No.</u>
<u>PART I</u>		
	Independent Auditor's Report	2
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards	5
<u>CURRENT FUND</u>		
A	Statements of Assets, Liabilities, Reserves and Fund Balance-- Regulatory Basis	7
A-1	Statements of Operations and Changes in Fund Balance-- Regulatory Basis	9
A-2	Statement of Revenues--Regulatory Basis	10
A-3	Statement of Expenditures--Regulatory Basis	12
<u>TRUST FUND</u>		
B	Statements of Assets, Liabilities, Reserves and Fund Balance-- Regulatory Basis	18
<u>GENERAL CAPITAL FUND</u>		
C	Statements of Assets, Liabilities, Reserves and Fund Balance-- Regulatory Basis	19
<u>WATER AND SEWER UTILITY FUND</u>		
D	Statements of Assets, Liabilities, Reserves and Fund Balance-- Regulatory Basis	20
D-1	Water and Sewer Utility Operating Fund--Statements of Operations and Changes in Fund Balance--Regulatory Basis	22
D-2	Water and Sewer Utility Operating Fund--Statement of Revenues-- Regulatory Basis	23
D-3	Water and Sewer Utility Operating Fund--Statement of Expenditures-- Regulatory Basis	24
<u>PUBLIC ASSISTANCE FUND</u>		
E	Statements of Assets, Liabilities and Reserves--Regulatory Basis	N/A
<u>GENERAL FIXED ASSETS ACCOUNTING GROUP</u>		
F	Statement of General Fixed Assets Group of Account—Regulatory Basis	N/A
	Notes to Financial Statements	25

CITY OF SALEM
TABLE OF CONTENTS (CONT'D)

<u>Exhibit No.</u>		<u>Page No.</u>
	<u>SUPPLEMENTAL EXHIBITS</u>	
	<u>CURRENT FUND</u>	
SA-1	Statement of Cash	69
SA-2	Statement of Taxes Receivable and Analysis of Property Tax Levy	70
SA-3	Statement of Tax Title Liens	71
SA-4	Statement of Prepaid Taxes	71
SA-5	Statement of Prepaid Debt Service	71
SA-6	Statement of Due to State of New Jersey Senior Citizens' and Veterans' Deductions	72
SA-7	Statement of Revenue Accounts Receivable	73
SA-8	Statement Appropriation Reserves	74
SA-9	Statement of Due County Taxes	76
SA-10	Statement of Local District School Tax	77
SA-11	Statement of Due to Federal & State Grant Fund	78
SA-12	Federal and State Grant Fund--Statement of Federal and State Grants Receivable	79
SA-13	Federal and State Grant Fund--Statement of Reserve for Federal and State Grants--Appropriated	80
SA-14	Federal and State Grant Fund--Statement of Reserve for Federal and State Grants--Unappropriated	81
SA-15	Statement of Due to Utility Capital Fund	82
	<u>TRUST FUND</u>	
SB-1	Statement of Cash	84
SB-2	Animal Control Fund--Statement of Reserve (Deficit) for Animal Control Expenditures	85
SB-3	Animal Control Fund--Statement of Due to Current Fund	85
SB-4	Animal Control Fund--Statement of Due to State of New Jersey	86
SB-5	Trust Other Funds--Statement of Due from Current Fund	86
SB-6	Trust Other Funds--Statement of Changes in Reserves	87
	<u>GENERAL CAPITAL FUND</u>	
SC-1	Statement of Cash	89
SC-2	Analysis of General Capital Cash	90
SC-3	Statement of Due Current Fund	91
SC-4	Statement of Deferred Charges to Future Taxation--Funded	91
SC-5	Schedule of Deferred Charges to Future Taxation--Unfunded	92
SC-6	Statement of Bonds Payable	93
SC-7	Statement of Demolition Loan	94
SC-8	Statement of Improvement Authorizations	95
SC-9	Statement of Reserve for the Payment of Bonds and Notes	96
SC-10	Statement of Capital Improvement Fund	96
SC-11	Schedule of Bonds and Notes Authorized But Not Issued	97

CITY OF SALEM
TABLE OF CONTENTS (CONT'D)

<u>Exhibit No.</u>		<u>Page No.</u>
	<u>WATER AND SEWER UTILITY FUND</u>	
SD-1	Statement of Cash	99
SD-2	Water and Sewer Utility Capital Fund--Analysis of Water and Sewer Utility Capital Cash	100
SD-3	Water and Sewer Utility Operating Fund--Statement of Consumer Accounts Receivable	101
SD-4	Water and Sewer Utility Operating Fund--Statement of Utility Liens Receivable	101
SD-5	Water and Sewer Utility Operating Fund--Statement of Appropriation Reserves	102
SD-6	Water and Sewer Utility Operating Fund--Statement of Accrued Interest on Bonds and Notes	103
SD-7	Water and Sewer Utility Capital Fund--Statement of Due from/to Utility Operating Fund	104
SD-8	Water and Sewer Utility Capital Fund--Schedule of Fixed Capital	105
SD-9	Water and Sewer Utility Capital Fund--Schedule of Fixed Capital Authorized And Uncompleted	106
SD-10	Water and Sewer Utility Capital Fund--Statement of Improvement Authorizations	107
SD-11	Water and Sewer Utility Capital Fund--Statement of Bonds Payable	108
SD-12	Water and Sewer Utility Capital Fund--Statement of Wastewater Improvement Bonds	109
SD-13	Water and Sewer Utility Capital Fund--Statement of USDA Loan Payable	110
SD-14	Water and Sewer Utility Capital Fund--Statement of New Jersey Environmental Infrastructure Trust Loans Payable	111
SD-15	Water and Sewer Utility Capital Fund--Statement of State of New Jersey Loan- Dam Restoration Program	113
SD-16	Water and Sewer Utility Capital Fund--Statement of Capital Improvement Fund	114
SD-17	Water and Sewer Utility Capital Fund--Statement of Deferred Reserve for Amortization	114
SD-18	Water and Sewer Utility Capital Fund--Statement of Reserve for Amortization	115
SD-19	Water and Sewer Utility Capital Fund--Statement of Reserve for Appropriated Grant	115
SD-20	Water and Sewer Utility Capital Fund--Statement of Bond Anticipation Notes	116
SD-21	Water and Sewer Utility Capital Fund--Schedule of Bonds Notes Authorized But Not Issued	117
	<u>PART II</u>	
	Schedule of Findings and Recommendations	119
	Summary Schedule of Prior Year Audit Findings and Recommendations as Prepared by Management	130
	OFFICIALS IN OFFICE AND SURETY BONDS	134
	APPRECIATION	135

PART I
REPORT OF AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the City of Salem, in the County of Salem, State of New Jersey, as of December 31, 2020 and 2019, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis, and statement of expenditures - regulatory basis for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

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

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

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

In our opinion, because of the significance of the matter discussed in the “*Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America*” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Salem, in the County of Salem, State of New Jersey, as of December 31, 2020 and 2019, or the results of its operations and changes in fund balance for the years then ended.

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

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

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

In our opinion, as a result of the effects of the matter described in the “*Basis for Qualified Opinion on General Fixed Asset Group of Accounts - Regulatory Basis*” paragraph, the general fixed asset group of accounts - regulatory basis is not presented fairly, in all material respects, for the City of Salem, in the County of Salem, State of New Jersey, for the year ended December 31, 2020, in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in note 1.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to previously, except for the general fixed asset group of accounts - regulatory basis, present fairly, in all material respects, the assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the City of Salem, in the County of Salem, State of New Jersey, as of December 31, 2020 and 2019, and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended, and the revenues - regulatory basis and expenditures - regulatory basis of the various funds, for the year ended December 31, 2020, in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in note 1.

Other Matters*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental statements and schedules presented for the various funds, as listed in the table of contents, are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021 on our consideration of the City of Salem, in the County of Salem, State of New Jersey, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City of Salem's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Salem's internal control over financial reporting and compliance.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Fred S. Caltabiano

Fred S. Caltabiano
Certified Public Accountant
Registered Municipal Accountant

Woodbury, New Jersey
September 30, 2021

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements prepared on a regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, of the City of Salem, in the County of Salem, State of New Jersey, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 30, 2021. That report indicated that the City of Salem's financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America, but were prepared on a regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. In our report, our opinion was modified because the financial statements did not include the general fixed asset group of accounts as required by the New Jersey Administrative Code.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying *Schedule of Findings and Recommendations* as *Finding No. 2020-001*, *Finding No. 2020-002*, *Finding No. 2020-004*, *Finding No. 2020-005*, and *Finding No. 2020-012* to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *Schedule of Findings and Recommendations* as *Finding No. 2020-006, Finding No. 2020-007, Finding No. 2020-008, Finding No. 2020-009, Finding No. 2020-010, Finding No. 2020-011, and Finding 2020-013* to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Salem's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and are described in the accompanying *Schedule of Findings and Recommendations* as *Finding No. 2020-001, and Finding 2020-003*.

The City of Salem's Response to Findings

The City of Salem's responses to the findings identified in our audit are described in the accompanying *Schedule of Findings and Recommendations*. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Fred S. Caltabiano

Fred S. Caltabiano
Certified Public Accountant
Registered Municipal Accountant

Woodbury, New Jersey
September 30, 2021

CITY OF SALEM
CURRENT FUND

Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
As of December 31, 2020 and 2019

	<u>Ref.</u>	<u>2020</u>	<u>2019</u>
ASSETS:			
Regular Fund:			
Cash	SA-1	\$ 8,424,711.32	\$ 3,078,643.72
Cash -- Change Fund	A	200.00	200.00
Prepaid Debt Service	SA-5	330,350.00	304,225.00
		<u>8,755,261.32</u>	<u>3,383,068.72</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	SA-2	1,771,709.16	1,138,647.65
Tax Title Liens	SA-3	5,205,235.57	4,486,468.78
Property Acquired for Taxes -- Assessed Valuation	A	4,112,800.00	3,676,400.00
Due from Trust -- Animal Control Fund	SB-3	16,592.38	22,859.26
		<u>11,106,337.11</u>	<u>9,324,375.69</u>
Deferred Charges:			
Overexpenditure of Appropriation Reserves	A-3		5,542.96
Special Emergency - Revaluation	A-3	64,000.00	128,000.00
		<u>64,000.00</u>	<u>133,542.96</u>
Total Regular Fund		<u>19,925,598.43</u>	<u>12,840,987.37</u>
Federal and State Grant Fund:			
Due from Current Fund	SA-11	254,278.91	8,509.98
Federal and State Grants Receivable	SA-12	774,263.39	460,768.89
Total Federal and State Grant Fund		<u>1,028,542.30</u>	<u>469,278.87</u>
		<u>\$ 20,954,140.73</u>	<u>\$ 13,310,266.24</u>

(Continued)

CITY OF SALEM
CURRENT FUND

Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
As of December 31, 2020 and 2019

	<u>Ref.</u>	<u>2020</u>	<u>2019</u>
LIABILITIES, RESERVES AND FUND BALANCE:			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3, SA-8	\$ 741,320.55	\$ 693,289.67
Reserve for Encumbrances	A-3, SA-8	132,436.20	95,911.69
Accounts Payable	A	12,500.00	
Prepaid Taxes	SA-4	184,939.77	120,836.48
Tax Overpayments	SA-1,2	212,545.42	96,733.60
Due to State of NJ Senior Citizens/Veterans Deductions	SA-6	2,869.33	2,869.33
Local District School Taxes Payable	SA-10	61,708.46	39,859.66
Due to Federal and State Grant Fund	SA-11	254,278.91	8,509.98
Due to Trust -- Other Funds	SB-5	728,417.22	113,032.83
Due to General Capital Fund	SC-3	341,175.03	604,267.28
Due to Utility Capital Fund	SA-15	2,196,080.18	
Due to Volunteer Fire Co	A	3,000.00	3,000.00
Special Emergency Note Payable - Revaluation	A-3	64,000.00	128,000.00
Reserve for Finlaw Building Bond Refinancing	SA-1	2,500,000.00	
Reserve for Revaluation	SA-1	92,331.76	123,091.76
		<u>7,527,602.83</u>	<u>2,029,402.28</u>
Reserves for Receivables and Other Assets	A	11,106,337.11	9,324,375.69
Fund Balance	A-1	<u>1,291,658.49</u>	<u>1,487,209.40</u>
Total Regular Fund		<u>19,925,598.43</u>	<u>12,840,987.37</u>
Federal and State Grant Fund:			
Appropriated Reserves	SA-13	1,016,888.79	465,223.65
Unappropriated Reserves	SA-14	<u>11,653.51</u>	<u>4,055.22</u>
Total Federal and State Grant Fund		<u>1,028,542.30</u>	<u>469,278.87</u>
		<u>\$ 20,954,140.73</u>	<u>\$ 13,310,266.24</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF SALEM
CURRENT FUND

Statements of Operations and Changes in Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
REVENUE AND OTHER INCOME REALIZED:		
Fund Balance Anticipated	\$ 834,000.00	\$ 493,000.00
Miscellaneous Revenues Anticipated	4,459,654.55	4,171,414.53
Receipts from Delinquent Taxes and Tax Title Liens	745,195.19	1,071,583.35
Receipts from Current Taxes	6,729,891.23	7,122,191.70
Non-Budget Revenue	363,553.83	226,237.58
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	243,322.85	292,051.15
School Taxes Payable Adjustment		15,765.76
Liquidation of Interfund Receivable	6,266.88	
	<u>13,381,884.53</u>	<u>13,392,244.07</u>
Total Income		
EXPENDITURES:		
Budget Appropriations:		
Appropriations Within "CAPS":		
Operations:		
Salaries and Wages	2,797,494.00	2,620,824.89
Other Expenses	2,982,920.00	3,056,347.05
Deferred Charges and Statutory Expenditures	1,070,033.11	966,140.22
Appropriations Excluded from "CAPS":		
Operations:		
Salaries and Wages	291,396.00	
Other Expenses	569,066.22	693,154.44
Capital Improvements	53,000.00	20,933.00
Debt Service	609,977.66	465,558.00
Deferred Charges	64,000.00	72,494.70
Transferred to Board of Education for Use of Local School	16,283.00	16,373.00
Local District School Tax	2,571,489.00	2,527,761.00
County Taxes	1,711,477.34	1,727,152.85
Refund of Prior Year Revenue	6,299.11	3,539.70
Grant Receivable Adjustment		18,166.55
Interfund Receivable Created		9,866.44
	<u>12,743,435.44</u>	<u>12,198,311.84</u>
Total Expenditures		
Excess in Revenue	638,449.09	1,193,932.23
Fund Balance January 1,	<u>1,487,209.40</u>	<u>786,277.17</u>
	2,125,658.49	1,980,209.40
Decreased by:		
Utilized as Anticipated Revenue	<u>834,000.00</u>	<u>493,000.00</u>
Fund Balance December 31,	<u>\$ 1,291,658.49</u>	<u>\$ 1,487,209.40</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF SALEM
CURRENT FUND
Statement of Revenues -- Regulatory Basis
For the Year Ended December 31, 2020

	Anticipated Budget	Special NJSA 40A: 4-87	Realized	Excess or (Deficit)
Surplus Anticipated	\$ 834,000.00		\$ 834,000.00	
Miscellaneous Revenues				
Local Revenues				
Fines and Costs: Municipal Court	40,337.00		25,899.66	\$ (14,437.34)
Interest and Costs on Taxes	99,087.00		126,391.15	27,304.15
Street Opening Permits	2,250.00		4,750.00	2,500.00
State Aid Without Offsetting Appropriations				
Transitional Aid	1,500,000.00		1,500,000.00	
Consolidated Municipal Property Tax Relief Aid	176,580.00		176,580.00	
Energy Receipts Tax	1,219,359.00		1,219,359.00	
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	69,179.00		104,772.00	35,593.00
Public and Private Revenues Offset with Appropriations				
Municipal Alliance on Alcohol and Drug Abuse	1,831.00		1,831.00	
Recycling Tonnage	4,055.22		4,055.22	
COPS Hiring Program	291,396.00		291,396.00	
NJ EDA Tri County Oil Company Property	87,589.00		87,589.00	
NJ DOT 8th Street Phase II		\$ 209,444.00	209,444.00	
Sustainable Jersey Small Grants		5,000.00	5,000.00	
Other Special Items				
Cable TV Franchise Fee	51,225.00		48,575.15	(2,649.85)
PILOT (Whispering Waters)	350,086.00		394,788.00	44,702.00
PILOT (Senior Village)	18,000.00		18,000.00	
South Jersey Port Agreement	31,224.00		31,224.37	0.37
Reserve for Payment of Debt	50,000.00		50,000.00	
Reserve for Payment of Guaranteed Debt	160,000.00		160,000.00	
	4,152,198.22	214,444.00	4,459,654.55	93,012.33
Receipts from Delinquent Taxes	620,000.00		745,195.19	125,195.19
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes including Reserve for Uncollected Taxes	4,569,544.70		4,188,245.60	(381,299.10)
Minimum Library Tax	45,361.66		45,361.66	
Budget Totals	10,221,104.58	214,444.00	10,272,457.00	(163,091.58)
Non-Budget Revenue			363,553.83	363,553.83
	\$ 10,221,104.58	\$ 214,444.00	\$ 10,636,010.83	\$ 200,462.25

(Continued)

CITY OF SALEM
CURRENT FUND
Statement of Revenues -- Regulatory Basis
For the Year Ended December 31, 2020

Analysis of Realized Revenue

Allocation of Current Tax Collections:

Revenue from Collections	\$ 6,729,891.23
Allocated to County and School Taxes	<u>4,282,966.34</u>
Amount for Support of Municipal Budget Appropriations	2,446,924.89
Add: Appropriation "Reserve for Uncollected Taxes"	<u>1,786,682.37</u>
Amount for Support of Municipal Budget Appropriations	<u><u>\$ 4,233,607.26</u></u>

Receipts from Delinquent Taxes:

Delinquent Tax Collections	<u><u>\$ 745,195.19</u></u>
----------------------------	-----------------------------

Analysis of Non-Budget Revenues

Miscellaneous Revenue not Anticipated:

Parking Meters	\$ 2,458.08
Interest Earnings	7,684.40
Cell Tower Rents	57,926.23
Carpenter Street I Urban Renewal I PILOT	79,556.89
Carpenter Street I Urban Renewal II PILOT	45,840.93
Certificate of Occupancy / Vacant Property Registrations	47,345.00
Accident Report and Gun License	492.63
Port Authority Rent	14,000.00
Senior Citizens' and Veterans' Deduction Administration Fee	510.00
Miscellaneous	<u>107,739.67</u>
Total Miscellaneous Revenue not Anticipated	<u><u>\$ 363,553.83</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, 2020

	Appropriations		Expended			Unexpended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Balance Canceled
<u>OPERATIONS -- WITHIN "CAPS"</u>						
<u>General Government Functions</u>						
General Administration						
Salaries and Wages	\$ 70,600.00	\$ 74,800.00	\$ 57,657.13		\$ 17,142.87	
Other Expenses	3,000.00	3,000.00	3,000.00			
Mayor and Council						
Salaries and Wages	55,000.00	56,200.00	56,077.52		122.48	
Other Expenses	28,000.00	24,300.00	19,066.42	\$ 4,911.97	321.61	
Municipal Clerk						
Salaries and Wages	78,244.00	71,244.00	70,312.45		931.55	
Other Expenses	28,530.00	28,530.00	20,198.43	8,300.33	31.24	
Financial Administration (Treasury)						
Salaries and Wages	138,608.00	148,158.00	142,540.58		5,617.42	
Other Expenses	20,000.00	17,000.00	15,027.36	1,894.91	77.73	
Audit Services	45,000.00	44,000.00	44,000.00			
Revenue Administration (Tax Collection)						
Salaries and Wages	40,092.00	42,092.00	40,693.75		1,398.25	
Other Expenses	7,850.00	5,850.00	5,783.72		66.28	
Tax Assessment Administration (Tax Assessor)						
Salaries and Wages	23,882.00	22,382.00	22,103.50		278.50	
Other Expenses	9,000.00	9,000.00	8,740.04	120.00	139.96	
Legal Services (Legal Dept.)						
Other Expenses	140,000.00	140,000.00	49,683.18	1,450.00	88,866.82	
Engineering Services	12,000.00	12,000.00	6,690.00		5,310.00	
Economic Development Agencies						
Other Expenses	7,000.00	7,000.00			7,000.00	
<u>Land Use Administration</u>						
Planning Board						
Other Expenses	24,000.00	24,000.00	20,129.92		3,870.08	
<u>Insurance</u>						
Liability Insurance	283,538.00	283,538.00	283,538.00			
Workers Compensation Insurance	121,517.00	121,517.00	121,517.00			
Employee Group Insurance	1,290,000.00	1,290,000.00	927,474.13		362,525.87	
Unemployment Insurance	2,250.00	2,250.00	1,034.46		1,215.54	

