

**CITY OF LINWOOD**

**ATLANTIC COUNTY**

**NEW JERSEY**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2013**



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**CITY OF LINWOOD**

**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY DATA**

**YEAR ENDED DECEMBER 31, 2013**

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# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538  
PHONE 609.399.6333 • FAX 609.399.3710  
www.ford-scott.com

## Independent Auditor's Report

The Honorable Mayor and  
Members of City Council  
City of Linwood, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Linwood, as of December 31, 2013 and 2012, the related statement 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 of the various funds for the year ended December 31, 2013, 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 basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion 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 audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 audit opinions.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the City of Linwood on the basis of the financial reporting provisions prescribed by 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 New Jersey.

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of Linwood as of December 31, 2013 and 2012, or changes in financial position for the years then ended.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

As described in Note 20 of the financial statements, the City participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$126,566 and \$116,887 for 2013 and 2012 respectively were not audited and, therefore, we express no opinion on the LOSAP program.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2013 and 2012, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2013 in accordance with the basis of financial reporting 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 of Linwood’s basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents is the responsibility of management and was derived from and relates 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 information listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2014 on our consideration of the City of Linwood's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Linwood's internal control over financial reporting and compliance.

Very truly yours,

**FORD, SCOTT & ASSOCIATES, L.L.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

*Leon P. Costello*

**Leon P. Costello**  
**Certified Public Accountant**  
**Registered Municipal Accountant**  
**No. 393**

**February 28, 2014**

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**EXHIBIT A - CURRENT FUND**

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**CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

	2013	2012
<u>ASSETS</u>		
Regular Fund:		
Cash:		
Treasurer	\$ 1,768,705	1,473,841
Clerk	2,697	1,816
Change Fund	225	250
Petty Cash	100	100
Total Cash	1,771,727	1,476,007
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	420,900	387,772
Tax Title and Other Liens	15,343	11,536
Property Acquired for Taxes - at Assessed Valuation	28,147	37,387
Sewer Rents Receivable	35,225	35,582
Revenue Accounts Receivable	4,923	6,543
Interfund Receivable:		
Animal Control	6,026	4,556
Other Trust Funds	1,959	101
Grant Fund	162,918	162,790
Total Receivables and Other Assets	675,441	646,267
Deferred Charges:		
Special Emergency Appropriation	160,720	200,900
Emergency Appropriation	-	165,917
Overexpenditure of Appropriation	10,665	10,665
Total Deferred Charges	171,385	377,482
Total Regular Fund	2,618,553	2,499,756
Federal and State Grant Fund:		
Cash	475,973	438,753
Federal and State Grants Receivable	578,546	272,911
Total Federal and State Grant Fund	1,054,519	711,664
Total Current Fund	\$ 3,673,072	3,211,420

**CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2013</u>	<u>2012</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 149,097	253,364
Reserve for Encumbrances/Accounts Payable	78,422	107,891
Special Emergency Note Payable	160,720	200,900
Prepaid Taxes	333,184	248,321
Prepaid Sewer Rents	336,155	340,397
Overpaid Taxes	7,194	-
Overpaid Sewer Rents	1,180	896
Local School Tax Payable	108,694	-
County Added Tax Payable	14,381	6,736
Due to State:		
Marriage Licenses	75	50
Construction Training Fees	3,221	285
Veterans and Senior Citizens	9,957	9,457
Interfund Payable:		
Public Defender Trust	989	989
Other		
Reserve for Revaluation	74,333	200,900
Reserve for Pay Debt Service	-	14,124
	1,277,602	1,384,310
Reserve for Receivables and Other Assets	675,441	646,267
Fund Balance	665,510	469,179
Total Regular Fund	2,618,553	2,499,756
Federal and State Grant Fund:		
Unappropriated Reserves	14,468	9,462
Appropriated Reserves	847,415	388,935
Due to Current Fund	162,918	162,790
Reserve for Encumbrances	29,718	150,477
Total Federal and State Grant Fund	1,054,519	711,664
Total Current Fund	\$ 3,673,072	3,211,420

**CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES  
IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31,**

	2013	2012
Revenue and Other Income Realized		
Fund Balance	\$ 150,000	275,000
Miscellaneous Revenue Anticipated	2,864,706	2,691,516
Receipts from Delinquent Taxes	403,161	346,551
Receipts from Current Taxes	30,452,480	29,062,734
Non Budget Revenue	61,313	111,005
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	215,717	145,632
Interfund Returned	162,790	94,783
Total Income	34,310,167	32,727,221
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	3,407,038	3,636,563
Other Expenses	3,393,918	3,415,674
Deferred Charges & Statutory Expenditures	968,933	993,145
Appropriations Excluded from "CAPS"		
Operations:		
Other Expenses	1,397,542	1,711,248
Capital Improvements	515,000	19,403
Municipal Debt Service	909,453	916,381
Local District School Debt Service	1,181,912	1,225,442
Deferred Charges	206,097	-
Local District School Tax	11,045,280	10,889,051
Regional District High School Tax	6,237,982	6,186,236
County Tax	4,522,168	3,864,226
County Share of Added Tax	14,381	6,736
Interfund Created	162,952	8,558
Refund of Prior Year's Revenue	1,180	-
Total Expenditures	33,963,836	32,872,663
Excess in Revenue	346,331	
Deficit in Revenue		(145,442)

**CURRENT FUND  
 COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES  
 IN FUND BALANCE - REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31,**

	2013	2012
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	-	377,482
Total Adjustments	-	377,482
Statutory Excess to Fund Balance	346,331	232,040
Fund Balance January 1	469,179	512,139
	815,510	744,179
Decreased by:		
Utilization as Anticipated Revenue	150,000	275,000
Fund Balance December 31	\$ 665,510	469,179

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated	\$ 91,374		91,374	
Fund Balance Anticipated with Prior Written Consent of Director of Local Government Services	58,626		58,626	
<b>Total Fund Balance Anticipated</b>	<b>150,000</b>	<b>-</b>	<b>150,000</b>	<b>-</b>
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Other	44,000		48,644	4,644
Fines and Costs:				
Municipal Court	112,000		90,610	(21,390)
Interest and Costs on Taxes	75,000		100,837	25,837
Interest Earned on Investments and Deposits	25,000		10,243	(14,757)
Sewer Use Charges	1,075,000		1,089,488	14,488
Parking Meters	7,800		7,560	(240)
Planning and Zoning Fees and Permits	12,000		11,450	(550)
<b>Total Section A: Local Revenues</b>	<b>1,350,800</b>	<b>-</b>	<b>1,358,832</b>	<b>8,032</b>
Section B: State Aid Without Offsetting Appropriations				
Consolidated Municipal Property Tax Relief	4,523		4,523	
Energy Receipts Tax	567,085		567,085	
Building Aid Allowance for Schools- State Aid	158,272		160,952	2,680
<b>Total Section B: State Aid Without Offsetting Appropriations</b>	<b>\$ 729,880</b>	<b>-</b>	<b>732,560</b>	<b>2,680</b>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN  
INTEGRAL PART OF THIS STATEMENT

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	
Section C: Uniform Construction Code Fees			
Uniform Construction Code Fees	\$ 150,000		(2,157)
Total Section C: Uniform Construction Code Fees	150,000	-	(2,157)
Section D: Interlocal Municipal Service Agreements			
None			
Total Section D: Interlocal Municipal Service Agreements	-	-	-
Section F: Special Items - Public and Private Programs			
Off-Set with Appropriations	200,000		200,000
NJ Transportation Trust Fund Authority Act	270,000		270,000
NJ Depart. of Transportation Local Aid Bikeway	11,470		11,470
Municipal Drug Alliance	8,412		8,412
Recycling Tonnage	1,050		1,050
Body Armor		15,861	15,861
Clean Communities			
Total Section F: Special Items - Public and Private Programs Off-Set with Appropriations	490,932	15,861	506,793
Section G: Other Special Items			
Uniform Fire Safety Act	12,533		10,472
Bell NYNEX Tower	58,000		61,549
Capital Fund Surplus	20,000		20,000
Reserve to Pay Debt Service	14,124		14,124
Total Section G: Other Special Items	\$ 104,657	-	118,678