(Continued)

CITY OF SALEM
Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2020

	Appropriations		Expended			Unexpended
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	<u>Balance Canceled</u>
<u>Public Safety</u>						
Police Department						
Salaries and Wages	\$ 1,757,980.00	\$ 1,757,480.00	\$ 1,732,257.99		\$ 25,222.01	
Other Expenses	78,000.00	78,000.00	53,804.43	\$ 21,030.76	3,164.81	
Office of Emergency Management (OEM)						
Salaries and Wages	8,200.00	8,300.00	8,197.20		102.80	
Aid to Volunteer Fire Companies	45,000.00	45,000.00	33,135.35		11,864.65	
Aid to Volunteer Ambulance Companies	33,000.00	33,000.00	21,008.00	2,445.96	9,546.04	
<u>Public Works</u>						
Streets and Road Maintenance						
Salaries and Wages	399,264.00	399,264.00	399,264.00			
Other Expenses	30,000.00	30,000.00	22,656.98	6,225.50	1,117.52	
Street Cleaning						
Salaries and Wages	52,624.00	52,624.00	44,978.97		7,645.03	
Other Expenses	700.00	700.00			700.00	
Buildings and Grounds						
Other Expenses	80,000.00	80,000.00	48,104.48	13,136.67	18,758.85	
Vehicle Maintenance						
Other Expenses	32,000.00	32,000.00	14,865.88	4,100.10	13,034.02	
<u>Health and Human Services</u>						
Public Health Services (Board of Health)						
Other Expenses	350.00	350.00			350.00	
Animal Control Services						
Other Expenses	22,600.00	22,600.00	21,955.84		644.16	
<u>Recreation</u>						
Maintenance of Parks						
Other Expenses	20,000.00	20,000.00		15,906.82	4,093.18	

(Continued)

CITY OF SALEM
Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2020

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
<u>Court and Public Defender</u>						
Municipal Court						
Salaries and Wages	\$ 95,000.00	\$ 105,000.00	\$ 104,291.68		\$ 708.32	
Other Expenses	17,000.00	17,000.00	11,212.67	\$ 1,565.98	4,221.35	
Public Defender						
Other Expenses	9,730.00	9,730.00	9,632.70		97.30	
<u>Utilities and Bulk Purchases</u>						
Electricity	103,000.00	103,000.00	96,349.46		6,650.54	
Street Lighting	120,000.00	130,000.00	120,764.50		9,235.50	
Telephone	74,000.00	74,000.00	67,820.67	1,393.72	4,785.61	
Natural Gas	13,755.00	16,505.00	13,518.24		2,986.76	
Petroleum Products (Heating Oil)	22,000.00	21,150.00	7,323.63	902.38	12,923.99	
Petroleum Products (Gasoline)	58,000.00	58,000.00	22,435.09	1,501.72	34,063.19	
<u>Recycling and Landfill</u>						
Landfill/Solid Waste Disposal Cost						
Salaries and Wages	2,400.00					
Other Expense	135,000.00	137,400.00	123,841.68	780.00	12,778.32	
<u>State Uniform Construction Code</u>						
Housing Regulation						
Salaries and Wages	73,700.00	59,950.00	56,373.77		3,576.23	
Other Expenses	52,500.00	42,500.00	12,681.27	3,514.94	26,303.79	
Demolition of Substandard Buildings	20,000.00	20,000.00			20,000.00	
Total Operations -- Within "CAPS"	5,783,914.00	5,780,414.00	4,961,742.07	89,181.76	729,490.17	-
Detail:						
Salaries and Wages	2,795,594.00	2,797,494.00	2,734,748.54	-	62,745.46	-
Other Expenses (Including Contingent)	2,988,320.00	2,982,920.00	2,226,993.53	89,181.76	666,744.71	-
						(Continued)

CITY OF SALEM
Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2020

	Appropriations		Expended			Unexpended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Balance Canceled
DEFERRED CHARGES AND STATUTORY						
EXPENDITURES -- WITHIN "CAPS"						
<u>Deferred Charges</u>						
Overexpenditure Improvement Authorization	\$ 4,407.75	\$ 4,407.75	\$ 4,407.75			
Deficit Animal Control Fund	9,822.92	9,822.92	9,822.92			
Anticipated Deficit - Utility Operating Fund	518,587.36	518,587.36	324,163.48			\$ 194,423.88
Overexpenditure of Appropriation Reserves	5,542.96	5,542.96	5,542.96			
<u>Statutory Expenditures</u>						
Public Employees' Retirement System of N.J.	140,990.00	140,990.00	140,990.00			
Social Security System (O.A.S.I.)	169,000.00	172,500.00	170,669.62		\$ 1,830.38	
Police and Firemen's Retirement System of N.J.	412,606.00	412,606.00	412,606.00			
Total Deferred Charges and Statutory Expenditures -- Municipal -- Within "CAPS"	1,260,956.99	1,264,456.99	1,068,202.73	-	1,830.38	194,423.88
Total General Appropriations for Municipal Purposes Within -- "CAPS"	7,044,870.99	7,044,870.99	6,029,944.80	\$ 89,181.76	731,320.55	194,423.88
OPERATIONS -- EXCLUDED FROM "CAPS"						
<u>Other (Education, Including Library)</u>						
Maintenance of Free Public Library	62,500.00	62,500.00	29,245.56	33,254.44		
Total Other Operations	62,500.00	62,500.00	29,245.56	33,254.44	-	-
<u>Shared Service Agreements</u>						
Police Dispatch- County of Salem	129,010.00	129,010.00	129,010.00			
Total Shared Service Agreements	129,010.00	129,010.00	129,010.00	-	-	-
<u>Additional Appropriations Offset by Revenue (NJSA 40A:4-45.3h)</u>						
Garbage and Trash Collection - Other Expenses	69,179.00	69,179.00	69,179.00			
Total Additional Appropriations Offset by Revenues (NJSA 40A:4-45.3h)	69,179.00	69,179.00	69,179.00	-	-	-

(Continued)

CITY OF SALEM
Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2020

	Appropriations		Expended			Unexpended Balance Canceled
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	
<u>Public and Private Programs Offset by Revenues</u>						
Municipal Alliance on Alcohol and Drug Abuse	\$ 2,289.00	\$ 2,289.00	\$ 2,289.00			
Recycling Tonnage Grant	4,055.22	4,055.22	4,055.22			
COPS Hiring Program	291,396.00	291,396.00	291,396.00			
NJ EDA Tri County Oil Company Property	87,589.00	87,589.00	87,589.00			
NJ DOT 8th Street Phase II (NJSA 40A:4-87 \$209,444.00)		209,444.00	209,444.00			
Sustainable Jersey Small Grants (NJSA 40A:4-87 \$5,000.00)		5,000.00	5,000.00			
Total Public and Private Programs Offset by Revenues	385,329.22	599,773.22	599,773.22	-	-	-
Total Operations -- Excluded from "CAPS"	646,018.22	860,462.22	827,207.78	\$ 33,254.44	-	-
Detail:						
Salaries and Wages	291,396.00	291,396.00	291,396.00	-	-	-
Other Expenses	354,622.22	569,066.22	535,811.78	33,254.44	-	-
<u>CAPITAL IMPROVEMENTS -- EXCLUDED FROM "CAPS"</u>						
Capital Improvement Fund	33,000.00	33,000.00	33,000.00			
Demolition of Foreclosed Properties	20,000.00	20,000.00		10,000.00	\$ 10,000.00	
Total Capital Improvements	53,000.00	53,000.00	33,000.00	10,000.00	10,000.00	-
<u>MUNICIPAL DEBT SERVICE -- EXCLUDED FROM "CAPS"</u>						
Payment of Bond Principal	250,000.00	250,000.00	250,000.00			
Interest on Bonds	58,910.00	58,910.00	58,910.00			
Interest on Notes	3,840.00	3,840.00	3,567.66			\$ 272.34
Debt Service Guarantee	285,000.00	285,000.00	285,000.00			
Demolition Loan	12,500.00	12,500.00	12,500.00			
Total Municipal Debt Service	610,250.00	610,250.00	609,977.66	-	-	272.34

(Continued)

CITY OF SALEM
Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2020

	Appropriations		Expended			Unexpended Balance Canceled
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	
DEFERRED CHARGES - MUNICIPAL -- EXCLUDED FROM "CAPS"						
Special Emergency Authorizations- 5 Years (N.J.S.40A:4-55)	\$ 64,000.00	\$ 64,000.00	\$ 64,000.00			
Total Deferred Charges - Municipal	64,000.00	64,000.00	64,000.00	-	-	-
Transferred to Board of Education for Use of Local School	16,283.00	16,283.00	16,283.00			-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	1,389,551.22	1,603,995.22	1,550,468.44	\$ 43,254.44	\$ 10,000.00	\$ 272.34
Subtotal General Appropriations	8,434,422.21	8,648,866.21	7,580,413.24	132,436.20	741,320.55	194,696.22
Reserve for Uncollected Taxes	1,786,682.37	1,786,682.37	1,786,682.37			
Total	\$ 10,221,104.58	\$ 10,435,548.58	\$ 9,367,095.61	\$ 132,436.20	\$ 741,320.55	\$ 194,696.22
Adopted Budget		\$ 10,221,104.58				
Appropriated by NJSA 40A:4-87		214,444.00				
Reserve for Federal and State Grant Fund--Appropriated			\$ 599,773.22			
School Taxes Payable			16,283.00			
Deferred Charges			5,542.96			
Due Trust Animal Control Fund			9,822.92			
Due Trust - Other Funds			595,366.39			
Due General Capital Fund - Deferred Charges - Overexpenditure of Improvement Authorization			4,407.75			
Due General Capital Fund - Capital Improvement Fund			33,000.00			
Accounts Payable			12,500.00			
Reserve for Uncollected Taxes			1,786,682.37			
Disbursed			6,303,717.00			
		<u>\$ 10,435,548.58</u>	<u>\$ 9,367,095.61</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, 2020 and 2019

	<u>Ref.</u>	<u>2020</u>	<u>2019</u>
ASSETS:			
Animal Control Fund:			
Cash	SB-1	\$ 7,021.21	\$ 13,105.34
Deferred Charges:			
Deficit - Reserve for Animal Control Expenditures	SB-2	9,767.37	9,857.12
Total Animal Control Fund		16,788.58	22,962.46
Other Funds:			
Cash	SB-1	1,118,467.32	1,203,262.25
Due from Current Fund	SB-5	728,417.22	113,032.83
Due from Utility Operating Fund	SB-6	188,119.53	
Total Other Funds		2,035,004.07	1,316,295.08
		<u>\$ 2,051,792.65</u>	<u>\$ 1,339,257.54</u>
LIABILITIES, RESERVES AND FUND BALANCE:			
Animal Control Fund:			
Due to Current Fund	SB-3	\$ 16,592.38	\$ 22,859.26
Due to State of New Jersey	SB-4	196.20	103.20
Total Animal Control Fund		16,788.58	22,962.46
Other Funds:			
Due to General Capital Fund	B	75,275.25	75,275.25
Due to State of New Jersey - Criminal Disposition and Revenue Collection Fund	B	35,993.14	35,993.14
Reserve for:			
Community Development Housing Equity	SB-6	15,773.79	15,773.79
Small Cities Rehab	SB-6	30,777.10	10,777.10
Developer's Escrow	SB-6	42,005.89	42,051.89
POAA	SB-6	10,994.42	11,004.42
Payroll Withholdings Payable	SB-6	1,063,712.62	334,504.05
Public Defender	SB-6	438.55	487.79
Landfill	SB-6	96,254.72	96,240.81
Tax Title Liens	SB-6	534,709.12	571,844.62
Unemployment Compensation	SB-6	71,596.50	65,900.06
Accumulated Sick Leave	SB-6	33,350.27	33,350.27
Off-Duty Police	SB-6	8,457.75	6,532.01
Municipal Pool Donations Account	SB-6	15,664.95	16,559.88
Total Other Funds		2,035,004.07	1,316,295.08
		<u>\$ 2,051,792.65</u>	<u>\$ 1,339,257.54</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF SALEM
GENERAL CAPITAL FUND
 Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
 As of December 31, 2020 and 2019

	<u>Ref.</u>	<u>2020</u>	<u>2019</u>
ASSETS:			
Cash	SC-1	\$ 54,108.65	\$ 4,608.65
Grants Receivable	C	409,499.77	409,499.77
Due from Current Fund	SC-3	341,175.03	604,267.28
Due from Trust -- Other Funds	C	75,275.25	75,275.25
Due from Utility Capital Fund	C	12,244.50	12,244.50
Deferred Charges to Future Taxation:			
Funded	SC-4	1,708,764.80	1,996,264.80
Unfunded	SC-5	66,439.77	66,439.77
Deferred Charges:			
Overexpenditure of Improvement Authorization	SC-2		4,407.75
		<u>\$ 2,667,507.77</u>	<u>\$ 3,173,007.77</u>
LIABILITIES, RESERVES AND FUND BALANCE:			
Bonds Payable	SC-6	\$ 1,500,000.00	\$ 1,750,000.00
Demolition Loan	SC-7	208,764.80	246,264.80
Improvement Authorizations:			
Funded	SC-8	510,819.98	551,819.98
Unfunded	SC-8	62,704.57	62,704.57
Reserve for the Payment of Bonds & Notes	SC-9	312,192.20	362,192.20
Reserve for Payment of Guaranteed Debt	SC-2	18,195.00	178,195.00
Capital Improvement Fund	SC-10	54,831.22	21,831.22
		<u>\$ 2,667,507.77</u>	<u>\$ 3,173,007.77</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF SALEM
WATER AND SEWER UTILITY FUND
Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
As of December 31, 2020 and 2019

	<u>Ref.</u>	<u>2020</u>	<u>2019</u>
ASSETS:			
Operating Fund:			
Cash	SD-1	\$ 1,409,669.12	\$ 290,033.51
Prepaid Debt Service	D	22,298.00	22,298.00
		<u>1,431,967.12</u>	<u>312,331.51</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	SD-3	1,009,275.73	486,129.78
Utility Liens Receivable	SD-4	887,446.00	930,006.06
		<u>1,896,721.73</u>	<u>1,416,135.84</u>
Deferred Charges:			
Overexpenditure of Appropriation Reserves	SD-5	15,182.78	
Deficit in Operations	D-3		255,523.36
		<u>15,182.78</u>	<u>255,523.36</u>
Total Operating Fund		<u>3,343,871.63</u>	<u>1,983,990.71</u>
Capital Fund:			
Cash	SD-1	4,129.37	9,469.14
Due from Current Fund	SA-16	2,196,080.18	
Due from Utility Operating Fund	SD-7	1,002,535.64	366,830.89
Grant Receivable	D	880,950.00	880,950.00
Fixed Capital	SD-8	22,933,096.90	22,933,096.90
Fixed Capital Authorized and Uncompleted	SD-9	17,284,150.00	17,284,150.00
Total Capital Fund		<u>44,300,942.09</u>	<u>41,474,496.93</u>
		<u>\$ 47,644,813.72</u>	<u>\$ 43,458,487.64</u>

(Continued)

CITY OF SALEM
WATER AND SEWER UTILITY FUND
 Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
 As of December 31, 2020 and 2019

	<u>Ref.</u>	<u>2020</u>	<u>2019</u>
LIABILITIES, RESERVES AND FUND BALANCE:			
Operating Fund:			
Liabilities:			
Appropriation Reserves	D-3, SD-5	\$ 17,729.80	\$ 18,999.50
Encumbrances	D-3, SD-5	154,694.59	77,310.70
Accrued Interest on Bonds and Notes	SD-6	83,753.68	104,397.12
Due to Trust Fund	SD-2	188,119.53	
Due to Utility Capital Fund	SD-7	1,002,535.64	366,830.89
		<u>1,446,833.24</u>	<u>567,538.21</u>
Reserve for Receivables	D	1,896,721.73	1,416,135.84
Fund Balance	D-1	<u>316.66</u>	<u>316.66</u>
Total Operating Fund		<u>3,343,871.63</u>	<u>1,983,990.71</u>
Capital Fund:			
Bonds Payable	SD-11	145,000.00	165,000.00
Bond Anticipation Note	SD-20	250,000.00	250,000.00
Wastewater Improvement Bonds	SD-12	2,404,045.12	2,564,573.26
USDA Loan Payable	SD-13	682,285.94	697,401.29
New Jersey Environmental Infrastructure Trust Loans Payable	SD-14	3,564,796.79	3,932,632.31
State of New Jersey Loan - Dam Restoration Program	SD-15	340,319.41	372,541.17
Due to General Capital Fund	D	12,244.50	12,244.50
Improvement Authorizations:			
Funded	SD-10	49,771.93	212,942.95
Unfunded	SD-10	4,160,614.08	4,197,252.35
Reserve for Payment of Debt/Capital	SD-2	3,750,000.00	100,000.00
Capital Improvement Fund	SD-16	98,551.53	78,551.53
Deferred Reserve for Amortization	SD-17	9,481,866.36	9,470,731.51
Reserve for Amortization	SD-18	19,361,446.43	18,776,880.51
Reserve for Appropriated Grant	SD-19		643,745.55
Total Capital Fund		<u>44,300,942.09</u>	<u>41,474,496.93</u>
		<u>\$ 47,644,813.72</u>	<u>\$ 43,458,487.64</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF SALEM
WATER AND SEWER UTILITY OPERATING FUND
Statements of Operations and Changes in Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
REVENUE AND OTHER INCOME REALIZED:		
Operating Surplus Anticipated	\$ -	\$ 100,000.00
Water and Sewer Rents	2,423,229.72	2,208,832.44
Miscellaneous	838,246.73	415,176.28
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	16,330.07	126,689.70
	<u>3,277,806.52</u>	<u>2,850,698.42</u>
Total Income		
	<u>3,277,806.52</u>	<u>2,850,698.42</u>
EXPENDITURES:		
Operating	2,350,000.00	2,300,000.00
Capital Improvements	20,000.00	20,000.00
Debt Service	832,446.12	834,440.00
Deferred Charges and Statutory Expenditures	142,763.00	157,624.00
Deficit in Operations in Prior Years	255,523.36	
Refund of Prior Year Revenue	1,237.52	5,157.78
	<u>3,601,970.00</u>	<u>3,317,221.78</u>
Total Expenditures		
	<u>3,601,970.00</u>	<u>3,317,221.78</u>
Excess (Deficit) in Revenue	(324,163.48)	(466,523.36)
Adjustments to Income before Surplus:		
Realized from General Budget for Anticipated Deficit	324,163.48	211,000.00
Operating Deficit to be Raised in Budget of Succeeding Year	-	255,523.36
	<u>-</u>	<u>255,523.36</u>
Statutory Excess to Fund Balance	-	-
Fund Balance January 1	316.66	100,316.66
	<u>316.66</u>	<u>100,316.66</u>
Decreased by:		
Anticipated as Revenue	-	100,000.00
	<u>-</u>	<u>100,000.00</u>
Fund Balance December 31	<u>\$ 316.66</u>	<u>\$ 316.66</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF SALEM
WATER AND SEWER UTILITY OPERATING FUND
Statement of Revenues -- Regulatory Basis
For the Year Ended December 31, 2020