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budget	Anticipated N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Total Miscellaneous Revenues:	\$ 2,826,269	15,861	2,864,706	22,576
Receipts from Delinquent Taxes	388,000		403,161	15,161
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	7,795,263		7,659,630	(135,633)
Amount for Local District Tax	1,023,641		1,023,641	
Library Tax	353,067		353,067	
Total Amount to be Raised by Taxes for Support of Municipal Budget	9,171,971	-	9,036,338	(135,633)
Budget Totals	12,536,240	15,861	12,454,205	(97,896)
Non- Budget Revenues:				
Other Non- Budget Revenues:			61,313	61,313
	\$ 12,536,240	15,861	12,515,518	(36,583)

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN  
INTEGRAL PART OF THIS STATEMENT

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	30,452,480
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Allocated to:

School, County and Other Taxes		<u>21,819,811</u>
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Balance for Support of Municipal Budget Appropriations		8,632,669
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Increased by:

Appropriation "Reserved for Uncollected Taxes"		<u>403,669</u>
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Amount for Support of Municipal Budget Appropriations		<u><u>9,036,338</u></u>
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	403,161	
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Tax Title Lien Collections	<u>-</u>	
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Total Receipts from Delinquent Taxes		<u><u>403,161</u></u>
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Analysis of Non-Budget Revenue:

Clerk:

Miscellaneous		1,226
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Other Miscellaneous:

Sewer Connection Fees	1,850	
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State of NJ FEMA - October 2012 Storm	47,990	
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Administration Fees - Senior Citizens & Veterans	1,675	
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Election Fees	1,200	
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Accident Reports and Gun Permits	1,251	
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Miscellaneous	<u>6,121</u>	
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		<u>60,087</u>
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Total Miscellaneous Revenue Not Anticipated:	\$	<u><u>61,313</u></u>
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**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Budget After Modifications	Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications			Encumbered	Reserved	
<b>OPERATIONS WITHIN "CAPS"</b>							
<b>GENERAL GOVERNMENT:</b>							
General Administration							
Other Expenses	\$ 3,600	3,600	2,024	80	1,496		
Mayor and Council							
Salaries and Wages	65,935	65,935	65,935		-		
City Clerk							
Salaries and Wages	122,399	122,399	121,944		455		
Other Expenses	41,850	41,850	40,059	1,476	315		
Elections							
Other Expenses	6,500	6,500	3,638		2,862		
Financial Administration							
Salaries and Wages	77,483	77,483	77,483		-		
Other Expenses	12,308	12,308	9,894	98	2,316		
Audit Services							
Other Expenses	28,500	28,500	28,000		500		
Assessment of Taxes							
Salaries and Wages	30,298	30,298	30,297		1		
Other Expenses	2,080	2,080	2,015		65		
Collection of Taxes							
Salaries and Wages	95,179	95,179	95,179		-		
Other Expenses	11,820	11,820	9,364	274	2,182		
Paying Agent Fees	2,000	2,000	600		1,400		
Legal Services							
Other Expenses	190,000	160,000	146,495		3,505		10,000
Engineering & Planning Services							
Other Expenses							
Professional Services	30,000	30,000	29,529		471		
Public Buildings and Grounds							
Other Expenses	30,500	30,500	24,860	1,869	3,771		
Shade Tree							
Other Expenses	400	400	295		105		
<b>INSURANCE</b>							
Other Insurance	118,593	118,593	117,888		705		
Workers Compensation	289,480	289,480	289,480		-		
Employee Group Health	1,067,937	1,097,937	1,095,568		2,369		
Employee Group Health Waiver	2,500	2,500	2,500		-		

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN  
INTEGRAL PART OF THIS STATEMENT

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Budget After Modifications	Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications			Encumbered	Reserved	
<b>LAND USE ADMINISTRATION</b>							
Planning Board							
Salaries and Wages	9,353	9,353	9,353	9,353	-	-	
Other Expenses	29,900	29,900	12,294	2,606	2,606	15,000	
Zoning Board of Adjustment							
Salaries and Wages	9,353	9,353	9,353	-	-	-	
Other Expenses	9,175	9,175	4,704	290	4,181		
<b>PUBLIC SAFETY</b>							
Uniform Fire Safety Act							
Salaries and Wages	9,720	9,720	9,720	-	-	-	
Other Expenses	2,813	2,813	2,451	321	41		
Fire							
Salaries and Wages	342,054	342,054	334,547	7,507			
Other Expenses	20	20	20	20			
Misc. Other Expenses	48,750	48,750	35,472	11,665	1,613		
Aid to Volunteer Fire Company							
Operation and Maintenance	6,000	6,000	6,000	-	-		
Police							
Salaries and Wages	1,898,182	1,898,182	1,823,336	24,846			
Other Expenses	119,950	119,950	94,266	25,559	125	50,000	
Communications							
Salaries and Wages	1,794	1,794	1,794	-	-		
Other Expenses	13,850	13,850	4,719	833	8,298		
Emergency Management Services							
Salaries and Wages	3,015	3,015	2,013	1,002			
Other Expenses	1,734	1,734	365	1,369			
<b>SANITATION</b>							
Road Repairs and Maintenance							
Salaries and Wages	629,128	629,128	623,240	4,888			
Other Expenses	140,000	140,000	133,611	2,936		1,000	
Sewer System							
Salaries and Wages	2,476	2,476	2,476	-	-		
Finance and Administration							
Other Expenses	8,236	8,236	3,235	200	4,801		
Finance and Administration							
Operations and Maintenance	180,000	180,000	172,796	536	6,668		
Miscellaneous Other Expenses	114,975	114,975	98,550	1,425	15,000		

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
\$	450,000	450,000	430,381	619	10,000
Landfill-Tipping Fees	30,000	30,000	29,622	378	
<b>HEALTH AND HUMAN SERVICES</b>					
Dog Warden	9,600	9,600	8,800	800	
Contractual					
Senior Citizens Center	100	100		100	
Other Expenses					
<b>PARKS AND RECREATION FUNCTIONS</b>					
Parks and Play Grounds	8,416	8,416	7,613	803	
Salaries and Wages	30,050	30,050	26,068	-	
Other Expenses				3,982	
Historian					
Other Expenses	500	500	480	20	
<b>UNIFORM CONSTRUCTION CODE</b>					
State Uniform Construction Code	153,248	153,248	148,248	5,000	
Construction Official	12,369	12,369	2,457	6,634	
Salaries and Wages					
Other Expenses					
<b>UNCLASSIFIED</b>					
Utilities					
Gasoline	75,000	75,000	57,595	405	17,000
Electric	95,000	95,000	93,420	407	1,000
Telephone and Telegraph	36,000	35,000	26,322	830	6,000
Natural Gas	35,000	35,000	27,713	1,686	4,000
Street Lighting	110,000	110,000	107,829	10	2,000
Fire Hydrant Services	68,828	68,828	50,620	6,959	
Water and Sewer	6,500	7,500	6,425	533	
Public Access Channel 2	500	500	500	-	
Accumulated Leave					
Salaries and Wages	5	5		5	
<b>TOTAL OPERATIONS WITHIN "CAPS"</b>	<b>6,930,956</b>	<b>6,930,956</b>	<b>6,601,435</b>	<b>120,099</b>	<b>131,000</b>
Contingent	1,000	1,000		1,000	

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN  
INTEGRAL PART OF THIS STATEMENT