	Anticipated <u>Budget</u>	<u>Realized</u>	Excess/ <u>(Deficit)</u>
Water and Sewer Rents	\$ 2,182,205.00	\$ 2,423,229.72	\$ 241,024.72
Miscellaneous	441,795.00	358,246.73	(83,548.27)
Lawsuit Settlement	375,000.00	380,000.00	5,000.00
Reserve for Payment of Debt	100,000.00	100,000.00	
Deficit (General Budget)	<u>518,587.36</u>	<u>324,163.48</u>	<u>(194,423.88)</u>
	<u>\$ 3,617,587.36</u>	<u>\$ 3,585,639.93</u>	<u>\$ (31,947.43)</u>

Analysis of Realized Revenues

Water and Sewer Rents		
Consumer Accounts Receivable		\$ 2,389,284.02
Utility Liens Receivable		<u>33,945.70</u>
		<u>\$ 2,423,229.72</u>
Miscellaneous:		
Other Miscellaneous	\$ 86,108.38	
Septage	50,980.64	
Alloway Sewer Project	76,050.22	
Quinton Sewer Project	110,916.15	
Interest on Utility Bills	<u>34,191.34</u>	
		<u>\$ 358,246.73</u>

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

CITY OF SALEM
WATER AND SEWER UTILITY OPERATING FUND
Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2020

	Appropriations		Expended			Unexpended Balance Canceled
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbrances</u>	<u>Reserved</u>	
Operating:						
Salaries and Wages	\$ 850,000.00	\$ 869,389.88	\$ 869,389.88			
Other Expenses	1,500,000.00	1,480,610.12	1,317,319.56	\$ 154,694.59	\$ 8,595.97	
Total Operating	2,350,000.00	2,350,000.00	2,186,709.44	154,694.59	8,595.97	-
Capital Improvements:						
Capital Improvement Fund	20,000.00	20,000.00	20,000.00			
Debt Service:						
Payment of Bond Principal	595,701.00	595,701.00	595,701.00			
Interest on Bonds	248,100.00	248,100.00	231,245.87			\$ 16,854.13
Interest on Notes	5,500.00	5,500.00	5,499.25			0.75
Total Debt Service	849,301.00	849,301.00	832,446.12	-	-	16,854.88
Deferred Charges and Statutory Expenditures:						
Statutory Expenditures:						
Public Employees' Retirement System	70,495.00	70,495.00	70,495.00			
Contributions to Social Security System (O.A.S.I.)	72,268.00	72,268.00	63,134.17		9,133.83	
Total Deferred Charges and Statutory Expenditures	142,763.00	142,763.00	133,629.17	-	9,133.83	-
Deficit in Operations in Prior Years	255,523.36	255,523.36	255,523.36			
Total Utility Appropriations	<u>\$ 3,617,587.36</u>	<u>\$ 3,617,587.36</u>	<u>\$ 3,428,308.09</u>	<u>\$ 154,694.59</u>	<u>\$ 17,729.80</u>	<u>\$ 16,854.88</u>
Accrued Interest on Bonds			\$ 236,745.12			
Capital Improvement Fund - Due Water/Sewer Capital Fund			20,000.00			
Deficit in Operations in Prior Years			255,523.36			
Due to Current Fund			20,000.00			
Due to Trust Fund			188,119.53			
Cash Disbursements			2,707,920.08			
			<u>\$ 3,428,308.09</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, 2020

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The City of Salem (hereafter referred to as the "City") was incorporated in 1858 and is located in southwest New Jersey approximately thirty-five miles southeast of the City of Philadelphia and ten miles from the Delaware Memorial Bridge. According to the 2010 census, the population is 5,146.

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

Component Units - The financial statements of the component units of the City are not presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended. If the provisions of the aforementioned GASB Statement, as amended had been complied with, the financial statements of the following component units would have been either blended or discretely presented with the financial statements of the City, the primary government:

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

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

City of Salem Municipal Port Authority
19 South Front Street
Salem, New Jersey 08079

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

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

In accordance with the *Requirements*, the City accounts for its financial transactions through the use of separate funds and an account group which are described as follows:

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

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

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

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

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

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

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

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

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

Cash, Cash Equivalents and Investments - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost; therefore, unrealized gains or losses on investments have not been recorded.

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

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

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

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

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

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

General Fixed Assets - Accounting for governmental fixed assets, as required by N.J.A.C. 5:30-5.6, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and *Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Part 200, §200.12), except that the useful life of such property is at least five years. The City has adopted a capitalization threshold of \$5,000.00, the maximum amount allowed by the Circular. Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. No depreciation of general fixed assets is recorded. Donated general fixed assets are recorded at acquisition value as of the date of the transaction. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the capital funds until such time as the construction is completed and put into operation. The City is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements, and transfers of fixed assets. In addition, a statement of general fixed asset group of accounts, reflecting the activity for the year, must be included in the City's basic financial statements.

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

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

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

Foreclosed Property - Foreclosed property is recorded in the current fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily it is the intention of the municipality to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason the value of foreclosed property has not been included in the general fixed asset group of accounts. If such property is converted to a municipal use, it will be recorded in the general fixed asset group of accounts.

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

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

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

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

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

School Taxes - The City is responsible for levying, collecting and remitting school taxes for the City of Salem School District. Operations is charged for the full amount required to be raised from taxation to operate the local school district for the period from July 1 to June 30, increased by the amount deferred at December 31, 2019 and decreased by the amount deferred at December 31, 2020.

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

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

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

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

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

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

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

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

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be recovered. Although the City does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings, bail funds, or funds that may pass to the municipality relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized.

As of December 31, 2020, the City's bank balances of \$11,786,701.22 were exposed to custodial credit risk as follows:

Insured by FDIC and GUDPA	\$ 11,315,150.69
Uninsured and Uncollateralized	<u>471,550.53</u>
Total	<u>\$ 11,786,701.22</u>

Note 3: PROPERTY TAXES

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

Comparative Schedule of Tax Rates

	<u>Year Ended</u>				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017 R</u>	<u>2016</u>
Tax Rate	<u>\$ 7.112</u>	<u>\$ 7.069</u>	<u>\$ 6.914</u>	<u>\$ 6.830</u>	<u>\$ 3.916</u>
Apportionment of Tax Rate:					
Municipal	\$ 3.652	\$ 3.593	\$ 3.567	\$ 3.543	\$ 2.005
Municipal Library	.036	.038	.035	.040	.023
County	1.346	1.372	1.281	1.219	.726
County Open Space	.023	.024	.023	.022	.014
Local School	2.055	2.042	2.008	2.006	1.148

R = Revaluation

Note 3: PROPERTY TAXES (CONT'D)

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

Assessed Valuation

<u>Year</u>	<u>Amount</u>
2020	\$ 125,115,488.00
2019	123,788,835.00
2018	124,382,603.00
2017 R	123,956,510.00
2016	215,567,834.00

R = Revaluation

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2020	\$ 8,898,378.40	\$ 6,729,891.23	75.63%
2019	8,750,799.02	7,122,191.70	81.39%
2018	8,599,980.04	6,679,994.50	77.67%
2017	8,611,082.52	6,943,571.80	80.64%
2016	8,475,936.47	6,925,769.53	81.71%

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>
2020	\$ 5,205,235.57	\$ 1,771,709.16	\$ 6,976,944.73	78.41%
2019	4,486,468.78	1,138,647.65	5,625,116.43	64.28%
2018	4,259,999.67	1,625,218.55	5,885,218.22	68.43%
2017	3,466,168.88	1,307,320.41	4,773,489.29	55.43%
2016	2,750,683.64	1,011,732.57	3,762,416.21	44.39%

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

<u>Year</u>	<u>Number</u>
2020	376
2019	377
2018	378
2017	319
2016	386

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>
2020	\$ 4,112,800.00
2019	3,676,400.00
2018	2,514,400.00
2017	2,530,100.00
2016	2,759,700.00

Note 5: WATER/SEWER UTILITY SERVICE CHARGES

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

<u>Year</u>	<u>Balance Beginning of Year</u>		<u>Levy</u>	<u>Total</u>	<u>Cash Collections</u>
	<u>Receivable</u>	<u>Liens</u>			
2020	\$ 486,129.78	\$ 930,006.06	\$ 2,916,370.08	\$ 4,332,505.92	\$ 2,423,229.72
2019	682,500.92	878,384.44	2,064,082.92	3,624,968.28	2,208,832.44
2018	1,053,879.42	923,623.87	2,003,145.60	3,980,648.89	2,424,757.42
2017	813,178.42	463,895.67	3,690,712.63	4,967,786.72	3,001,431.48
2016	910,704.54	356,654.06	2,986,458.26	4,253,816.86	2,909,662.35

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 December 31.</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
<u>Current Fund</u>			
2020	\$ 1,291,658.49	\$ 834,000.00	64.57%
2019	1,487,209.40	834,000.00	56.08%
2018	786,277.17	465,000.00	59.14%
2017	724,633.58	382,200.00	52.74%
2016	422,716.93	190,000.00	44.95%
<u>Water/Sewer Utility Fund</u>			
2020	\$ 316.66	\$ -	-
2019	316.66	-	-
2018	100,316.66	90,408.00	90.12%
2017	282,575.01	200,908.00	71.10%
2016	322,728.20	200,908.00	62.25%

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, 2020:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
Current	\$ 16,592.38	\$ 3,519,951.34
Federal and State Grant	254,278.91	
Trust - Animal Control		16,592.38
Trust - Other	916,536.75	75,275.25
General Capital	428,694.78	
Utility - Operating	3,198,615.82	1,190,655.17
Utility - Capital		12,244.50
	<u>\$ 4,814,718.64</u>	<u>\$ 4,814,718.64</u>

The interfund receivables and payables above predominately resulted from collections and payments made by certain funds on behalf of other funds. During the year 2021, the City expects to liquidate such interfunds, depending upon the availability of cash flow.

Note 8: PENSION PLANS

A substantial number of the City's employees participate in one of the following defined benefit pension plans: the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS"), which are administered by the New Jersey Division of Pensions and Benefits. In addition, several City employees participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This Plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each Plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements, required supplementary information and detailed information about the PERS and PFRS plans' fiduciary net position which can be obtained by writing to or at the following website:

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

<https://www.state.nj.us/treasury/pensions/financial-reports.shtml>

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

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

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

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

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (PFRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

Vesting and Benefit Provisions

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

Tier Definition

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more of service credit before age 62, and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

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

Police and Firemen's Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except disability benefits, which vest after four years of service.

The following represents the membership tiers for PFRS:

Tier Definition

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

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

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

Contributions

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate is currently 7.50% of base salary, effective July 1, 2018. The rate for members who are eligible for the Prosecutors Part of PERS (P.L. 2001, C. 366) is 10.0%. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The City's contractually required contribution rate for the year ended December 31, 2020 was 15.28% of the City's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

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

Public Employees' Retirement System (Cont'd) - Based on the most recent PERS measurement date of June 30, 2020, the City's contractually required contribution to the pension plan for the year ended December 31, 2020 is \$249,458.00, and is payable by April 1, 2021. Due to the basis of accounting described in note 1, no liability has been recorded in the financial statements for this amount. For the prior year measurement date of June 30, 2019, the City's contractually required contribution to the pension plan for the year ended December 31, 2019 was \$199,152.00, which was paid on April 1, 2020.

Employee contributions to the Plan for the year ended December 31, 2020 were \$130,248.43.

Police and Firemen's Retirement System - The contribution policy for PFRS is set by N.J.S.A 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate is currently 10.0% of base salary. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability.

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

The City's contractually required contribution rate for the year ended December 31, 2020 was 31.17% of the City's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Based on the most recent PFRS measurement date of June 30, 2020, the City's contractually required contribution to the pension plan for the year ended December 31, 2020 is \$417,856.00, and is payable by April 1, 2021. Due to the basis of accounting described in note 1, no liability has been recorded in the financial statements for this amount. For the prior year measurement date of June 30, 2019, the City's contractually required contribution to the pension plan for the year ended December 31, 2019 was \$388,160.00, which was paid on April 1, 2020.

Employee contributions to the Plan for the year ended December 31, 2020 were \$135,200.60.

The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the City, for the year ended December 31, 2020 was 4.30% of the City's covered payroll.

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

Police and Firemen's Retirement System (Cont'd) - Based on the most recent PFRS measurement date of June 30, 2020, the State's contractually required contribution, on-behalf of the City, to the pension plan for the year ended December 31, 2020 was \$57,716.00, and is payable by April 1, 2021. For the prior year measurement date of June 30, 2019, the State's contractually required contribution, on-behalf of the City, to the pension plan for the year ended December 31, 2019 was \$50,033.00, which was paid on April 1, 2020.

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, Plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the City contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the year ended December 31, 2020, employee contributions totaled \$1,191.36, and the City's contributions were \$649.92. There were no forfeitures during the year.

Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**Public Employees' Retirement System**

Pension Liability - As of December 31, 2020, the City's proportionate share of the PERS net pension liability was \$3,718,643.00. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2020. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2020 measurement date, the City's proportion was .0228034279%, which was an increase of .0023293982% from its proportion measured as of June 30, 2019.

Pension (Benefit) Expense - For the year ended December 31, 2020, the City's proportionate share of the PERS pension (benefit) expense, calculated by the Plan as of the June 30, 2020 measurement date was \$(41,073.00). This (benefit) expense is not recognized by the City because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2020, the City's contribution to PERS was \$199,152.00, and was paid on April 1, 2020.

Police and Firemen's Retirement System

Pension Liability - As of December 31, 2020, the City's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

City's Proportionate Share of Net Pension Liability	\$ 4,832,968.00
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the City	<u>750,055.00</u>
	<u>\$ 5,583,023.00</u>

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

Pension Liability - The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2020. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. For the June 30, 2020 measurement date, the City's proportion was .0374030524%, which was a decrease of .0010244229% from its proportion measured as of June 30, 2019. Likewise, at June 30, 2020, the State of New Jersey's proportion, on-behalf of the City, was .0374030524%, which was a decrease of .0010244229% from its proportion, on-behalf of the City, measured as of June 30, 2019.

Pension (Benefit) Expense - For the year ended December 31, 2020, the City's proportionate share of the PFRS pension (benefit) expense, calculated by the Plan as of the June 30, 2020 measurement date was \$130,055.00. This (benefit) expense is not recognized by the City because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2020, the City's contribution to PFRS was \$388,160.00, and was paid on April 1, 2020.

For the year ended December 31, 2020, the State's proportionate share of the PFRS pension (benefit) expense, associated with the City, calculated by the Plan as of the June 30, 2020 measurement date, was \$85,004.00. This on-behalf (benefit) expense is not recognized by the City because of the regulatory basis of accounting as described in note 1.

Deferred Outflows of Resources and Deferred Inflows of Resources - As of December 31, 2020, the City had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	PERS	PFRS	Total	PERS	PFRS	Total
Differences between Expected and Actual Experience	\$ 67,710.00	\$ 48,725.00	\$ 116,435.00	\$ 13,151.00	\$ 17,345.00	\$ 30,496.00
Changes of Assumptions	120,637.00	12,162.00	132,799.00	1,557,031.00	1,295,690.00	2,852,721.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	127,106.00	283,380.00	410,486.00	-	-	-
Changes in Proportion and Differences between City Contributions and Proportionate Share of Contributions	537,316.00	339,167.00	876,483.00	693,536.00	229,884.00	923,420.00
City Contributions Subsequent to the Measurement Date	124,729.00	208,928.00	333,657.00	-	-	-
	<u>\$ 977,498.00</u>	<u>\$ 892,362.00</u>	<u>\$ 1,869,860.00</u>	<u>\$ 2,263,718.00</u>	<u>\$ 1,542,919.00</u>	<u>\$ 3,806,637.00</u>

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

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - Deferred outflows of resources in the amounts of \$124,729.00 and \$208,928.00 for PERS and PFRS, respectively, will be included as a reduction of the net pension liability during the year ending December 31, 2021. These amounts were based on an estimated April 1, 2022 contractually required contribution, prorated from the pension plans' measurement date of June 30, 2020 to the City's year end of December 31, 2020.

The City will amortize the other deferred outflows of resources and deferred inflows of resources related to pensions over the following number of years:

	<u>PERS</u>		<u>PFRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience				
Year of Pension Plan Deferral:				
June 30, 2015	5.72	-	-	5.53
June 30, 2016	5.57	-	-	5.58
June 30, 2017	5.48	-	5.59	-
June 30, 2018	-	5.63	5.73	-
June 30, 2019	5.21	-	-	5.92
June 30, 2020	5.16	-	5.90	-
Changes of Assumptions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	-	6.17	-
June 30, 2015	5.72	-	5.53	-
June 30, 2016	5.57	-	5.58	-
June 30, 2017	-	5.48	-	5.59
June 30, 2018	-	5.63	-	5.73
June 30, 2019	-	5.21	-	5.92
June 30, 2020	-	5.16	-	5.90
Net Difference between Projected and Actual Earnings on Pension Plan Investments				
Year of Pension Plan Deferral:				
June 30, 2016	5.00	-	5.00	-
June 30, 2017	5.00	-	5.00	-
June 30, 2018	5.00	-	5.00	-
June 30, 2019	5.00	-	5.00	-
June 30, 2020	5.00	-	5.00	-
Changes in Proportion and Differences between City Contributions and Proportionate Share of Contributions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	6.44	6.17	6.17
June 30, 2015	5.72	5.72	5.53	5.53
June 30, 2016	5.57	5.57	5.58	5.58
June 30, 2017	5.48	5.48	5.59	5.59
June 30, 2018	5.63	5.63	5.73	5.73
June 30, 2019	5.21	5.21	5.92	5.92
June 30, 2020	5.16	5.16	5.90	5.90

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

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

<u>Year Ending Dec 31,</u>	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
2021	\$ (606,866.00)	\$ (447,962.00)	\$ (1,054,828.00)
2022	(502,105.00)	(211,038.00)	(713,143.00)
2023	(268,322.00)	(66,165.00)	(334,487.00)
2024	(28,655.00)	(69,016.00)	(97,671.00)
2025	(5,001.00)	(65,304.00)	(70,305.00)
	<u>\$ (1,410,949.00)</u>	<u>\$ (859,485.00)</u>	<u>\$ (2,270,434.00)</u>

Actuarial Assumptions

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2020. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PERS</u>	<u>PFRS</u>
Inflation Rate:		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary Increases: ⁽¹⁾		
Through 2026	2.00% - 6.00%	
Thereafter	3.00% - 7.00%	
Through All Future Years		3.25% - 15.25%
Investment Rate of Return	7.00%	7.00%
Period of Actuarial Experience		
Study upon which Actuarial Assumptions were Based	July 1, 2014 - June 30, 2018	July 1, 2013 - June 30, 2018

⁽¹⁾ based on years of service

Note 8: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)****Public Employees' Retirement System**

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

Police and Firemen's Retirement System

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

For both PERS and PFRS, in accordance with State statute, the long-term expected rate of return on Plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS' and PFRS' target asset allocation as of June 30, 2020 are summarized in the table that follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-US Developed Markets Equity	13.50%	8.57%
Emerging Market Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	<u>3.00%</u>	3.40%
	<u>100.00%</u>	

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

Public Employees' Retirement System - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.21% as of the June 30, 2020 measurement date based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current member contribution rates and that contributions from employers would be based on 78% of the actuarially determined contributions for the State and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all projected benefit payments to determine the total pension liability.

Police and Firemen's Retirement System - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 2.21% as of June 30, 2020 measurement date based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current member contribution rates and that contributions from employers will be based on 78% of the actuarially determined contributions for the State and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all projected benefit payments to determine the total pension liability.

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

Public Employees' Retirement System (PERS) - The following presents the City's proportionate share of the net pension liability as of the June 30, 2020 measurement date, calculated using a discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	PERS		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's Proportionate Share of the Net Pension Liability	<u>\$ 4,681,151.00</u>	<u>\$ 3,718,643.00</u>	<u>\$ 2,901,928.00</u>

Note 8: PENSION PLANS (CONT'D)**Sensitivity of City's Proportionate Share of Net Pension Liability to Changes in the Discount Rate (Cont'd)**

Police and Firemen's Retirement System (PFRS) - As previously mentioned, PFRS has a special funding situation, where the State of New Jersey pays a portion of the City's annual required contribution. As such, the net pension liability as of the June 30, 2020 measurement date, for the City and the State of New Jersey, calculated using a discount rate of 7.00%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used, is as follows:

	PFRS		
	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
City's Proportionate Share of the Net Pension Liability	\$ 6,426,852.00	\$ 4,832,968.00	\$ 3,509,125.00
State of New Jersey's Proportionate Share of Net Pension Liability associated with the City	<u>997,418.00</u>	<u>750,055.00</u>	<u>544,600.00</u>
	<u>\$ 7,424,270.00</u>	<u>\$ 5,583,023.00</u>	<u>\$ 4,053,725.00</u>

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension (benefit) expense, information about the respective fiduciary net position of the PERS and PFRS and additions to/deductions from PERS and PFRS' respective fiduciary net position have been determined on the same basis as they are reported by PERS and PFRS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 8: PENSION PLANS (CONT'D)**Supplementary Pension Information**

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

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

	Measurement Date Ended June 30,			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's Proportion of the Net Pension Liability	0.0228034279%	0.0204740297%	0.0239763279%	0.0229690805%
City's Proportionate Share of the Net Pension Liability	\$ 3,718,643.00	\$ 3,689,110.00	\$ 4,720,819.00	\$ 5,346,835.00
City's Covered Payroll (Plan Measurement Period)	\$ 1,639,052.00	\$ 1,501,708.00	\$ 1,588,992.00	\$ 1,653,120.00
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	226.88%	245.66%	297.10%	323.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.32%	56.27%	53.60%	48.10%
	Measurement Date Ended June 30,			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's Proportion of the Net Pension Liability	0.0264465080%	0.0260340491%	0.0257785927%	0.0259466887%
City's Proportionate Share of the Net Pension Liability	\$ 7,832,697.00	\$ 5,844,122.00	\$ 4,826,458.00	\$ 4,958,928.00
City's Covered Payroll (Plan Measurement Period)	\$ 1,714,708.00	\$ 1,686,724.00	\$ 1,750,944.00	\$ 1,683,892.00
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	456.79%	346.48%	275.65%	294.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.93%	52.08%	48.72%

Note 8: PENSION PLANS (CONT'D)**Supplementary Pension Information (Cont'd)*****Schedule of the City's Contributions - Public Employees' Retirement System (PERS) (Last Eight Years)***

	<u>Year Ended December 31,</u>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's Contractually Required Contribution	\$ 249,458.00	\$ 199,152.00	\$ 238,487.00	\$ 212,784.00
City's Contribution in Relation to the Contractually Required Contribution	<u>(249,458.00)</u>	<u>(199,152.00)</u>	<u>(238,487.00)</u>	<u>(212,784.00)</u>
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll (Calendar Year)	\$ 1,632,186.00	\$ 1,575,556.00	\$ 1,462,438.00	\$ 1,600,625.00
City's Contributions as a Percentage of Covered Payroll	15.28%	12.64%	16.31%	13.29%
	<u>Year Ended December 31,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's Contractually Required Contribution	\$ 234,947.00	\$ 223,823.00	\$ 212,515.00	\$ 195,503.00
City's Contribution in Relation to the Contractually Required Contribution	<u>(234,947.00)</u>	<u>(223,823.00)</u>	<u>(212,515.00)</u>	<u>(195,503.00)</u>
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll (Calendar Year)	\$ 1,629,568.00	\$ 1,714,672.00	\$ 1,687,530.00	\$ 1,677,341.00
City's Contributions as a Percentage of Covered Payroll	14.42%	13.05%	12.59%	11.66%

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

	<u>Measurement Date Ended June 30,</u>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's Proportion of the Net Pension Liability	0.0374030524%	0.0384274753%	0.0382024261%	0.0342346532%
City's Proportionate Share of the Net Pension Liability	\$ 4,832,968.00	\$ 4,702,685.00	\$ 5,169,418.00	\$ 5,285,169.00
State's Proportionate Share of the Net Pension Liability associated with the City	<u>750,055.00</u>	<u>742,563.00</u>	<u>702,180.00</u>	<u>591,983.00</u>
Total	<u>\$ 5,583,023.00</u>	<u>\$ 5,445,248.00</u>	<u>\$ 5,871,598.00</u>	<u>\$ 5,877,152.00</u>
City's Covered Payroll (Plan Measurement Period)	\$ 1,290,588.00	\$ 1,302,428.00	\$ 1,267,388.00	\$ 1,162,916.00
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	374.48%	361.07%	407.88%	454.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.52%	65.00%	62.48%	58.60%
	<u>Measurement Date Ended June 30,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's Proportion of the Net Pension Liability	0.0338269678%	0.0403136692%	0.0452469726%	0.0489470796%
City's Proportionate Share of the Net Pension Liability	\$ 6,461,816.00	\$ 6,714,852.00	\$ 5,691,649.00	\$ 6,507,073.00
State's Proportionate Share of the Net Pension Liability associated with the City	<u>542,632.00</u>	<u>588,870.00</u>	<u>612,895.00</u>	<u>606,538.00</u>
Total	<u>\$ 7,004,448.00</u>	<u>\$ 7,303,722.00</u>	<u>\$ 6,304,544.00</u>	<u>\$ 7,113,611.00</u>
City's Covered Payroll (Plan Measurement Period)	\$ 1,104,788.00	\$ 1,274,744.00	\$ 1,513,080.00	\$ 1,519,788.00
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	584.89%	526.76%	376.16%	428.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.01%	56.31%	62.41%	58.70%

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

	<u>Year Ended December 31,</u>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's Contractually Required Contribution	\$ 417,856.00	\$ 388,160.00	\$ 373,485.00	\$ 302,983.00
City's Contribution in Relation to the Contractually Required Contribution	<u>(417,856.00)</u>	<u>(388,160.00)</u>	<u>(373,485.00)</u>	<u>(302,983.00)</u>
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll (Calendar Year)	\$ 1,340,761.00	\$ 1,331,089.00	\$ 1,317,810.00	\$ 1,261,680.00
City's Contributions as a Percentage of Covered Payroll	31.17%	29.16%	28.34%	24.01%
	<u>Year Ended December 31,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's Contractually Required Contribution	\$ 275,805.00	\$ 327,690.00	\$ 347,528.00	\$ 357,107.00
City's Contribution in Relation to the Contractually Required Contribution	<u>(275,805.00)</u>	<u>(327,690.00)</u>	<u>(347,528.00)</u>	<u>(357,107.00)</u>
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll (Calendar Year)	\$ 1,185,130.00	\$ 1,115,123.00	\$ 1,304,666.00	\$ 1,432,978.00
City's Contributions as a Percentage of Covered Payroll	23.27%	29.39%	26.64%	24.92%

Note 8: PENSION PLANS (CONT'D)**Supplementary Pension Information (Cont'd)****Other Notes to Supplementary Pension Information*****Public Employees' Retirement System (PERS)*****Changes in Benefit Terms**

The June 30, 2020 measurement date included two changes to the plan provisions. Chapter 157, P.L. 2019 expanded the definition of regular or assigned duties for purposes of accidental disability. The Division of Pension and Benefits (DPB) also adopted a new policy regarding the crediting of interest on member contributions for the purpose of refund of accumulated deductions.

Changes in Assumptions

The discount rate used as of June 30 measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2020	7.00%	2016	3.98%
2019	6.28%	2015	4.90%
2018	5.66%	2014	5.39%
2017	5.00%		

The long-term expected rate of return used as of June 30 measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2020	7.00%	2016	7.65%
2019	7.00%	2015	7.90%
2018	7.00%	2014	7.90%
2017	7.00%		

The mortality assumption was updated upon direction from the DPB.

Police and Firemen's Retirement System (PFRS)**Changes in Benefit Terms**

None

Changes in Assumptions

The discount rate used as of June 30 measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2020	7.00%	2016	5.55%
2019	6.85%	2015	5.79%
2018	6.51%	2014	6.32%
2017	6.14%		

Note 8: PENSION PLANS (CONT'D)**Supplementary Pension Information (Cont'd)****Other Notes to Supplementary Pension Information (Cont'd)*****Police and Firemen's Retirement System (PFRS) (Cont'd)*****Changes in Assumptions (Cont'd)**

The long-term expected rate of return used as of June 30 measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2020	7.00%	2016	7.65%
2019	7.00%	2015	7.90%
2018	7.00%	2014	7.90%
2017	7.00%		

The mortality assumption was updated upon direction from the DPB.

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In May of 2021, the New Jersey Division of Local Government Services issued Local Finance Notice 2021-10 which allows local units to disclose the most recently available information as it relates to the New Jersey Division of Pension's reporting on GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. As of the date of this report, the information for the measurement period ended June 30, 2020 was not available; therefore, the information from the measurement period June 30, 2019 is disclosed below.

General Information about the OPEB Plan

Plan Description and Benefits Provided - The City contributes to the State Health Benefits Local Government Retired Employees Plan (the "Plan"), which is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**General Information about the OPEB Plan (Cont'd)**

Plan Description and Benefits Provided (Cont'd) - The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Contributions - The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members.

The City was billed monthly by the Plan and paid \$457,665.59, for the year ended December 31, 2019, representing 15.75% of the City's covered payroll. During the year ended December 31, 2019, retirees were not required to contribute to the Plan.

Special Funding Situation Component - The State of New Jersey makes contributions to cover those employees eligible under Chapter 330, P.L. 1997, as disclosed below. Local employers remit employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis. Partially funded benefits are also available to local police officers and firefighters who retire with 25 years of service or on disability from an employer who does not provide coverage under the provisions of Chapter 330, P.L. 1997. Upon retirement, these individuals must enroll in the OPEB plan.

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**Contributions (Cont'd)**

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80% of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the Plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer.

The amount of actual contributions to the OPEB Plan made by the State, on-behalf of the City, is not known, however, under the Special Funding Situation, the State's OPEB (benefit) expense, on-behalf of the City, is \$36,853.00 for the year ended December 31, 2019 representing 1.27% of the City's covered payroll.

OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

OPEB Liability - At December 31, 2019 the City's and State's proportionate share of the net OPEB liability were as follows:

City's Proportionate Share of Net OPEB Liability	\$ 8,721,367.00
State of New Jersey's Proportionate Share of Net OPEB Liability Associated with the City	<u>2,780,265.00</u>
	<u>\$ 11,501,632.00</u>

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019.

The City's proportion of the net OPEB liability was based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2018 through June 30, 2019. For the June 30, 2019 measurement date, the City's proportion was .064383% which was a decrease of .000312% from its proportion measured as of the June 30, 2018 measurement date.

The State's proportion of the net OPEB liability, on-behalf of the City was based on the ratio of the plan members of an individual employer to the total members of the Plan's special funding situation during the measurement period July 1, 2018 through June 30, 2019. For the June 30, 2019 measurement date, the State's proportion on-behalf of the City was .050315% which was a decrease of .002472% from its proportion measured as of the June 30, 2018 measurement date.

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

OPEB (Benefit) Expense - At December 31, 2019, the City's proportionate share of the OPEB (benefit) expense, calculated by the Plan as of the June 30, 2019 measurement date is (\$164,430.00). This (benefit) expense is not recognized by the City because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2019, the City made contributions to the Plan totaling \$457,665.59.

At December 31, 2019, the State's proportionate share of the OPEB (benefit) expense, associated with the City, calculated by the Plan as of the June 30, 2019 measurement date is \$36,853.00. This on-behalf (benefit) expense is not recognized by the City because of the regulatory basis of accounting as described in note 1.

Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2019, the City had deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ -	\$ 2,550,468.00
Changes of Assumptions	-	3,090,658.00
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	7,184.00	-
Changes in Proportion and Differences between City Contributions and Proportionate Share of Contributions	-	469,629.00
City Contributions Subsequent to the Measurement Date	<u>266,895.33</u>	<u>-</u>
	<u>\$ 274,079.33</u>	<u>\$ 6,110,755.00</u>

\$266,895.33 reported as deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be included as a reduction of the City's net OPEB liability during the year ending December 31, 2020.

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience		
June 30, 2017	-	-
June 30, 2018	-	8.14
June 30, 2019	-	8.05
Changes of Assumptions		
Year of OPEB Plan Deferral:		
June 30, 2017	-	8.04
June 30, 2018	-	8.14
June 30, 2019	-	8.05
Net Difference between Projected and Actual Earnings on OPEB Plan Investments		
Year of OPEB Plan Deferral:		
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
Changes in Proportion and Differences between City Contributions and Proportionate Share of Contributions		
Year of OPEB Plan Deferral:		
June 30, 2017	8.04	8.04
June 30, 2018	8.14	8.14
June 30, 2019	8.05	8.05

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

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

Year Ending Dec. 31,	
2020	\$ (1,000,728.00)
2021	(1,000,728.00)
2022	(1,001,292.00)
2023	(1,002,202.00)
2024	(1,003,034.00)
Thereafter	<u>(1,095,587.00)</u>
	<u>\$ (6,103,571.00)</u>

Actuarial Assumptions

The actuarial assumptions vary for each plan member depending on the pension plan in which the member is enrolled. The actuarial valuation at June 30, 2019 used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate 2.50%

Salary Increases *

PERS:

Initial Fiscal Year Applied:

Rate Through 2026 2.00% to 6.00%Rate Thereafter 3.00% to 7.00%

PFRS:

Rate for all Years 3.25% to 15.25%

* Salary Increases are Based on Years of Service
Within the Respective Plan

PERS mortality rates were based on Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019.

PFRS mortality rates were based on Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019.

Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

100% of active members are considered to participate in the Plan upon retirement.

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**Actuarial Assumptions (Cont'd)**

All of the Plan's investments are in the State of New Jersey Cash Management Fund ("CMF"). The New Jersey Division of Investments manages the CMF, which is available on a voluntary basis for investment by State and certain non-State participants. The CMF is considered to be an investment trust fund as defined in GASB Statement No. 31, *Certain Investments and External Investment Pools*. The CMF invests in U.S. Government and Agency Obligations, Commercial Paper, Corporate Obligations and Certificates of Deposit. Units of ownership in the CMF may be purchased or redeemed on any given business day (excluding State holidays) at the unit cost of value of \$1.00. Participant shares are valued on a fair value basis. The CMF pays interest to participants on a monthly basis.

Discount Rate - The discount rate used to measure the OPEB Liability at June 30, 2019 was 3.50%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Health Care Trend Assumptions - For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

Sensitivity of the net OPEB Liability to Changes in the Discount Rate

As previously mentioned, the OPEB Plan has a special funding situation where the State of New Jersey pays a portion of the City's contributions for certain eligible employees. As such, the proportionate share of the net OPEB liability as of June 30, 2019, the Plan's measurement date, for the City and the State of New Jersey, calculated using a discount rate of 3.50%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used, is as follows:

	1% Decrease <u>(2.50%)</u>	Current Discount Rate <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
City's Proportionate Share of the Net OPEB Liability	\$ 10,084,119.00	\$ 8,721,367.00	\$ 7,613,951.00
State of New Jersey's Proportionate Share of the Net OPEB Liability Associated with the City	<u>3,214,694.00</u>	<u>2,780,265.00</u>	<u>2,427,234.00</u>
	<u>\$ 13,298,813.00</u>	<u>\$ 11,501,632.00</u>	<u>\$ 10,041,185.00</u>

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**Sensitivity of the net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The City's and State's proportionate share of the net OPEB Liability as of June 30, 2019, the Plan's measurement date, using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used, is as follows:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
City's Proportionate Share of the Net OPEB Liability	\$ 7,359,759.00	\$ 8,721,367.00	\$ 10,458,327.00
State of New Jersey's Proportionate Share of the Net OPEB Liability Associated with the City	<u>2,346,201.00</u>	<u>2,780,265.00</u>	<u>3,333,987.00</u>
	<u>\$ 9,705,960.00</u>	<u>\$ 11,501,632.00</u>	<u>\$ 13,792,314.00</u>

OPEB Plan Fiduciary Net Position

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB (benefit) expense, information about the respective fiduciary net position of the State Health Benefits Local Government Retired Employees Plan and additions to/deductions from the Plan's respective fiduciary net position have been determined on the same basis as they are reported by the Plan. Accordingly, contributions (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about the Plan, please refer to the Plan's Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Supplementary OPEB Information

In accordance with GASBS No. 75, the following information is also presented for the State Health Benefits Local Government Retired Employees Plan. These schedules are presented to illustrate the requirements to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

Schedule of the City's Proportionate Share of the net OPEB Liability (Last Three Plan Years)

	<u>Measurement Date Ended June 30,</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's Proportion of the Net OPEB Liability	0.064383%	0.064695%	0.065766%
City's Proportionate Share of the Net OPEB Liability	\$ 8,721,367.00	\$ 10,135,519.00	\$ 13,426,648.00
State's Proportionate Share of the Net OPEB Liability Associated with the City	<u>2,780,265.00</u>	<u>3,280,102.00</u>	<u>4,685,871.00</u>
Total	<u>\$ 11,501,632.00</u>	<u>\$ 13,415,621.00</u>	<u>\$ 18,112,519.00</u>
City's Covered Payroll (Plan Measurement Period)	\$ 2,807,929.00	\$ 2,862,383.00	\$ 2,817,355.00
City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	310.60%	354.09%	476.57%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.98%	1.97%	1.03%

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)***Schedule of the City's Contributions (Last Three Years)***

	<u>Year Ended December 31,</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's Required Contributions	\$ 457,665.59	\$ 690,513.21	\$ 675,634.28
City's Contributions in Relation to the Required Contribution	<u>(457,665.59)</u>	<u>(690,513.21)</u>	<u>(675,634.28)</u>
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll (Calendar Year)	\$ 2,906,645.00	\$ 2,780,248.00	\$ 2,862,305.00
City's Contributions as a Percentage of Covered Payroll	15.75%	24.84%	23.60%

Other Notes to Supplementary OPEB Information**Changes in Benefit Terms**

In 2019, there were slight changes to the Chapter 48 provisions.

Changes in Assumptions

In 2019, the discount rate changed to 3.50% from 3.87%, and there were changes in the assumed health care cost trend, PPO/HMO future retiree elections, and excise tax assumptions. Further, decrements, salary scale, and mortality assumptions were updated based on the July 1, 2013 - June 30, 2018 PFRS and July 1, 2014 - June 30, 2018 PERS experience studies. For mortality related to PFRS members and retirees, the Pub-2010 "Safety" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019 was used. For mortality related to PERS members and retirees, the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019 was used.

In 2018, the discount rate changed to 3.87% from 3.58%, there were changes in the census, claims and premiums experience and a decrease in the assumed health care cost trend and excise tax assumptions.

In 2017, the discount rate changed to 3.58% from 2.85%.

Note 10: COMPENSATED ABSENCES

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

Under existing policies of the City, upon retirement employees will receive one-half of the accumulated unused sick leave to a maximum of \$15,000.00. Unused accumulated vacation is paid for at straight time.

The City has established a Compensated Absences Trust Fund to set aside funds for future payments of compensated absences. At December 31, 2020 the balance of the fund was \$33,350.27. It is estimated that, at December 31, 2020, accrued benefits for compensated absences are valued at \$429,263.30.