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
<b>TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"</b>	\$ 6,931,956	6,931,956	6,601,435	78,422 121,099	131,000
Detail:					
Salaries and Wages	3,458,038	3,458,038	3,362,531	-	51,000
Other Expenses	3,473,918	3,473,918	3,238,904	78,422	80,000
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES:</b>					
Deferred Charges:					
NONE					
Statutory Expenditures:					
Contributions to:					
Public Employees' Retirement System	167,034	167,034	167,033	1	
Public Employees' Retirement System ERI	28,448	28,448	28,448	-	
Social Security System (O.A.S.I.)	280,000	280,000	246,803	8,197	25,000
Consolidated Police and Firemen's Pension Fund					
Police and Firemen's Retirement System	457,884	457,884	457,884	-	
Police and Firemen's Retirement System ERI	44,567	44,567	44,567	-	
Unemployment Compensation Insurance	15,000	15,000	10,361	639	4,000
Defined Contribution Retirement Program	5,000	5,000	1,653	3,347	
<b>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:</b>	997,933	997,933	956,749	- 12,184	29,000
<b>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</b>	\$ 7,929,889	7,929,889	7,558,184	78,422 133,283	160,000

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN  
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**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS - EXCLUDED FROM "CAPS"						
(A) Operations - Excluded from "CAPS"						
Maintenance of Free Public Library						
Other Expenses	\$ 353,067	353,067	353,067	-	-	
Atlantic County Sewerage Authority						
Share of Costs	540,839	540,839	540,839	-	-	
City of Northfield's Share of Sewer Rents	9,300	930	930	8,370		
Recycling Tax	9,000	9,000	8,320	680		
Length of Service Award Program	17,000	17,000	14,950	2,050		
NJDES Stormwater Permit NJSA 40A:4-45.3(cc)						
Streets & Roads O/E	6,000	6,000	1,881	4,119		
NJPDES Landfill Discharge NJSA 40A:4-45.3(cc)						
Landfill Tipping Fees	2,500	2,500	2,000	500		
NJPDES Stormwater Permit NJSA 40A:4-45.3(cc)						
Municipal Clerk O/E	500	500	405	95		
Interlocal Municipal Service Agreements						
Dispatch Shared Services	303,850	303,850	303,850	-		
Municipal Court Shared Services	115,825	115,825	115,825	-		
	<u>1,357,881</u>	<u>1,357,881</u>	<u>1,342,067</u>	<u>15,814</u>		
(A) Public and Private Programs Off-Set by Revenues						
Municipal Alliance-Alcoholism and Drug Abuse						
Grant Share	11,470	11,470	11,470	-		
Local Share	2,868	2,868	2,868	-		
Body Armor	1,050	1,050	1,050	-		
Clean Communities Program						
Recycling Tonnage	8,412	8,412	8,412	-		
Total Public and Private Programs Off-Set by Revenues	<u>23,800</u>	<u>39,661</u>	<u>39,661</u>	<u>-</u>		
Total Operations - Excluded from "CAPS"	1,381,681	1,397,542	1,381,728	-	15,814	
Detail:						
Salaries and Wages						
Other Expenses	\$ 1,381,681	1,397,542	1,381,728	-	15,814	

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Budget After Modifications	Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications			Encumbered	Reserved	
(C) Capital Improvements							
Capital Improvement Fund	\$ 45,000	45,000		45,000	-	-	
Reserve for Open Space Acquisitions							
(C) Public and Private Programs Off-Set by Revenues							
New Jersey Transportation Trust Fund Authority Act							
Country Club Drive & Delmar Avenue							
Roadway Improvements	200,000	200,000		200,000	-	-	
New Jersey Transportation Trust Fund Authority Act							
Linwood Bike Path Extension	270,000	270,000		270,000	-	-	
Total Public and Private Programs Off-Set by Revenues	470,000	470,000		470,000	-	-	
Total Capital Improvements	515,000	515,000		515,000	-	-	
(D) Debt Service							
Payment of Bond Principal	454,873	454,873		454,873	-	-	
Payment of Bond Anticipation Notes	-	-					
Interest on Bonds	329,878	329,878		329,878	-	-	
Interest on Notes	21,000	21,000		12,463	-	-	8,537
Green Trust Loan Program:							
Loan Repayments for Principal and Interest	18,787	18,787		18,786	-	-	1
NJFIT Loans & Bonds	93,453	93,453		93,453	-	-	
Total Debt Service	917,991	917,991		909,453	-	-	8,538
(E) Deferred Charges							
Emergency Authorizations	165,917	165,917		165,917	-	-	
Special Emergency Authorizations - 5 years	40,180	40,180		40,180	-	-	
Total Deferred Charges	206,097	206,097		206,097	-	-	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	\$ 3,020,769	3,036,630		3,012,278	-	-	15,814
							8,538