Note 11: SANITARY LANDFILL ESCROW CLOSURE FUND

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

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

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

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 250,000.00	\$ 51,497.94	\$ 301,497.94
2022	250,000.00	44,020.22	294,020.22
2023	250,000.00	35,216.18	285,216.18
2024	250,000.00	25,154.41	275,154.41
2025	250,000.00	15,092.65	265,092.65
2026	250,000.00	5,030.88	255,030.88
	<u>\$ 1,500,000.00</u>	<u>\$ 176,012.28</u>	<u>\$ 1,676,012.28</u>

Note 12: CAPITAL DEBT (CONT'D)**Water/Sewer Debt - Serial Bonds**

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 20,000.00	\$ 4,802.06	\$ 24,802.06
2022	25,000.00	4,104.78	29,104.78
2023	25,000.00	3,283.82	28,283.82
2024	25,000.00	2,345.59	27,345.59
2025	25,000.00	1,407.35	26,407.35
2026	25,000.00	469.12	25,469.12
	<u>\$ 145,000.00</u>	<u>\$ 16,412.72</u>	<u>\$ 161,412.72</u>

Water/Sewer Debt – Wastewater Improvement Bonds

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 168,656.64	\$ 118,145.36	\$ 286,802.00
2022	177,196.73	109,605.27	286,802.00
2023	186,169.26	100,632.74	286,802.00
2024	195,596.12	91,205.88	286,802.00
2025	205,500.32	81,301.68	286,802.00
2026-2030	1,194,533.65	239,476.35	1,434,010.00
2031	276,392.40	10,409.61	286,802.01
	<u>\$ 2,404,045.12</u>	<u>\$ 750,776.89</u>	<u>\$ 3,154,822.01</u>

Note 12: CAPITAL DEBT (CONT'D)**Water/Sewer Debt – USDA Loan**

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 15,764.58	\$ 28,831.42	\$ 44,596.00
2022	16,441.70	28,154.30	44,596.00
2023	17,147.90	27,448.10	44,596.00
2024	17,884.42	26,711.58	44,596.00
2025	18,652.58	25,943.42	44,596.00
2026-2030	105,991.07	116,988.93	222,980.00
2031-2035	130,794.66	92,185.34	222,980.00
2036-2040	161,402.66	61,577.34	222,980.00
2041-2045	198,206.37	23,806.63	222,013.00
	<u>\$ 682,285.94</u>	<u>\$ 431,647.06</u>	<u>\$ 1,113,933.00</u>

Water/Sewer Debt - New Jersey Environmental Infrastructure Loans

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 375,835.52	\$ 77,745.00	\$ 453,580.52
2022	377,835.52	71,225.00	449,060.52
2023	386,835.52	64,625.00	451,460.52
2024	391,835.52	57,665.00	449,500.52
2025	400,835.52	50,505.00	451,340.52
2026-2029	1,631,619.19	123,700.00	1,755,319.19
	<u>\$ 3,564,796.79</u>	<u>\$ 445,465.00</u>	<u>\$ 4,010,261.79</u>

Note 12: CAPITAL DEBT (CONT'D)**Water/Sewer Debt – State of NJ Dam Restoration Loan**

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 32,869.41	\$ 6,642.85	\$ 39,512.26
2022	33,530.10	5,982.18	39,512.28
2023	34,204.05	5,308.23	39,512.28
2024	34,891.55	4,620.73	39,512.28
2025	35,592.88	3,919.40	39,512.28
2026-2030	169,231.42	8,573.82	177,805.24
	<u>\$ 340,319.41</u>	<u>\$ 35,047.21</u>	<u>\$ 375,366.62</u>

General Debt – State of NJ Demolition Loan

The City entered into an interest free loan agreement for a \$246,264.80 from the State of NJ Demolition Loan Program. The proceeds were used for Ordinance 16-12 Demolition of Unsafe Buildings & Structures with the City. The final maturity of the loan is October 13, 2037.

The following schedule represents the remaining debt service, through maturity, for the water/sewer State of NJ Demolition Loan:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 12,500.00	\$ -	\$ 12,500.00
2022	12,500.00	-	12,500.00
2023	12,500.00	-	12,500.00
2024	12,500.00	-	12,500.00
2025	12,500.00	-	12,500.00
2026-2030	62,500.00	-	62,500.00
2031-2035	62,500.00	-	62,500.00
2036-2037	21,264.80	-	21,264.80
	<u>\$ 208,764.80</u>	<u>\$ -</u>	<u>\$ 208,764.80</u>

Note 12: CAPITAL DEBT (CONT'D)

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 1,708,764.80	\$ 1,996,264.80	\$ 1,995,000.00
Water/Sewer Utility:			
Bonds, Loans and Notes	7,386,447.26	7,982,148.03	8,310,854.69
Total Issued	<u>9,095,212.06</u>	<u>9,978,412.83</u>	<u>10,305,854.69</u>
<u>Authorized but not Issued</u>			
General:			
Bonds, Loans and Notes	66,439.77	66,439.77	321,199.27
Water/Sewer Utility:			
Notes	3,987,486.85	3,987,486.85	4,237,486.85
Total Authorized but not Issued	<u>4,053,926.62</u>	<u>4,053,926.62</u>	<u>4,558,686.12</u>
Total Issued and Authorized but not Issued	<u>13,149,138.68</u>	<u>14,032,339.45</u>	<u>14,864,540.81</u>
<u>Deductions</u>			
General:			
Reserve for Payment of Bonds	312,192.20	362,192.20	400,192.20
Water/Sewer Utility:			
Reserve for Payment of Bonds	3,750,000.00	100,000.00	-
Water/Sewer Utility:			
Self-Liquidating	7,623,934.11	4,828,529.28	11,402,372.54
Total Deductions	<u>11,686,126.31</u>	<u>5,290,721.48</u>	<u>11,802,564.74</u>
Net Debt	<u>\$ 1,463,012.37</u>	<u>\$ 8,741,617.97</u>	<u>\$ 3,061,976.07</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the annual debt statement and indicated a statutory net debt of 1.081%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Purposes	\$ 980,000.00	\$ 980,000.00	
Self-Liquidating	11,373,934.11	11,373,934.11	
Guaranteed Bonds	18,100,000.00	18,100,000.00	
General	1,775,204.57	312,192.20	\$ 1,463,012.37
	<u>\$ 32,229,138.68</u>	<u>\$ 30,766,126.31</u>	<u>\$ 1,463,012.37</u>

Net debt \$1,463,012.37 divided by the equalized valuation basis per N.J.S.A.40A:2-2, as amended, \$135,366,671.67, equals 1.081%.

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$	4,737,833.51
Less: Net Debt		<u>1,463,012.37</u>
Remaining Borrowing Power	\$	<u><u>3,274,821.14</u></u>

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

Cash Receipts from Fees, Rents, Fund Balance Anticipated, Interest and Other Investment Income, and Other Charges for the Year	\$	3,261,476.45
Deductions:		
Operating and Maintenance Costs	\$	2,507,945.78
Debt Service		<u>832,446.12</u>
Total Deductions		<u>3,340,391.90</u>
Excess/(Deficit) in Revenue	\$	<u>(78,915.45)</u>
Total Debt Service	\$	<u>832,446.12</u>
Deficit in Revenue	\$	<u>78,915.45</u>
Smaller of Debt Service and Deficit in Revenue	\$	<u>78,915.45</u>
Smaller of Debt Service and Deficit in Revenue x 20	\$	<u>78,915.45</u> <u>20</u>
Capitalized Amount	\$	<u><u>1,578,309.00</u></u>
Cash Held to Pay Bonds and Notes	\$	<u><u>3,750,000.00</u></u>

Note 13: SCHOOL TAXES

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

	<u>Balance December 31,</u>	
	<u>2020</u>	<u>2019</u>
Balance of Tax	\$ 1,293,937.46	\$ 1,272,088.66
Deferred	<u>1,232,229.00</u>	<u>1,232,229.00</u>
	<u>\$ 61,708.46</u>	<u>\$ 39,859.66</u>

Note 14: RISK MANAGEMENT

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

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

New Jersey Unemployment Compensation Insurance - The City has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the City is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The City is billed quarterly for amounts due to the State.

The following is a summary of City contributions, reimbursements to the State for benefits paid and the ending balance of the City's trust fund for the current and previous two years:

<u>Year</u>	<u>City Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2020	\$ 3,945.48	\$ 5,696.44	\$ 3,945.48	\$ 71,596.50
2019	9,860.33	5,944.53	9,860.33	65,900.06
2018	479.14	5,670.44	11,434.38	59,955.53

Note 15: CONCENTRATIONS

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

Note 16: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2020, the following deferred charges are shown on the statement of assets, liabilities, reserves and fund balance of the following fund(s):

<u>Description</u>	<u>Balance December 31, 2020</u>	<u>2021 Budget Appropriation</u>
Current Fund:		
Special Emergency - Revaluation	\$ 64,000.00	\$ 64,000.00
Animal Control Fund:		
Deficit Reserve for Expenditures	9,767.37	9,674.37
Utility Operating Fund		
Overexpenditure of Appropriation Reserves	15,182.78	15,182.78

The appropriations in the 2021 Budget are not less than that required by the statutes.

Note 17: TAX ABATEMENTS

The City has entered into various property tax abatement agreements with developers under the Long Term Tax Exemption Law N.J.S.A. 40A:20-1. Under this law, municipalities may grant property tax abatements for the clearance, replanning, development, and redevelopment of blighted areas. For the year ended December 31, 2020, the City abated approximately \$191,184.32 in property taxes.

Note 18: CONTINGENCIES

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

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

Tax Appeals - As of December 31, 2020, several tax appeals were on file against the City. If such appeals are not settled in favor of the City, the estimated impact of the tax refunds could be material.

Note 19: 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, 2020, \$18,100,000.00 in bonds covered by this agreement was outstanding.

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

<u>Date</u>	<u>Withdraw Amount</u>
02-15-09	\$ 488,348.04
08-15-09	127,211.89
02-15-10	54,595.35
08-15-10	158,893.04
02-15-11	102,437.23
08-15-11	142,003.53
02-15-12 through 08-15-20	None
	<u>\$ 1,073,489.08</u>

The December 31, 2020 Balance in the Stand Up For Salem, Inc.'s Debt Service Reserve fund was approximately \$802,000.00

Since 2012, the City of Salem's Annual Budgets included a budget appropriation to cover any deficit instead of requiring Stand Up For Salem, Inc. to make a withdraw from the Debt Service Reserve Fund. Any unspent budget appropriations are reserved for future year deficits.

<u>Year</u>	<u>City Budget Appropriation (Net)</u>	<u>Paid</u>	<u>Accumulated Reserve 12/31</u>
2012	\$ 135,000.00	\$ (80,487.00)	\$ 54,513.00
2013	125,000.00	(50,000.00)	129,513.00
2014	105,000.00	(50,000.00)	184,513.00
2015	70,000.00	(50,000.00)	204,513.00
2016	70,000.00	(50,000.00)	224,513.00
2017	63,682.00	(100,000.00)	188,195.00
2018	90,000.00	(100,000.00)	178,195.00
2019	150,000.00	(150,000.00)	178,195.00
2020	125,000.00	(285,000.00)	18,195.00

Note 20: SUBSEQUENT EVENTS

On July 29, 2021, the Salem County Improvement Authority issued refunding bonds on the \$18,100,000.00 in Finlaw Building Project Bonds that were outstanding and guaranteed by the City. The refunding will result in \$6,110,968.86 of savings compared to the previous debt service. The refunding bonds final maturity is August 15, 2048.

COVID-19 - On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for calendar year 2021.

SUPPLEMENTAL EXHIBITS
CURRENT FUND

CITY OF SALEM
CURRENT FUND
Statement of Cash
For the Year Ended December 31, 2020

Balance December 31, 2019			\$ 3,078,643.72
Increased by Receipts:			
Taxes Receivable	\$ 7,172,087.57		
Received by Utility Operating Fund	<u>(69,787.85)</u>		
		\$ 7,102,299.72	
Tax Title Liens		141,490.28	
Prepaid Taxes		184,939.77	
Tax Overpayments		130,983.91	
Due State of New Jersey Senior Citizens' & Veterans' Deductions		25,500.00	
Miscellaneous Revenue Anticipated		3,650,339.33	
Miscellaneous Revenue Not Anticipated		363,553.83	
Due Federal and State Grant Fund - Received for		293,419.01	
Due Trust -- Other Fund (Small Cities Grant)		20,000.00	
Due Trust -- Other Fund (POAA)		18.00	
Due Utility Operating Fund - Received for		51,335.49	
Due Utility Operating Fund - Received from		79,447.56	
Due Utility Capital Fund - Received for		3,750,000.00	
Due Utility Capital Fund - Received from		128,339.77	
Reserve for Finlaw Building Bond Refinancing		<u>2,500,000.00</u>	
			<u>18,421,666.67</u>
			21,500,310.39
Decreased by Disbursements:			
Appropriations		6,303,717.00	
Appropriation Reserves		545,878.51	
County Taxes		1,711,477.34	
Local School Taxes		2,565,923.20	
Prepaid Debt Service		26,125.00	
Due Federal and State Grant Fund - Disbursed for		48,108.08	
Due Trust -- Animal Control Fund - Disbursed for		3,556.04	
Due General Capital Fund - Disbursed to		49,500.00	
Due General Capital Fund - Disbursed for		41,000.00	
Due Utility Operating Fund - Disbursed for		30,992.94	
Due Utility Operating Fund - Disbursed to	\$ 194,423.88		
Due Utility Operating Fund - Disbursed to	100,000.00		
Due Utility Operating Fund - Disbursed to	<u>504,283.13</u>		
		798,707.01	
Due Utility Capital Fund - Disbursed to		70,000.00	
Due Utility Capital Fund - Disbursed for (Reserve for Appropriated Grant)		643,745.55	
Due Utility Capital Fund - Disbursed for (Improvement Authorization)		199,809.29	
Reserve for Revaluation		30,760.00	
Refund of Prior Year Revenue		<u>6,299.11</u>	
			<u>13,075,599.07</u>
Balance December 31, 2020			<u>\$ 8,424,711.32</u>

CITY OF SALEM
CURRENT FUND
Statement of Taxes Receivable and Analysis of Property Tax Levy
For the Year Ended December 31, 2020

	Balance Dec. 31, 2019	Levy	Added / Omitted Taxes	Collected		Due from State of New Jersey	Applied Overpayments	Adjustments and Canceled	Transferred to Liens	Balance Dec. 31, 2020
				2019	2020					
Arrears	\$ 148,303.55									\$ 148,303.55
2011-2018	302,148.06				\$ 7,344.25					294,803.81
2019	688,196.04				596,360.66			\$ 688.64		91,146.74
2020		\$ 8,898,378.40	\$ -	\$ 120,836.48	6,568,382.66	\$ 25,500.00	\$ 15,172.09	91,288.41	\$ 839,743.70	1,237,455.06
	<u>\$ 1,138,647.65</u>	<u>\$ 8,898,378.40</u>	<u>\$ -</u>	<u>\$ 120,836.48</u>	<u>\$ 7,172,087.57</u>	<u>\$ 25,500.00</u>	<u>\$ 15,172.09</u>	<u>\$ 91,977.05</u>	<u>\$ 839,743.70</u>	<u>\$ 1,771,709.16</u>

Analysis of Property Tax Levy

Tax Yield:

General Purpose

\$ 8,898,378.40

Added / Omitted Taxes

-

\$ 8,898,378.40

Tax Levy:

Local District School Tax

\$ 2,571,489.00

County Taxes:

County Tax

\$ 1,683,228.33

County Open Space Tax

28,249.01

Due County for Added / Omitted Taxes

-

1,711,477.34

Local Tax for Municipal Purposes

4,569,544.70

Library Tax

45,361.66

Added / Omitted Taxes

-

Add: Additional Tax Levied - Rounding

505.70

4,615,412.06

\$ 8,898,378.40

CITY OF SALEM
CURRENT FUND
Statement of Tax Title Liens
For the Year Ended December 31, 2020

Balance December 31, 2019		\$ 4,486,468.78
Increased by:		
Transfers from Taxes Receivable	\$ 839,743.70	
Interest and Costs - Tax Sale / Adjustments	<u>20,513.37</u>	
		<u>860,257.07</u>
		5,346,725.85
Decreased by:		
Cash Receipts		<u>141,490.28</u>
Balance December 31, 2020		<u><u>\$ 5,205,235.57</u></u>

Exhibit SA-4

CURRENT FUND
Statement of Prepaid Taxes
For the Year Ended December 31, 2020

Balance December 31, 2019		\$ 120,836.48
Increased by:		
Collections -- 2021 Taxes		<u>184,939.77</u>
		305,776.25
Decreased by:		
Applied to 2020 Taxes Receivable		<u>120,836.48</u>
Balance December 31, 2020		<u><u>\$ 184,939.77</u></u>

Exhibit SA-5

CURRENT FUND
Statement of Prepaid Debt Service
For the Year Ended December 31, 2020

Balance December 31, 2019		\$ 304,225.00
Increased by:		
Cash Disbursements		<u>26,125.00</u>
Balance December 31, 2020		<u><u>\$ 330,350.00</u></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, 2020

Balance December 31, 2019			\$ 2,869.33
Increased by:			
Cash Received	\$ 25,500.00		
Prior Year Senior Citizens' and Veterans' Deductions			
Disallowed by Tax Collector		-	
			<u>25,500.00</u>
			28,369.33
Decreased by:			
2020 Levy -- Deductions per Tax Billing	\$ 30,000.00		
2020 Senior Citizens' and Veterans' Deductions			
Granted by Tax Collector		-	
			30,000.00
2020 Senior Citizens' and Veterans' Deductions			
Disallowed by Tax Collector		(4,500.00)	
			<u>25,500.00</u>
Balance December 31, 2020			<u><u>\$ 2,869.33</u></u>

CITY OF SALEM
CURRENT FUND
Statement of Revenue Accounts Receivable
For the Year Ended December 31, 2020

<u>Miscellaneous Revenues</u>	<u>Accrued</u>	<u>Collected</u>	<u>Applied</u>
Fines and Costs - Municipal Court	\$ 25,899.66	\$ 25,899.66	
Interest and Costs on Taxes	126,391.15	126,391.15	
Street Opening Permits	4,750.00	4,750.00	
Transitional Aid	1,500,000.00	1,500,000.00	
Consolidated Municipal Property Tax Relief Aid	176,580.00	176,580.00	
Energy Receipts Tax	1,219,359.00	1,219,359.00	
Garbage and Trash - Pick up Stickers	104,772.00	104,772.00	
Grants	599,315.22		\$ 599,315.22
Cable TV Franchise Fee	48,575.15	48,575.15	
PILOT (Whispering Waters)	394,788.00	394,788.00	
PILOT (Senior Village)	18,000.00	18,000.00	
South Jersey Port Agreement	31,224.37	31,224.37	
Reserve for Payment of Debt	50,000.00		50,000.00
Reserve for Payment of Guaranteed Debt	160,000.00		160,000.00
Total Miscellaneous Revenue	<u>\$ 4,459,654.55</u>	<u>\$ 3,650,339.33</u>	<u>\$ 809,315.22</u>

CITY OF SALEM
CURRENT FUND
Statement of Appropriation Reserves
For the Year Ended December 31, 2020

	<u>Balance December 31, 2019</u>		<u>Balance</u>		<u>Lapsed to</u>
	<u>Encumbered</u>	<u>Reserved</u>	<u>After</u>	<u>Disbursed</u>	<u>Fund Balance</u>
			<u>Modification</u>		
<u>OPERATIONS -- WITHIN "CAPS"</u>					
<u>General Government Functions</u>					
General Administration					
Other Expenses		\$ 1,896.12	\$ 1,896.12	\$ 1,846.63	\$ 49.49
Mayor and Council					
Other Expenses	\$ 4,615.82	1,039.53	5,655.35	5,557.17	98.18
Municipal Clerk					
Other Expenses	1,210.53		1,210.53	883.32	327.21
Financial Administration (Treasury)					
Other Expenses	1,604.74		1,604.74	1,604.74	
Revenue Administration (Tax Collection)					
Other Expenses	1,174.68	222.94	1,397.62	736.05	661.57
Tax Assessment Administration (Tax Assessor)					
Other Expenses	1,555.00	64.99	1,619.99	1,555.00	64.99
Legal Services (Legal Dept.)					
Other Expenses	1,750.99	21,574.43	23,325.42	22,458.17	867.25
In Rem Foreclosures	185.00		185.00	185.00	
Engineering Services					
Other Expenses		3,000.00	3,000.00	1,610.00	1,390.00
<u>Land Use Administration</u>					
Planning Board					
Other Expenses		237.30	237.30		237.30
<u>Insurance</u>					
General Liability		104,807.75	104,807.75	104,807.75	
Workers Compensation		44,049.75	44,049.75	44,049.75	
Employee Group Health	1,608.00	411,378.55	387,986.55	166,160.90	221,825.65
<u>Public Safety</u>					
Police					
Other Expenses	17,552.06	153.79	17,705.85	15,205.26	2,500.59
Aid to Volunteer Fire Companies	4,641.22	12,052.54	16,693.76	14,831.89	1,861.87
Aid to Volunteer Ambulance Companies	3,958.68	1,359.32	5,318.00	5,317.68	0.32
<u>Public Works</u>					
Streets and Road Maintenance					
Other Expenses	6,186.01	10,288.94	16,474.95	15,220.63	1,254.32
Street Cleaning					
Other Expenses	110.43	15.91	126.34		126.34
Public Buildings and Grounds					
Other Expenses	3,437.92		3,437.92	3,391.09	46.83
Vehicle Maintenance					
Other Expenses	2,325.09	2,388.28	4,713.37	2,968.54	1,744.83

(Continued)

CITY OF SALEM
CURRENT FUND
Statement of Appropriation Reserves
For the Year Ended December 31, 2020

	<u>Balance December 31, 2019</u>		<u>Balance</u>		<u>Lapsed to</u>
	<u>Encumbered</u>	<u>Reserved</u>	<u>After</u>	<u>Disbursed</u>	<u>Fund Balance</u>
			<u>Modification</u>		
<u>Health and Human Services</u>					
Public Health Services (Board of Health)					
Other Expenses		\$ 350.00	\$ 350.00		\$ 350.00
<u>Recreation</u>					
Maintenance of Parks					
Other Expenses	\$ 204.93	372.67	577.60	\$ 535.93	41.67
<u>Court and Public Defender</u>					
Municipal Court					
Other Expenses	6,954.02	497.99	7,452.01	6,757.02	694.99
Public Defender					
Other Expenses	803.10	92.80	895.90		895.90
<u>Utilities and Bulk Purchases</u>					
Street Lighting	2,144.84		2,144.84	1,988.92	155.92
Telephone	1,804.35		1,804.35	3.52	1,800.83
Heating Oil	3,132.92		3,132.92	3,132.92	
Gasoline	2,927.66	3,868.95	6,796.61	6,619.06	177.55
Natural Gas	2,019.32		2,019.32	2,019.32	
Electricity	1,141.51		1,141.51	86.15	1,055.36
<u>Recycling and Landfill</u>					
Landfill/Solid Waste Disposal Cost					
Salaries and Wages		2,400.00	2,400.00		2,400.00
Other Expenses	18,132.20	8,075.28	26,207.48	24,429.33	1,778.15
<u>State Uniform Construction Code</u>					
Housing Regulation					
Other Expenses	3,318.17	15,313.85	18,632.02	18,570.30	61.72
Demolition of Substandard Buildings		7,466.66	7,466.66	7,466.66	
<u>Statutory Expenditures</u>					
Social Security System (O.A.S.I.)		6,805.05	6,805.05	6,805.05	
Unemployment and Disability Insurance		865.92	865.92	74.76	791.16
<u>OPERATIONS -- EXCLUDED FROM "CAPS"</u>					
Maintenance of Free Public Library	1,412.50	32,587.50	34,000.00	34,000.00	
Demolition Loan			25,000.00	25,000.00	
Garbage and Trash Collections Other Expenses		62.86	62.86		62.86
	<u>\$ 95,911.69</u>	<u>\$ 693,289.67</u>	<u>\$ 789,201.36</u>	<u>\$ 545,878.51</u>	<u>\$ 243,322.85</u>

CITY OF SALEM
CURRENT FUND
Statement of Due County Taxes
For the Year Ended December 31, 2020

Balance December 31, 2019		\$	-
Increased by:			
County General Share of Levy	\$ 1,683,228.33		
County Open Space Preservation Share of Levy	28,249.01		
County for Added / Omitted Taxes	<u>-</u>		
			<u>1,711,477.34</u>
			1,711,477.34
Decreased by:			
Cash Disbursements			<u>1,711,477.34</u>
Balance December 31, 2020		\$	<u><u>-</u></u>

CITY OF SALEM
CURRENT FUND
Statement of Local District School Tax
For the Year Ended December 31, 2020

Balance December 31, 2019		
School Tax Payable	\$ 39,859.66	
School Tax Deferred	<u>1,232,229.00</u>	\$ 1,272,088.66
Increased by:		
Levy -- School Year July 1, 2020 to June 30, 2021	2,571,489.00	
2020 Budget Appropriation Transferred to Board of Education for Use of Local School (N.J.S.A. 40:48-17.1 & 17.3)	<u>16,283.00</u>	<u>2,587,772.00</u>
		3,859,860.66
Decreased by:		
Payments		<u>2,565,923.20</u>
Balance December 31, 2020		
School Tax Payable	61,708.46	
School Tax Deferred	<u>1,232,229.00</u>	<u>\$ 1,293,937.46</u>

CITY OF SALEM
CURRENT FUND
Statement of Due to Federal and State Grant Fund
For the Year Ended December 31, 2020

Balance December 31, 2019			\$ 8,509.98
Increased by:			
Collected for Federal and State Grant Fund - Unappropriated Grants	\$ 11,653.51		
Collected for Federal and State Grant Fund - Grant Receivables	<u>281,765.50</u>		
		\$ 293,419.01	
Matching Funds		<u>458.00</u>	
			<u>293,877.01</u>
			302,386.99
Decreased by:			
Disbursed for Federal and State Grant Fund			<u>48,108.08</u>
Balance December 31, 2020			<u><u>\$ 254,278.91</u></u>

CITY OF SALEM
FEDERAL AND STATE GRANT FUND
Statement of Federal and State Grants Receivable
For the Year Ended December 31, 2020

<u>Program</u>	<u>Balance Dec. 31, 2019</u>	<u>Revenue Anticipated</u>	<u>Transferred from Unappropriated</u>	<u>Received by Current Fund</u>	<u>Balance Dec. 31, 2020</u>
COPS Hiring Program		\$ 291,396.00			\$ 291,396.00
Municipal Alliance	\$ 3,836.28	1,831.00		\$ 4,251.82	1,415.46
Recycling Tonnage		4,055.22	\$ 4,055.22		
Oak Street Reconstruction - CDBG and DOT Grants	80,195.94				80,195.94
NJ DOT Grieves Parkway Phase IV	10,093.67				10,093.67
NJ DOT Grieves Parkway Phase V	184,297.00			168,913.68	15,383.32
NJ DOT 8th Street	176,392.00			108,600.00	67,792.00
NJ DOT 8th Street Phase II		209,444.00			209,444.00
NJ EDA Tri County Oil Company Property		87,589.00			87,589.00
Sustainable Jersey Small Grants		5,000.00			5,000.00
Statewide Insurance Fund	5,954.00				5,954.00
	<u>\$ 460,768.89</u>	<u>\$ 599,315.22</u>	<u>\$ 4,055.22</u>	<u>\$ 281,765.50</u>	<u>\$ 774,263.39</u>

CITY OF SALEM
FEDERAL AND STATE GRANT FUND
Statement of Reserve for Federal and State Grants -- Appropriated
For the Year Ended December 31, 2020

<u>Program</u>	<u>Balance Dec. 31, 2019</u>	<u>Transferred from Budget Appropriation</u>	<u>Disbursed by Current Fund</u>	<u>Balance Dec. 31, 2020</u>
Federal Grants:				
COPS Hiring Program		\$ 291,396.00		\$ 291,396.00
	-	291,396.00	-	291,396.00
State Grants:				
Clean Communities Grant	\$ 29,208.83		\$ 1,540.25	27,668.58
Drunk Driving Enforcement Fund	15,243.06		2,162.60	13,080.46
Municipal Alliance	11,030.26	2,289.00	808.14	12,511.12
Domestic Violence Training	6,800.00			6,800.00
Recycling Tonnage	4,974.12	4,055.22		9,029.34
Body Armor	2,228.98			2,228.98
N.J. Department of Health - Hepatitis B Vaccine	4,418.40			4,418.40
Oak Street Reconstruction - CDBG and DOT Grants	9,607.56			9,607.56
Economic Development Authority - North Bend Fire Company	4,817.75			4,817.75
NJ DOT Grieves Parkway Phase V	184,297.00		20,325.60	163,971.40
NJ DOT 8th Street	176,392.00		18,191.05	158,200.95
NJ DOT 8th Street Phase II		209,444.00		209,444.00
NJ EDA Tri County Oil Company Property		87,589.00		87,589.00
	449,017.96	303,377.22	43,027.64	709,367.54
Other Grants:				
Statewide Insurance Fund	5,954.00		5,080.44	873.56
Sustainable Jersey Small Grants		5,000.00		5,000.00
US Marshalls	10,251.69			10,251.69
	16,205.69	5,000.00	5,080.44	16,125.25
	\$ 465,223.65	\$ 599,773.22	\$ 48,108.08	\$ 1,016,888.79

CITY OF SALEM
FEDERAL AND STATE GRANT FUND
Statement of Reserve for Federal and State Grants -- Unappropriated
For the Year Ended December 31, 2020

<u>Program</u>	Balance <u>Dec. 31, 2019</u>	Received by <u>Current Fund</u>	Realized as Miscellaneous Revenue in <u>Budget</u>	Balance <u>Dec. 31, 2020</u>
Recycling Tonnage	\$ 4,055.22		\$ 4,055.22	
Clean Communities		\$ 11,653.51		\$ 11,653.51
	<u>\$ 4,055.22</u>	<u>\$ 11,653.51</u>	<u>\$ 4,055.22</u>	<u>\$ 11,653.51</u>

CITY OF SALEM
CURRENT FUND
Statement of Due to Utility Capital Fund
For the Year Ended December 31, 2020

Balance December 31, 2019			\$ -
Increased by:			
Cash Received from Utility Capital Fund	\$ 128,339.77		
Cash Receipts collected by Current Fund	<u>3,750,000.00</u>		<u>3,878,339.77</u>
			3,878,339.77
Decreased by:			
Cash Disbursed for Utility Capital Fund			
Reserve for Appropriated Grant	\$ 643,745.55		
Improvement Authorizations	<u>199,809.29</u>		
		843,554.84	
Transferred to Due Utility Operating Fund		768,704.75	
Cash Disbursed to Utility Capital Fund		<u>70,000.00</u>	
			<u>1,682,259.59</u>
Balance December 31, 2020			<u><u>\$ 2,196,080.18</u></u>

SUPPLEMENTAL EXHIBITS
TRUST FUND

CITY OF SALEM
TRUST FUNDS
Statement of Cash
For the Year Ended December 31, 2020

	<u>Animal Control</u>	<u>Other</u>
Balance December 31, 2019	\$ 13,105.34	\$ 1,203,262.25
Increased by Receipts:		
Dog License Fees Collected	\$ 639.20	
Current Fund Budget Appropriation	10,000.00	
Reserve for:		
POAA		\$ 8.00
Payroll Withholdings Payable		4,622,220.14
Public Defender		1.76
Landfill		13.91
Tax Title Liens		607,865.96
Unemployment Compensation		5,696.44
Off-Duty Police		35,655.00
Municipal Pool Donations Account		1.57
	10,639.20	5,271,462.78
	23,744.54	6,474,725.03
Decreased by Disbursements:		
Expenditures Under R.S. 4:19-15.11	16,723.33	
Due Current Fund - Disbursed to		
Reserve for:		
Developer's Escrow		46.00
POAA		36.00
Payroll Withholdings Payable		4,676,497.49
Public Defender		51.00
Tax Title Liens		645,001.46
Off-Duty Police		33,729.26
Municipal Pool Donations Account		896.50
	16,723.33	5,356,257.71
Balance December 31, 2020	\$ 7,021.21	\$ 1,118,467.32

CITY OF SALEM
TRUST -- ANIMAL CONTROL FUND
Statement of Reserve (Deficit) for Animal Control Expenditures
For the Year Ended December 31, 2020

Balance December 31, 2019 (Deficit)		\$ (9,857.12)
Increased by:		
Cash Received from Current Fund - Budget Appropriation	\$ 10,000.00	
Due from Current Fund - Budget Appropriation Deferred Charge	9,822.92	
Dog License Fees Collected	639.20	
	<u>20,462.12</u>	<u>20,462.12</u>
		10,605.00
Decreased by:		
Transferred to Due to State of New Jersey	93.00	
Expenditures Under R.S.4:19- 15.11 Disbursed by Current Fund	3,556.04	
Expenditures Under R.S.4:19- 15.11	16,723.33	
	<u>20,372.37</u>	<u>20,372.37</u>
Balance December 31, 2020 (Deficit)		<u><u>\$ (9,767.37)</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2019	\$ 1,029.41
2018	1,103.40
	<u>2,132.81</u>
	<u><u>\$ 2,132.81</u></u>

Exhibit SB-3

TRUST -- ANIMAL CONTROL FUND
Statement of Due to Current Fund
For the Year Ended December 31, 2020

Balance December 31, 2019	\$ 22,859.26
Increased by:	
Disbursements made by Current Fund	<u>3,556.04</u>
	26,415.30
Decreased by:	
Due from Current Fund - Budget Appropriation Deferred Charge	<u>9,822.92</u>
Balance December 31, 2020	<u><u>\$ 16,592.38</u></u>

CITY OF SALEM
TRUST -- ANIMAL CONTROL FUND
Statement of Due to State of New Jersey
For the Year Ended December 31, 2020

Balance December 31, 2019	\$ 103.20
Increased by:	
Transferred from Reserve for Animal Control Expenditures	<u>93.00</u>
	196.20
Decreased by:	
Cash Disbursements	<u>-</u>
Balance December 31, 2020	<u><u>\$ 196.20</u></u>

Exhibit SB-5

TRUST -- OTHER FUNDS
Statement of Due from Current Fund
For the Year Ended December 31, 2020

Balance December 31, 2019	\$ 113,032.83
Increased by:	
Received by Current Fund	\$ 20,018.00
Disbursed for Current Fund	<u>595,366.39</u>
	<u>615,384.39</u>
Balance December 31, 2020	<u><u>\$ 728,417.22</u></u>

Analysis of Balance Dec. 31, 2020

Developer's Escrow	\$ (3,629.95)
Payroll	524,207.15
Public Defender	34,694.75
Tax Title Liens	100,000.00
POAA	18.00
Accumulated Sick Leave	33,350.27
Small Cities	<u>39,777.00</u>
	<u><u>\$ 728,417.22</u></u>

CITY OF SALEM
TRUST -- OTHER FUNDS
Statement of Changes in Reserves
For the Year Ended December 31, 2020

	Balance Dec. 31, 2019	Increased by:				Balance Dec. 31, 2020
		Receipts	Due from Current Fund	Due from Utility Operating Fund	Disbursements	
Reserve for:						
Community Development Block Grant of 1974:						
Community Development Housing Equity	\$ 15,773.79					\$ 15,773.79
Small Cities Rehab	10,777.10		\$ 20,000.00			30,777.10
Developer's Escrow	42,051.89				\$ 46.00	42,005.89
POAA	11,004.42	\$ 8.00	18.00		36.00	10,994.42
Payroll Withholdings Payable	334,504.05	4,622,220.14	595,366.39	\$ 188,119.53	4,676,497.49	1,063,712.62
Public Defender	487.79	1.76			51.00	438.55
Landfill	96,240.81	13.91				96,254.72
Tax Title Liens	571,844.62	607,865.96			645,001.46	534,709.12
Unemployment Compensation	65,900.06	5,696.44				71,596.50
Accumulated Sick Leave	33,350.27					33,350.27
Off-Duty Police	6,532.01	35,655.00			33,729.26	8,457.75
Municipal Pool Donations Account	16,559.88	1.57			896.50	15,664.95
	<u>\$ 1,205,026.69</u>	<u>\$ 5,271,462.78</u>	<u>\$ 615,384.39</u>	<u>\$ 188,119.53</u>	<u>\$ 5,356,257.71</u>	<u>\$ 1,923,735.68</u>

SUPPLEMENTAL EXHIBITS
GENERAL CAPITAL FUND

CITY OF SALEM
GENERAL CAPITAL FUND
Statement of Cash
For the Year Ended December 31, 2020

Balance December 31, 2019	\$ 4,608.65
Increased by:	
Due Current Fund - Received from	<u>49,500.00</u>
Balance December 31, 2020	<u><u>\$ 54,108.65</u></u>

CITY OF SALEM
GENERAL CAPITAL FUND
 Analysis of General Capital Cash
 For the Year Ended December 31, 2020

	Balance (Deficit) <u>Dec. 31, 2019</u>	Miscellaneous <u>Receipts</u>	<u>Disbursements</u>	<u>Transfers</u>		Balance (Deficit) <u>Dec. 31, 2020</u>
				<u>To</u>	<u>From</u>	
Due Current Fund	\$ (604,267.28)	\$ 49,500.00		\$ 251,000.00	\$ 37,407.75	\$ (341,175.03)
Due Trust -- Other Funds	(75,275.25)					(75,275.25)
Due Utility Capital Fund	(12,244.50)					(12,244.50)
Reserve for Payment of Bonds & Notes	362,192.20				50,000.00	312,192.20
Reserve for Payment of Guaranteed Debt	178,195.00				160,000.00	18,195.00
Capital Improvement Fund	21,831.22			33,000.00		54,831.22
Deferred Charge: Overexpenditure of Improvement Authorization	(4,407.75)			4,407.75		
Improvement Authorizations:						
Ordinance						
<u>Number</u>						
05-19, 09-08, 09-09, 09-10	48,595.72					48,595.72
11-01	4,474.24					4,474.24
11-20	3,115.25					3,115.25
12-06	6,135.00					6,135.00
16-12	(3,735.20)					(3,735.20)
19-06	80,000.00				41,000.00	39,000.00
	<u>\$ 4,608.65</u>	<u>\$ 49,500.00</u>	<u>\$ -</u>	<u>\$ 288,407.75</u>	<u>\$ 288,407.75</u>	<u>\$ 54,108.65</u>

CITY OF SALEM
GENERAL CAPITAL FUND
Statement of Due Current Fund
For the Year Ended December 31, 2020

Balance December 31, 2019		\$ 604,267.28
Increased by:		
Budget Appropriation - Capital Improvement Fund	\$ 33,000.00	
Budget Appropriation - Overexpenditure of Improvement Authorization	4,407.75	
	<u>37,407.75</u>	<u>37,407.75</u>
		641,675.03
Decreased by:		
Due Current Fund:		
Reserve for the Payment of Bonds & Notes	50,000.00	
Reserve for Payment of Guaranteed Debt	160,000.00	
Cash Receipts from Current Fund	49,500.00	
Disbursed by Current Fund - Improvement Authorizations	41,000.00	
	<u>300,500.00</u>	<u>300,500.00</u>
Balance December 31, 2020		<u><u>\$ 341,175.03</u></u>

Exhibit SC-4

GENERAL CAPITAL FUND
Statement of Deferred Charges to Future Taxation -- Funded
For the Year Ended December 31, 2020

Balance December 31, 2019		\$ 1,996,264.80
Decreased by:		
Budget Appropriation:		
Bonds Payable	\$ 250,000.00	
Demolition Loan	37,500.00	
	<u>287,500.00</u>	<u>287,500.00</u>
Balance December 31, 2020		<u><u>\$ 1,708,764.80</u></u>

CITY OF SALEM
GENERAL CAPITAL FUND
Schedule of Deferred Charges to Future Taxation -- Unfunded
For the Year Ended December 31, 2020

Ordinance Number	Improvement Description	Balance Dec. 31, 2019 and 2020	Analysis of Balance Dec. 31, 2020		
			Expenditures	Financed by Bond Anticipation Notes	Unexpended Improvement Authorization
08-23	Assistance to Stand up for Salem, Inc.	\$ 62,704.57			\$ 62,704.57
16-12	Demolition of Unsafe Buildings & Structures	3,735.20	\$ 3,735.20		
		<u>\$ 66,439.77</u>	<u>\$ 3,735.20</u>	<u>\$ -</u>	<u>\$ 62,704.57</u>

CITY OF SALEM
GENERAL CAPITAL FUND
Statement of Bonds Payable
For the Year Ended December 31, 2020