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN  
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**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
FOR LOCAL DISTRICT SCHOOL PURPOSES - EXCLUDED FROM "CAPS"						
Type 1 District School Debt Service						
Payment of Bond Principal	\$ 630,127	630,127	630,127	-	-	
Interest on Bonds	140,336	140,336	140,336	-	-	
Principal and Interest on Loans	411,450	411,450	411,449	-	-	1
<b>TOTAL TYPE 1 DISTRICT SCHOOL DEBT SERVICE</b>	<b>1,181,913</b>	<b>1,181,913</b>	<b>1,181,912</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>SUBTOTAL GENERAL APPROPRIATIONS</b>	<b>12,132,571</b>	<b>12,148,432</b>	<b>11,752,374</b>	<b>78,422</b>	<b>149,097</b>	<b>168,538</b>
(M) Reserve for Uncollected Taxes	403,669	403,669	403,669	-	-	
<b>TOTAL GENERAL APPROPRIATIONS</b>	<b>12,536,240</b>	<b>12,552,101</b>	<b>12,156,043</b>	<b>78,422</b>	<b>149,097</b>	<b>168,538</b>
<b>Budget</b>						
Appropriations by 40A:4-87		12,536,240				168,538
Emergency Appropriations		15,861				-
		<u>12,552,101</u>				<u>168,538</u>
<b>Reserve for Uncollected Taxes</b>						
Federal and State Grants		403,669				
Deferred Charges		509,661				
		165,917				
Disbursements		11,076,796				
		<u>12,156,043</u>				

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**EXHIBIT B - TRUST FUNDS**

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**TRUST FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31,**

	2013	2012
<u>ASSETS</u>		
Animal Control Fund:		
Cash - Treasurer	\$ 22,546	21,163
	22,546	21,163
LOSAP (unaudited)		
Investment	126,566	116,887
	126,566	116,887
Other Funds		
Cash - Treasurer	313,091	352,813
Due from Current Fund		
Public Defender Fees	989	989
	314,080	353,802
	463,192	491,852
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Animal Control Fund		
Reserve for:		
Dog Expenditures	5,215	5,596
Cat Expenditures	11,305	11,011
Due to Current Fund	6,026	4,556
	22,546	21,163
LOSAP (unaudited)		
Reserve for LOSAP	126,566	116,887
	\$ 126,566	116,887

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN  
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**TRUST FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2013</u>	<u>2012</u>
Other Funds		
Due to Current Fund	\$ 1,959	101
Payroll Taxes Payable	34,068	523
Reserves for:		
Parking Offenses Adjudication Act	40	38
Surety	23,111	42,063
Planning and Zoning Escrows	9,301	91,861
Street Openings	16,876	15,351
Accumulated Absences	37,776	37,772
Bike Path Beautification	5,625	5,393
Law Enforcement	7,014	6,148
Recycling	1,958	3,075
Drug Alliance	10,988	9,614
Tax Title Lien Redemption	143,667	74,270
Public Defender	1,039	1,039
Development Fees	17,188	63,084
Uniform Fire Safety Fees	3,470	3,470
	<u>314,080</u>	<u>353,802</u>
	<u>\$ 463,192</u>	<u>491,852</u>

**EXHIBIT C - GENERAL CAPITAL FUND**

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**GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Cash	\$ 2,076,349	606,089
Cash Held by New Jersey Environmental Infrastructure Trust	102,065	340,032
Deferred Charges to Future Taxation - Funded	15,167,503	16,747,895
Unfunded	6,124,406	1,874,406
Interfunds and Receivables Due from School-Grant	-	62,712
	<u>23,470,323</u>	<u>19,631,134</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	116,150	287,086
Bond Anticipation Notes Payable	2,702,110	437,110
Serial Bonds Payable	10,333,677	10,788,550
Green Trust Loan Payable	114,532	130,783
Environmental Infrastructure Trust Loans Payable	1,402,971	1,476,747
School Serial Bonds	3,316,323	3,946,450
School Loans	-	405,365
Improvement Authorizations:		
Funded	785,848	927,977
Unfunded	4,585,407	1,084,287
Reserve for School Grant	-	62,712
Capital Improvement Fund	103,305	58,305
Fund Balance	10,000	25,762
	<u>\$ 23,470,323</u>	<u>19,631,134</u>

There were bonds and notes authorized but not issued at December 31,

2012	1,437,296
2013	3,422,296

**GENERAL CAPITAL FUND  
COMPARATIVE STATEMENT OF FUND BALANCE -  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2013</u>	<u>2012</u>
Beginning Balance January 1	\$ 25,762	44,248
Increased by:		
Premiums on Sale of Notes	4,238	5
Funded Improvement Authorizations Canceled	-	21,509
Decreased by:		
Realized in Current Operating Budget	20,000	40,000
Ending Balance December 31	<u>\$ 10,000</u>	<u>25,762</u>

**EXHIBIT G - GENERAL FIXED ASSETS**

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**GENERAL FIXED ASSETS ACCOUNT GROUP**  
**STATEMENT OF GENERAL FIXED ASSETS - REGULATORY BASIS**  
**AS OF DECEMBER 31,**

	<u>2013</u>	<u>2012</u>
General Fixed Assets:		
Land	\$ 1,220,177	1,220,177
Buildings	5,887,539	5,887,539
Machinery and Equipment	<u>5,082,089</u>	<u>5,282,870</u>
Total General Fixed Assets	<u><u>12,189,805</u></u>	<u><u>12,390,586</u></u>
Investment in General Fixed Assets	\$ <u><u>12,189,805</u></u>	<u><u>12,390,586</u></u>

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**NOTES TO FINANCIAL STATEMENTS**

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## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

#### **A. Reporting Entity**

Except as noted below, the financial statements of the City of Linwood include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the City of Linwood, as required by N.J.S. 40A:5-5.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The Linwood Board of Education, Belhaven Avenue, Linwood, NJ 08221 and the Linwood Public Library, 301 Davis Avenue, Linwood, NJ 08221 are component units. However, under the regulatory basis of accounting in New Jersey, the component units are neither blended nor shown in a discrete presentation in the financial statements of the City. The Board of Education does have an independent audit performed and a copy is available at the Board's offices. The Linwood Public Library also has an independent audit performed and a copy is available at the Library.

#### **B. Description of Funds**

The accounting policies of the City of Linwood conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices 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 the respect to public funds. Under this method of accounting, the City of Linwood accounts for its financial transactions through the following separate funds:

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

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

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

General Fixed Assets Account Group -- All fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

#### **C. Basis of Accounting**

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant policies in New Jersey follow.

A modified accrual basis of accounting is followed with minor exceptions.

Revenues -- are recorded as received in cash except for certain amounts which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the City budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the

## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2013 AND 2012**

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.

Expenditures -- are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Appropriation reserves covering unencumbered appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the Governing Body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis. Compensated absences are treated on a pay as you go basis with no amount charged to operations in the year incurred.

Foreclosed Property -- Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

Interfunds -- 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 cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets.

General Fixed Assets -- The City has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from accounting principles generally accepted in the United States of America.

As required by New Jersey Statutes, foreclosed property is reported in the current operating fund of the municipality.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. Expenditures for long lived assets with an original cost in excess of \$500 are capitalized.