<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, 2019</u>	<u>Paid By Budget Appropriation</u>	<u>Balance Dec. 31, 2020</u>
			<u>Date</u>	<u>Amount</u>				
Various Capital Improvements	6/15/2012	\$ 3,110,000.00	06/15/21	\$ 250,000.00	3.00%			
			06/15/22	250,000.00	3.00%			
			06/15/23	250,000.00	4.00%			
			06/15/24	250,000.00	4.00%			
			06/15/25	250,000.00	4.00%			
			06/15/26	250,000.00	4.00%	\$ 1,750,000.00	\$ 250,000.00	\$ 1,500,000.00

CITY OF SALEM
GENERAL CAPITAL FUND
Statement of Demolition Loan
For the Year Ended December 31, 2020

<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, 2019</u>	<u>Paid By Budget Appropriation</u>	<u>Balance Dec. 31, 2020</u>
			<u>Date</u>	<u>Amount</u>				
Demolition of Unsafe Buildings & Structures	June 2019	\$ 246,264.80	10/13/21	\$ 12,500.00	none			
			10/13/22	12,500.00	none			
			10/13/23	12,500.00	none			
			10/13/24	12,500.00	none			
			10/13/25	12,500.00	none			
			10/13/26	12,500.00	none			
			10/13/27	12,500.00	none			
			10/13/28	12,500.00	none			
			10/13/29	12,500.00	none			
			10/13/30	12,500.00	none			
			10/13/31	12,500.00	none			
			10/13/32	12,500.00	none			
			10/13/33	12,500.00	none			
			10/13/34	12,500.00	none			
			10/13/35	12,500.00	none			
			10/13/36	12,500.00	none			
			10/13/37	8,764.80	none			
						\$ 246,264.80	\$ 37,500.00	\$ 208,764.80

CITY OF SALEM
GENERAL CAPITAL FUND
Statement of Improvement Authorizations
For the Year Ended December 31, 2020

<u>Improvement Description</u>	<u>Ordinance</u>		<u>Balance</u> <u>Dec. 31, 2019</u>		<u>Increased by</u> <u>Authorizations</u>	<u>Decreased by</u> <u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Dec. 31, 2020</u>	
	<u>Number</u>	<u>Amount</u>	<u>Funded</u>	<u>Unfunded</u>			<u>Funded</u>	<u>Unfunded</u>
Hazardous Discharge Site Remediation	05-19, 09-08, 09-09, 09-10	various	\$ 458,095.49				\$ 458,095.49	
Assistance to Stand up for Salem, Inc.	08-23	\$ 2,500,000.00		\$ 62,704.57				\$ 62,704.57
Various Improvements	11-01	50,000.00	4,474.24				4,474.24	
Various Improvements	11-20	55,000.00	3,115.25				3,115.25	
Municipal Pool Improvements	12-06	10,000.00	6,135.00				6,135.00	
Various Improvements/Equipment	19-06	80,000.00	80,000.00			\$ 41,000.00	39,000.00	
			<u>\$ 551,819.98</u>	<u>\$ 62,704.57</u>	<u>\$ -</u>	<u>\$ 41,000.00</u>	<u>\$ 510,819.98</u>	<u>\$ 62,704.57</u>

CITY OF SALEM
GENERAL CAPITAL FUND
Statement of Reserve for the Payment of Bonds & Notes
For the Year Ended December 31, 2020

Balance December 31, 2019	\$ 362,192.20
Decreased by:	
Due Current Fund - Miscellaneous Revenue Anticipated	<u>50,000.00</u>
Balance December 31, 2020	<u><u>\$ 312,192.20</u></u>

Exhibit SC-10

GENERAL CAPITAL FUND
Statement of Capital Improvement Fund
For the Year Ended December 31, 2020

Balance December 31, 2019	\$ 21,831.22
Increased by:	
Due from Current Fund - Budget Appropriation	<u>33,000.00</u>
Balance December 31, 2020	<u><u>\$ 54,831.22</u></u>

CITY OF SALEM
GENERAL CAPITAL FUND
Schedule of Bonds and Notes Authorized But Not Issued
For the Year Ended December 31, 2020

Ordinance		Balance
<u>Number</u>		<u>Dec. 31, 2019 and 2020</u>
08-23	Assistance to Stand up for Salem, Inc.	\$ 62,704.57
16-12	Demolition of Unsafe Buildings & Structures	<u>3,735.20</u>
		<u>\$ 66,439.77</u>

SUPPLEMENTAL EXHIBITS
WATER AND SEWER UTILITY FUND

CITY OF SALEM
WATER AND SEWER UTILITY FUND
Statement of Cash
For the Year Ended December 31, 2020

	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2019	\$ 290,033.51	\$ 9,469.14
Increased by Receipts:		
Consumer Accounts Receivable	\$ 2,342,948.53	
Utility Liens Receivable	33,945.70	
Revenue - Miscellaneous Revenue	358,246.73	
Revenue - Lawsuit Settlement	375,000.00	
Revenue - Deficit (General Budget)	324,163.48	
Due Current Fund - Received for	69,787.85	
Due Current Fund - Received from	798,707.01	\$ 70,000.00
Due Utility Operating Fund - Received from		<u>53,000.00</u>
	<u>4,302,799.30</u>	<u>123,000.00</u>
	4,592,832.81	132,469.14
Decreased by Disbursements:		
Budget Appropriations	2,707,920.08	
Appropriation Reserves	95,162.91	
Accrued Interest on Bonds and Notes	246,395.62	
Due Current Fund - Disbursed to	79,447.56	128,339.77
Due Utility Capital Fund - Disbursed to	53,000.00	
Refund Prior Year Revenue	<u>1,237.52</u>	
	<u>3,183,163.69</u>	<u>128,339.77</u>
Balance December 31, 2020	<u><u>\$ 1,409,669.12</u></u>	<u><u>\$ 4,129.37</u></u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Analysis of Water and Sewer Utility Capital Cash
For the Year Ended December 31, 2020

	Balance (Deficit) <u>Dec. 31, 2019</u>	Receipts <u>Miscellaneous</u>	Disbursements		Transfers		Balance (Deficit) <u>Dec. 31, 2020</u>
			Improvement <u>Authorizations</u>	<u>Miscellaneous</u>	<u>From</u>	<u>To</u>	
Capital Improvement Fund	\$ 78,551.53					\$ 20,000.00	\$ 98,551.53
Due Current Fund		\$ 70,000.00		\$ 128,339.77	\$ 3,750,000.00	1,612,259.59	(2,196,080.18)
Due General Capital Fund	12,244.50						12,244.50
Due Utility Operating Fund	(366,830.89)	53,000.00			788,704.75	100,000.00	(1,002,535.64)
Reserve for Payment of Debt	100,000.00				100,000.00	3,750,000.00	3,750,000.00
Reserve for Appropriated Grant	(237,204.45)				643,745.55		(880,950.00)
Improvement Authorizations:							
07-15, 08-18, 09-15	131,629.18				131,629.18		
08-13	9,313.00				2,088.09		7,224.91
11-148	2,000.77						2,000.77
16-19	320,000.00				29,453.75		290,546.25
18-09	(40,234.50)				36,638.27		(76,872.77)
	<u>\$ 9,469.14</u>	<u>\$ 123,000.00</u>	<u>\$ -</u>	<u>\$ 128,339.77</u>	<u>\$ 5,482,259.59</u>	<u>\$ 5,482,259.59</u>	<u>\$ 4,129.37</u>

CITY OF SALEM
WATER AND SEWER UTILITY OPERATING FUND
Statement of Consumer Accounts Receivable
For the Year Ended December 31, 2020

Balance December 31, 2019		\$ 486,129.78
Increased by:		
Water and Sewer Rents Levied - Net of Adjustments		<u>2,916,370.08</u>
		3,402,499.86
Decreased by:		
Collected by Current Fund	\$ 46,335.49	
Cash Receipts	<u>2,342,948.53</u>	
	2,389,284.02	
Transferred to Utility Liens Receivable	<u>3,940.11</u>	<u>2,393,224.13</u>
Balance December 31, 2020		<u><u>\$ 1,009,275.73</u></u>

Exhibit SD-4

WATER AND SEWER UTILITY OPERATING FUND
Statement of Utility Liens Receivable
For the Year Ended December 31, 2020

Balance December 31, 2019		\$ 930,006.06
Increased by:		
Transferred from Consumer Accounts Receivable		<u>3,940.11</u>
		933,946.17
Decreased by:		
Cash Receipts	\$ 33,945.70	
Adjustments/Canceled	<u>12,554.47</u>	
		<u>46,500.17</u>
Balance December 31, 2020		<u><u>\$ 887,446.00</u></u>

CITY OF SALEM
WATER AND SEWER UTILITY OPERATING FUND
 Statement of Appropriation Reserves
 For the Year Ended December 31, 2020

	Balance December 31, 2019		Balance After		Over-	Lapsed
	<u>Reserved</u>	<u>Encumbered</u>	<u>Transfers</u>	<u>Disbursed</u>	<u>Expenditure</u>	<u>to Fund Balance</u>
Operating:						
Salaries and Wages		\$ 7,564.03	\$ 7,564.03			\$ 7,564.03
Other Expenses	\$ 77,310.70		77,310.70	\$ 92,493.48	\$ 15,182.78	
Statutory Expenditures:						
Public Employees' Retirement System		180.00	180.00			180.00
Contributions to Social Security System (O.A.S.I.)		11,255.47	11,255.47	2,669.43		8,586.04
	<u>\$ 77,310.70</u>	<u>\$ 18,999.50</u>	<u>\$ 96,310.20</u>	<u>\$ 95,162.91</u>	<u>\$ 15,182.78</u>	<u>\$ 16,330.07</u>

CITY OF SALEM
WATER AND SEWER UTILITY OPERATING FUND
Statement of Accrued Interest on Bonds and Notes
For the Year Ended December 31, 2020

Balance December 31, 2019			\$ 104,397.12
Increased by:			
Charged to Budget Appropriation - Interest on Bonds	\$ 231,245.87		
Charged to Budget Appropriation - Interest on Notes	5,499.25		
		<u>236,745.12</u>	
			341,142.24
Decreased by:			
Due to Current Fund	10,992.94		
Cash Disbursements	246,395.62		
		<u>257,388.56</u>	
Balance December 31, 2020			<u><u>\$ 83,753.68</u></u>

Analysis of Accrued Interest December 31, 2020

Bonds and Notes Outstanding Dec. 31, 2020		Interest Rate	From	To	Period	Amount
Wastewater Improvement Bonds	\$ 2,404,045.12	5.00%	08/01/20	12/31/20	152 days	\$ 50,067.54
USDA Loan	682,285.94	4.25%	07/01/20	12/31/20	183 days	14,538.30
EIT Loan	1,701,000.00	5.00%	08/01/20	12/31/20	152 days	16,232.47
Bonds Payable	145,000.00	3.00%	12/15/20	12/31/20	16 days	105.25
BAN	250,000.00	2.20%	09/26/20	12/31/20	96 days	1,374.25
State of New Jersey Loan	340,319.41	2.00%	10/15/20	12/31/20	77 days	1,435.87
						<u><u>\$ 83,753.68</u></u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of Due from/to Utility Operating Fund
For the Year Ended December 31, 2020

Balance December 31, 2019			\$ 366,830.89
Increased by:			
Budget Appropriation - Capital Improvement Fund	\$ 20,000.00		
Transferred from Due to Current Fund	<u>768,704.75</u>		<u>788,704.75</u>
			1,155,535.64
Decreased by:			
Reserve for Payment of Debt - Anticipated as Revenue	100,000.00		
Received from Utility Operating Fund	<u>53,000.00</u>		<u>153,000.00</u>
Balance December 31, 2020			<u><u>\$ 1,002,535.64</u></u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Schedule of Fixed Capital
For the Year Ended December 31, 2020

<u>Account</u>	Balance Dec. 31, 2019 and Dec. 31, 2020
Reservation Land	\$ 16,924.00
Impounding Reservoirs	22,986.00
Spring and Wells	81,919.00
Infiltration Structures	32,025.00
Pumping Station Structure	35,552.00
Other Power Pumping Equipment	35,985.00
Storage Reservoirs, Standpipe, Etc.	62,099.00
Distribution Mains and Accessories	380,979.00
Meters, Meter Boxes and Vaults	83,264.00
Engineering	33,433.00
Major Improvements and Extension of Water System	1,870,398.00
Wastewater System Upgrade	14,174,950.00
Sewer Capital	122,423.00
New Sewer Disposal Plant	283,408.00
Repairs to Sewer Plant	72,597.00
Miscellaneous Machinery and Equipment	114,462.00
Water System Extension to Mannington Township	181,910.00
Water and Sewer Line to High School	100,000.00
Oak Street Water Line Extension	35,013.00
Sanitary Sewer Line - Hancock Street	17,742.00
Water Mains and Testing Equipment	44,869.00
Extension and Enlargement of 8" Water Line	215,884.00
Water System Repairs and Replacements	106,076.00
Purchase of Land - Upgrade Wastewater System	40,407.00
Purchase of Vehicles	98,330.00
Purchase of Computer	15,000.00
Emergency Repair Well #2	15,491.00
Town Bank Pump Repair	37,394.06
Improvements to Seventh Street Ordinance 00-10	471,050.00
Various Water and Sewer Capital Improvements Ordinance 01-13	225,000.00
Various Improvements - Pennsville Interconnection Ordinance 0-18	40,000.00
Various Water and Sewer Capital Improvements Ordinance 02-09	200,000.00
Various Improvements - Pennsville Interconnection Ordinance 02-11	25,000.00
Various Water and Sewer Capital Improvements Ordinance 02-25	175,000.00
Various Water and Sewer Capital Improvements Ordinance 02-10	120,000.00
Various Water and Sewer Capital Improvements Ordinance 02-12	150,000.00
Improvements to Carpenter Street Ordinance 02-18	455,805.00
Various Water and Sewer Capital Improvements Ordinance 02-31	1,600,000.00
Various Water and Sewer Capital Improvements Ordinance 05-18	8,000.00
Various Water and Sewerage System Improvements Ordinance 05-27	310,000.00
Various Water and Sewer Capital Improvements Ordinance 07-20	20,000.00
Various Water and Sewer Capital Improvements Resolution 11-83	37,800.00
Various Water and Sewer Capital Improvements Resolution 11-169	34,680.00
Quinton / Elkinton Dams Ordinance 06-08	729,241.84
	<u>\$ 22,933,096.90</u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
 Schedule of Fixed Capital Authorized and Uncompleted
 For the Year Ended December 31, 2020

<u>Improvement Description</u>	<u>Ordinance Date</u>	<u>Ordinance Number</u>	<u>Balance Dec. 31, 2019 and Dec. 31, 2020</u>
Improvement of the Water Supply & Distribution System	05/07/07, 10/09/08, 07/13/09	2007-15, 2008-18, 2009-15	\$ 12,400,000.00
Various Water and Sewer Capital Improvements	08/18/08	2008-13	20,000.00
Improvements of the Sanitary Sewerage System	07/13/09	2009-14	2,500,000.00
Various Water and Sewer Capital Improvements	09/06/11	2011-148	44,150.00
Improvement of the Water Supply & Distribution System	08/21/17	2016-19	320,000.00
Water Meter Replacement	12/17/18	2018-09	2,000,000.00
			<u>\$ 17,284,150.00</u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of Improvement Authorizations
For the Year Ended December 31, 2020

<u>Improvement Description</u>	<u>Ordinance</u>		<u>Balance Dec. 31, 2019</u>		<u>Increased by:</u>	<u>Decreased by:</u>	<u>Balance Dec. 31, 2020</u>	
	<u>Number</u>	<u>Amount</u>	<u>Funded</u>	<u>Unfunded</u>	<u>Authorizations</u>	<u>Paid or Charged</u>	<u>Funded</u>	<u>Unfunded</u>
Improvement of the Water Supply & Distribution System	07-15, 08-18, 09-15	\$ 12,400,000.00	\$ 131,629.18	\$ 814,379.33		\$ 131,629.18		\$ 814,379.33
Various Water and Sewer Capital Improvements	08-13	20,000.00	9,313.00			2,088.09	\$ 7,224.91	
Improvements of the Sanitary Sewerage System	09-14	2,500,000.00		1,173,107.52				1,173,107.52
Various Water and Sewer Capital Improvements	11-148	44,150.00	2,000.77				2,000.77	
Improvement of the Water Supply & Distribution System	16-19	320,000.00	70,000.00	250,000.00		29,453.75	40,546.25	250,000.00
Water Meter Replacement	18-09	2,000,000.00		1,959,765.50		36,638.27		1,923,127.23
			<u>\$ 212,942.95</u>	<u>\$ 4,197,252.35</u>	<u>\$ -</u>	<u>\$ 199,809.29</u>	<u>\$ 49,771.93</u>	<u>\$ 4,160,614.08</u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of Bonds Payable
For the Year Ended December 31, 2020

<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, 2019</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2020</u>
			<u>Date</u>	<u>Outstanding Amount</u>				
Various Water and Sewerage System Improvements	06/15/12	\$ 290,000.00	6/15/2021	\$ 20,000.00	3.00%			
			6/15/2022	25,000.00	3.00%			
			6/15/2023	25,000.00	4.00%			
			6/15/2024	25,000.00	4.00%			
			6/15/2025	25,000.00	4.00%			
			6/15/2026	25,000.00	4.00%			
						<u>\$ 165,000.00</u>	<u>\$ 20,000.00</u>	<u>\$ 145,000.00</u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of Wastewater Improvement Bonds
For the Year Ended December 31, 2020

<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, 2019</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2020</u>
			<u>Date</u>	<u>Amount</u>				
Treatment System	08/01/91	\$ 4,939,700.00	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>\$ 2,564,573.26</u>	<u>\$ 160,528.14</u>	<u>\$ 2,404,045.12</u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of USDA Loan Payable
For the Year Ended December 31, 2020

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Loan Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2019</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2020</u>
			<u>Date</u>	<u>Amount</u>				
Various Capital Improvements	05/16/05	\$ 854,000.00	1/1/2021	\$ 7,799.42				
			7/1/2021	7,965.16				
			1/1/2022	8,134.42				
			7/1/2022	8,307.28				
			1/1/2023	8,483.81				
			7/1/2023	8,664.09				
			1/1/2024	8,848.20				
			7/1/2024	9,036.22				
			1/1/2025	9,228.24				
			7/1/2025	9,424.34				
			1/1/2026	9,624.61				
			7/1/2026	9,829.13				
			1/1/2027	10,038.00				
			7/1/2027	10,251.31				
			1/1/2028 - 7/1/2045	556,651.71	4.25%	<u>\$ 697,401.29</u>	<u>\$ 15,115.35</u>	<u>\$ 682,285.94</u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of New Jersey Environmental Infrastructure Trust Loans Payable
For the Year Ended December 31, 2020

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Loans Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2019</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2020</u>
			<u>Date</u>	<u>Amount</u>				
Water Plant	03/10/10	\$ 2,890,000.00	9/1/2021	\$ 150,000.00	3.00%			
			9/1/2022	152,000.00	4.00%			
			9/1/2023	161,000.00	4.00%			
			9/1/2024	166,000.00	4.00%			
			9/1/2025	175,000.00	4.00%			
			9/1/2026	180,000.00	3.50%			
			9/1/2027	186,000.00	4.00%			
			9/1/2028	195,000.00	4.00%			
			9/1/2029	205,000.00	4.00%	\$ 1,712,000.00	\$ 142,000.00	\$ 1,570,000.00
Water Plant	03/10/10	3,701,812.00	2/1/2021	64,944.07	none			
			8/1/2021	129,888.14	none			
			2/1/2022	64,944.07	none			
			8/1/2022	129,888.14	none			
			2/1/2023	64,944.07	none			
			8/1/2023	129,888.14	none			
			2/1/2024	64,944.07	none			
			8/1/2024	129,888.14	none			
			2/1/2025	64,944.07	none			
			8/1/2025	129,888.14	none			
			2/1/2026	64,944.07	none			
			8/1/2026	129,888.14	none			
			2/1/2027	64,944.07	none			
			8/1/2027	129,888.14	none			
			2/1/2028	64,944.07	none			
			8/1/2028	129,888.14	none			
			2/1/2029	64,944.07	none			
			8/1/2029	78,165.15	none	1,896,599.10	194,832.21	1,701,766.89

Continued

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of New Jersey Environmental Infrastructure Trust Loans Payable
For the Year Ended December 31, 2020

Purpose	Date of Issue	Original Issue	Maturity of Loans		Interest Rate	Balance Dec. 31, 2019	Paid by Budget Appropriation	Balance Dec. 31, 2020
			Date	Outstanding Amount				
Pumping Station	03/10/10	\$ 345,000.00	9/1/2021	\$ 13,000.00	3.00%			
			9/1/2022	13,000.00	4.00%			
			9/1/2023	13,000.00	4.00%			
			9/1/2024	13,000.00	4.00%			
			9/1/2025	13,000.00	4.00%			
			9/1/2026	16,000.00	3.50%			
			9/1/2027	17,000.00	4.00%			
			9/1/2028	17,000.00	4.00%			
			9/1/2029	16,000.00	4.00%	\$ 144,000.00	\$ 13,000.00	\$ 131,000.00
Pumping Station	03/10/10	342,063.00	2/1/2021	6,001.10	none			
			8/1/2021	12,002.21	none			
			2/1/2022	6,001.10	none			
			8/1/2022	12,002.21	none			
			2/1/2023	6,001.10	none			
			8/1/2023	12,002.21	none			
			2/1/2024	6,001.10	none			
			8/1/2024	12,002.21	none			
			2/1/2025	6,001.10	none			
			8/1/2025	12,002.21	none			
			2/1/2026	6,001.10	none			
			8/1/2026	12,002.21	none			
			2/1/2027	6,001.10	none			
			8/1/2027	12,002.21	none			
			2/1/2028	6,001.10	none			
			8/1/2028	12,002.21	none			
			2/1/2029	6,001.10	none			
			8/1/2029	12,002.31	none	180,033.21	18,003.31	162,029.90

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of State of New Jersey Loan - Dam Restoration Program
For the Year Ended December 31, 2020

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Loan</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2019</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2020</u>
			<u>Date</u>	<u>Outstanding Amount</u>				
Quinton / Elkinton Dams	07/31/12	\$ 581,000.00	4/30/2021	\$ 32,869.41	2.00%			
			4/30/2022	33,530.10	2.00%			
			4/30/2023	34,204.05	2.00%			
			4/30/2024	34,891.55	2.00%			
			4/30/2025	35,592.88	2.00%			
			4/30/2026	36,308.28	2.00%			
			4/30/2027	37,038.09	2.00%			
			4/30/2028	37,782.55	2.00%			
			4/30/2029	38,541.98	2.00%			
			4/30/2030	19,560.52	2.00%			
						<u>\$ 372,541.17</u>	<u>\$ 32,221.76</u>	<u>\$ 340,319.41</u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of Capital Improvement Fund
For the Year Ended December 31, 2020

Balance December 31, 2019	\$ 78,551.53
Increased by:	
Budget Appropriation	<u>20,000.00</u>
Balance December 31, 2020	<u><u>\$ 98,551.53</u></u>

Exhibit SD-17

WATER AND SEWER UTILITY CAPITAL FUND
Statement of Deferred Reserve for Amortization
For the Year Ended December 31, 2020

Balance December 31, 2019	\$ 9,470,731.51
Increased by:	
Paid by Utility Operating Fund:	
Environmental Infrastructure Trust Loans	<u>367,835.52</u>
	9,838,567.03
Decreased by:	
Transferred to Reserve for Amortization	<u>356,700.67</u>
Balance December 31, 2020	<u><u>\$ 9,481,866.36</u></u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of Reserve for Amortization
For the Year Ended December 31, 2020

Balance December 31, 2019		\$ 18,776,880.51
Increased by:		
Paid by Utility Operating Fund:		
Bonds Payable	\$ 20,000.00	
Wastewater Improvement Bonds	160,528.14	
USDA Loan	15,115.35	
State of New Jersey Loan	32,221.76	
Transferred from Reserve for Deferred Amortization	<u>356,700.67</u>	
		<u>584,565.92</u>
Balance December 31, 2020		<u><u>\$ 19,361,446.43</u></u>

Exhibit SD-19

WATER AND SEWER UTILITY CAPITAL FUND
Statement of Reserve for Appropriated Grant
For the Year Ended December 31, 2020

Balance December 31, 2019	\$ 643,745.55
Decreased by:	
Disbursed by Current Fund	<u>643,745.55</u>
Balance December 31, 2020	<u><u>\$ -</u></u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Statement of Bond Anticipation Notes
For the Year Ended December 31, 2020

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Original Note Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance Dec. 31, 2020</u>
16-19	Improvement of the Water Supply & Distribution System	9/25/2019	9/25/2019 9/24/2020	9/25/2020 9/24/2021	2.20% 2.20%	\$ 250,000.00		\$ 250,000.00	
						<u>\$ 250,000.00</u>	<u>\$ 250,000.00</u>	<u>\$ 250,000.00</u>	<u>\$ 250,000.00</u>

CITY OF SALEM
WATER AND SEWER UTILITY CAPITAL FUND
Schedule of Bonds and Notes Authorized But Not Issued
For the Year Ended December 31, 2020

Ordinance Number		Balance Dec. 31, 2019 and 2020
07-15, 08-18, 09-15	Improvement of the Water Supply & Distribution System	\$ 814,379.33
09-14	Improvements of the Sanitary Sewerage System	1,173,107.52
18-09	Water Meter Replacement	<u>2,000,000.00</u>
		<u>\$ 3,987,486.85</u>

PART II
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

CITY OF SALEM
Schedule of Findings and Recommendations
For the Year Ended December 31, 2020

Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements related to financial statements for which *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, requires.

Finding No. 2020-001

Criteria or Specific Requirement

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

Condition

A fixed asset ledger was not maintained for the year 2020.

Context

A fixed asset ledger was not provided for examination.

Effect or Potential Effect

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

Cause

Failure to maintain a fixed asset ledger.

Recommendation

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

View of Responsible Officials and Planned Corrective Action

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

CITY OF SALEM
Schedule of Findings and Recommendations
For the Year Ended December 31, 2020

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2020-002

Criteria or Specific Requirement

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

Condition

An analysis of the balance in the trust other fund's - reserve for tax title liens redemption is not properly 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 or Potential Effect

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

Cause

Inadequate control over accounting records.

Recommendation

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

View of Responsible Officials and Planned Corrective Action

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

CITY OF SALEM
Schedule of Findings and Recommendations
For the Year Ended December 31, 2020

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2020-003

Criteria or Specific Requirement

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

Condition

Budget Line Items were over-expended prior to transfers.
Appropriation Reserves were over-expended.
Animal Control Fund has a deficit.

Context

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

Effect or Potential Effect

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

Cause

Expenditures are made without having sufficient appropriation.

Recommendation

That the City establish 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 Recommendations
For the Year Ended December 31, 2020

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2020-004

Criteria or Specific Requirement

A sound framework of internal control requires:

- A properly maintained general ledger for all funds.
- Written procedures for all financial transactions.
- That signature stamps are not utilized.
- A properly maintained utility fund revenue account status.
- A properly maintained current fund revenue account status.

Condition

The following internal control deficiencies have been identified:

- General ledgers for all funds were not properly maintained.
- No written procedures are maintained by the City for cash receipts or disbursements, including payroll procedures.
- Signature stamps are utilized.
- Utility fund revenue account status was not properly maintained.
- Current fund revenue account status was not properly maintained.

Context

Balanced general ledgers were not provided for examination.
Written procedures for all financial transactions were not provided for examination.
It was noted through observation that signature stamps exist.
Utility fund revenue account status contained many misclassifications of revenues.
Current fund revenue account status contained many misclassifications of revenues.

Effect or Potential Effect

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

Cause

Failures to:

- Properly maintain a general ledger for all funds.
- Prepare written procedures.
- Establish procedures that prohibit the utilization of signature stamps.
- Properly maintain a utility fund revenue account status.
- Properly maintain a current fund revenue account status.

Recommendation

That general ledgers for all funds are properly maintained, written procedures for all financial transactions are prepared, signature stamps are not utilized, a utility fund revenue account status is properly maintained, and a current fund revenue account status is properly maintained.

View of Responsible Officials and Planned Corrective Action

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

CITY OF SALEM
Schedule of Findings and Recommendations
For the Year Ended December 31, 2020

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2020-005

Criteria or Specific Requirement

Duties of the Tax/Utility Collector require properly maintaining the following ledgers:

- special charges
- liens
- water/sewer billings and collections
- overpayments

Condition

The special charges ledger, lien ledger, water/sewer billings and collections ledger, and overpayments ledger were not properly maintained.

Context

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

Lien ledgers contain properties that have been foreclosed on.

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

Water/sewer billings and collections ledger shows many billing errors.

Some accounts incorrectly show an overpayment balance.

Effect or Potential Effect

Non-compliance with duties of the Tax/Utility Collector.

Cause

Failure to properly maintain the special charges ledger, lien ledger, water/sewer billings and collection ledger, and overpayments ledger.

Recommendation

That the special charges ledger, lien ledger, water/sewer billings and collection ledger, and overpayments ledger are properly maintained.

View of Responsible Officials and Planned Corrective Action

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

CITY OF SALEM
Schedule of Findings and Recommendations
For the Year Ended December 31, 2020

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2020-006

Criteria or Specific Requirement

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

Condition

Health benefit invoices were not always paid on a timely basis.

Context

An analysis of health benefit invoices revealed they were not always paid on a timely basis.

Effect or Potential Effect

Monthly budget reports would not accurately report health benefit expenditures.

Cause

Failure to pay health benefit invoices on a timely basis.

Recommendation

That health benefit invoices are paid on a timely basis.

View of Responsible Officials and Planned Corrective Action

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

CITY OF SALEM
Schedule of Findings and Recommendations
For the Year Ended December 31, 2020

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2020-007

Criteria or Specific Requirement

Internal controls require grant awards to be monitored to determine compliance with the term of the grant as specified in the grant agreement.

Condition

Grant receivables and appropriated reserves should be reviewed for proper disposition.

Context

Examinations of grant receivables and appropriated reserves show some balances have not changed for many years.

The City was awarded a Small Cities CDBG 2016 grant of \$399,135.00 for Oak Street Reconstruction Project. The City was also awarded a New Jersey Department of Transportation (NJDOT) grant of \$161,000.00 for this project.

The entire \$161,000.00 NJDOT grant has been received. Only \$318,938.06 of the Small Cities CDBG 2016 grant has been received.

At 12/31/20 project expenditures exceed project receipts by \$70,588.38.

The \$70,588.38 either represents funds that need to be requested for reimbursement or mis-posting of ineligible expenditures to the grant.

A final reimbursement/closeout report filed with the State of New Jersey for this project was not provided for examination.

Effect or Potential Effect

Older grant receivables could be uncollectible and / or older grant appropriated reserves could be due to grantor.

Cause

Failure to fully monitor grant awards to closing.

Recommendation

That the Oak Street Reconstruction Project receivable of \$70,588.38 is researched and proper disposition made and other grant receivables and appropriated reserves are also reviewed for proper disposition.

View of Responsible Officials and Planned Corrective Action

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

CITY OF SALEM
Schedule of Findings and Recommendations
For the Year Ended December 31, 2020

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2020-008

Criteria or Specific Requirement

Internal controls require a detailed analysis of the balance in the Reserve for Developer's Escrow in the Trust-- Other Fund be properly maintained on a monthly basis.

Condition

An analysis of the balance in the Reserve for Developer's Escrow in the Trust-- Other Fund was not properly maintained.

Context

An analysis of Reserve for Developer's Escrow in the Trust—Other Fund was not provided for examination.

Effect or Potential Effect

Balances could contain errors which may result in a deficit in a Developer's Escrow Account.

Cause

Failure to properly maintain analysis of the balance.

Recommendation

That an analysis of the balance in the Reserve for Developer's Escrow in the Trust-- Other Fund be properly maintained.

View of Responsible Officials and Planned Corrective Action

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

Finding No. 2020-009

Criteria or Specific Requirement

Internal controls require a detailed analysis of the balance of payroll deductions be maintained and reconciled to cash on a monthly basis.

Condition

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

Context

An analysis properly summarizing the activity of the payroll agency account by pay period was not provided for examination.

Effect or Potential Effect

Errors could occur and would not be immediately detected.

Cause

Failure to properly maintain analysis of the balance.

Recommendation

That an analysis of Payroll Agency balances in the Trust Other Fund be properly maintained.

View of Responsible Officials and Planned Corrective Action

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

CITY OF SALEM
Schedule of Findings and Recommendations
For the Year Ended December 31, 2020

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2020-010

Criteria or Specific Requirement

Internal controls require grant awards to be monitored to determine compliance with the term of the grant as specified in the grant agreement.

Condition

Expenditure and Reimbursement Request Reports are not being properly filed for the Well #9 Project, which is funded by a \$380,950.00 Small Cities CDBG 2017 grant and a \$500,000.00 United States Department of Agriculture grant.

Context

Expenditure and Reimbursement Request Reports were not provided for examination.

2017 Expenditures were \$20,999.82, cumulative \$20,999.82.

2018 Expenditures were \$36,810.65, cumulative \$57,810.47.

2019 Expenditures were \$179,393.98, cumulative \$237,204.45.

2020 Expenditures were \$643,745.55, cumulative \$880,950.00

At 12/31/20, \$880,950.00 has been spent and no funds have been received.

Effect or Potential Effect

Non-compliance with grant agreements.

Cause

Failure to file Expenditure and Reimbursement Request Reports.

Recommendation

That Expenditure and Reimbursement Request Reports are properly filed on the Well #9 Project which is funded by Grants.

View of Responsible Officials and Planned Corrective Action

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

CITY OF SALEM
Schedule of Findings and Recommendations
For the Year Ended December 31, 2020

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2020-011

Criteria or Specific Requirement

Municipal Court procedures require cash is reconciled properly and timely, and funds are turned over to the proper agencies on or before the 15th of each month.

Condition

Municipal Court Bank Reconciliations were not performed timely, and funds were not turned over to the proper agencies on or before the 15th of each month.

Context

Examination of Bank Reconciliations revealed funds were not turned over to the proper agencies on or before the 15th of each month.

Effect or Potential Effect

Noncompliance with Municipal Court procedures.

Cause

Failure to timely reconcile bank accounts and turn funds over to the proper agencies on a timely basis.

Recommendation

That Municipal Court Bank Reconciliations are performed timely, and funds are turned over to the proper agencies on or before the 15th of each month.

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. 2020-012

Criteria or Specific Requirement

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

Condition

Bank accounts were not reconciled properly or on a timely basis.

Context

Examination of bank account reconciliations showed they were not prepared properly or on a timely basis.

Effect or Potential Effect

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

Cause

Unknown

Recommendation

That bank accounts are reconciled properly and on a timely basis.

View of Responsible Officials and Planned Corrective Action

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

CITY OF SALEM
Schedule of Findings and Recommendations
For the Year Ended December 31, 2020

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2020-013

Criteria or Specific Requirement

New Jersey State Department of Health and Senior Services Infectious and Zoonotic Disease Program requires Monthly Dog License Reports to be filed.

Condition

Monthly Dog License Reports were not filed for any month in 2020.

Context

Monthly Dog License Reports for any month in 2020, could not be provided for examination.

Effect or Potential Effect

Noncompliance with New Jersey State Department of Health and Senior Services Infectious and Zoonotic Disease Program.

Cause

Unknown

Recommendation

That Monthly Dog License Reports are completed and filed.

View of Responsible Officials and Planned Corrective Action

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

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

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

FINANCIAL STATEMENT FINDINGS

Finding No. 2019-001

Condition

A fixed asset ledger was not maintained for the year 2019.

Current Status

This condition still exists and is current year finding 2020-001.

Planned Corrective Action

Fixed asset inventory will be performed by outside company.

Finding No. 2019-002

Condition

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

Current Status

This condition still exists and is current year finding 2020-002.

Planned Corrective Action

Balance will be analyzed and proper disposition made.

Finding No. 2019-003

Condition

Budget Line Items were over-expended prior to transfers.

Appropriation Reserves were over-expended.

Animal Control Fund has a deficit.

An Improvement Authorization was over-expended.

Current Status

A similar condition still exists and is current year finding 2020-003.

Planned Corrective Action

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

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

FINANCIAL STATEMENT FINDINGS (CONT'D)

Finding No. 2019-004

Condition

The following internal control deficiencies have been identified:

General ledgers for all funds were not properly maintained.

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

Signature stamps are utilized.

Utility fund revenue account status was not properly maintained.

Current Status

This condition still exists and is current year finding 2020-004.

Planned Corrective Action

General Ledger will be properly maintained, written procedures will be prepared, signature stamps will not be utilized, and a utility fund revenue account status will be properly maintained.

Finding No. 2019-005

Condition

The special charges ledger, lien ledger, and water/sewer billings and collection ledger were not properly maintained.

Current Status

This condition still exists and is current year finding 2020-005.

Planned Corrective Action

Ledgers will be properly maintained.

Finding No. 2019-006

Condition

Health benefit invoices were not always paid on a timely basis.

Current Status

This condition still exists and is current year finding 2020-006.

Planned Corrective Action

Invoices will be paid timely.

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

FINANCIAL STATEMENT FINDINGS (CONT'D)

Finding No. 2019-007

Condition

Pool bank account cash disbursements did not always have supporting documentation.

Current Status

This condition has been resolved.

Finding No. 2019-008

Condition

Grant receivables and appropriated reserves should be reviewed for proper disposition.

Current Status

This condition still exists and is current year finding 2020-007.

Planned Corrective Action

Grants receivables and appropriated reserves will be reviewed and proper disposition made.

Finding No. 2019-009

Condition

An analysis of the balance in the Reserve for Developer's Escrow in the Trust-- Other Fund was not properly maintained.

Current Status

This condition still exists and is current year finding 2020-008.

Planned Corrective Action

Analysis of Reserve for Developer's Escrow will be properly maintained.

Finding No. 2019-010

Condition

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

Current Status

This condition still exists and is current year finding 2020-009.

Planned Corrective Action

Analysis of Payroll Agency balances will be properly maintained.

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

FINANCIAL STATEMENT FINDINGS (CONT'D)

Finding No. 2019-011

Condition

Expenditure and Reimbursement Request Reports are not being properly filed for the Well #9 Project, which is funded by a \$380,950.00 Small Cities CDBG 2017 grant and a \$500,000.00 United States Department of Agriculture grant.

Current Status

This condition still exists and is current year finding 2020-010.

Planned Corrective Action

Expenditure and Reimbursement Request Reports will be properly filed.

Finding No. 2019-012

Condition

Municipal Court Bank Reconciliations were not performed timely, and funds were not turned over to the proper agencies on or before the 15th of each month.

Current Status

This condition still exists and is current year finding 2020-011.

Planned Corrective Action

Bank Reconciliations will be performed timely and funds will be turned over to the proper agencies on or before the 15th of each month.

CITY OF SALEM
 Officials in Office and Surety Bonds

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

<u>Name</u>	<u>Title</u>	<u>Amount of Surety Bond</u>
Charles Washington, Jr.	Mayor	
Ruth Carter	Councilperson	
Robert L. Davis	Councilperson	
Earl R. Gage	Councilperson	
Tim Gregory	Councilperson	
Vaughn Groce	Councilperson	
Sharon K. Kellum	Councilperson	
Gail Slaughter	Councilperson	
James W. Smith	Councilperson	
Ben Angeli	City Administrator / City Clerk	\$ 40,000 (A)
David Crescenzi	Chief Financial Officer, Tax/Utility Collector (1-1-20 to 12-1-20)	300,000 (A)
Kenia Nunez	Chief Financial Officer (12-2-20 to 12-31-20)	
Marie L. Procacci	Tax Assessor	
Demetrick Todd-Ruiz	Municipal Judge	36,000 (A)
Tierra M. Jennings	Court Administrator	40,000 (A)
Andrea Rhea	Solicitor	
Remington & Vernick	City Engineer	

(A) Selective Insurance Company


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

APPRECIATION

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

Respectfully submitted,

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

A handwritten signature in cursive script that reads "Fred S. Caltabiano".

Fred S. Caltabiano
Certified Public Accountant
Registered Municipal Accountant