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the Capital funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

Levy of Taxes -- The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August, and November. Any taxes that have not been paid by the 11th day of the 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et. seq.

## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2013 AND 2012**

The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county.

Interest on Delinquent Taxes – It is the policy of the City to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31<sup>st</sup>, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

Capitalization of Interest -- It is the policy to the City to treat interest on projects as a current expense and the interest is included in the current operating budget.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles or the statutory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences – Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. New Jersey municipalities are permitted to accrue a compensated absences liability. The City has begun to accumulate funds for accrued absences. See Note 16 for additional information on the City's compensated absences policy.

### **D. Required Financial Statements**

The State of New Jersey requires the following financial statements to be presented for each fund on the regulatory basis of accounting: Balance Sheet, Statement of Operations and Changes in Fund Balance, Statement of Revenue and Statement of Expenditures. These statements differ from those presented under Generally Accepted Accounting Principles, which requires a Statement of Net Position and Statement of Activities in addition to the fund financial statements.

### **E. Comparative Data**

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the City's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the Statement of Revenues-Regulatory Basis and Statement of Expenditures-Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

### **E. Recent Accounting Pronouncements Not Yet Effective**

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67 "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25". This statement, which is effective for fiscal periods beginning after June 15, 2013, will not have any effect on the City's financial reporting.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27". This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the City's financial reporting. However, the provisions of this statement will require significant modifications to the disclosure requirements related to the entity's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

In January 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 69 "Government Combinations and Disposals of Government Operations". This statement, which is effective for fiscal periods beginning after December 15, 2013, will not have any effect on the City's financial reporting.

In April 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees". This statement, which is effective for fiscal years beginning after June 15, 2013, will not have any impact on the City's financial statements.

In November 2013, Governmental Accounting Standards Board (GASB) issued Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68". The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014. The provisions of this statement will require significant modifications to the disclosure requirements related to the entity's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

**Note 2: BUDGETARY INFORMATION**

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2013 and 2012 statutory budgets included a reserve for uncollected taxes in the amount of \$403,669 and \$350,186, respectively. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2013 and 2012 statutory budgets was \$150,000 and \$275,000 respectively.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by City Council. The following significant budget transfers were approved in the 2013 calendar year:

	2013	2012
Tax Collector – Salaries & Wages		9,750
Legal Services – Other Expenses	(30,000)	(46,179)
Planning Board – Other Expenses		(9,685)
Employee Group Insurance	30,000	
Fire Official – Salaries & Wags		18,000
Municipal Court – Salaries & Wages		(42,750)
Landfill Tipping Fees		15,000
Interest on Bonds		46,179
Payment of School Bond Principal		9,685

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During the 2013 calendar year, City Council approved a budget insertion for Clean Communities in the amount of \$15,861.00. During the 2012 calendar year, no significant budget insertions were approved by City Council.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budget of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. During the 2013 calendar year, no emergency appropriations or special emergencies were approved by City Council.

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

During the 2012 calendar year, the following emergencies and special emergency were approved by City Council.

Emergency		
Municipal Court Shared Services	\$	65,917
Payment of Bond Principal		74,670
Payment of School Bond Principal		25,330
Special Emergency		
Property Revaluation		200,900

The unfunded balance on the Property Revaluation as of December 31, 2013 was \$160,720. All emergency appropriations were included in the 2013 Local Municipal Budget.

In addition, NJSA 40A:4-60 permits the Governing Body to cancel, by resolution, any unexpended balances of appropriations prior to year end. The following significant cancellations were approved in the 2013 and 2012 calendar years:

	<u>2013</u>	<u>2012</u>
Municipal Clerk		
Other Expenses		8,000
Legal Services and Costs		
Other Expenses		15,000
Planning Board		
Other Expenses	15,000	
Road Repairs and Maintenance		
Salaries and Wages		15,000
Police		
Salaries and Wages	50,000	20,000
Employee Group Insurance		25,000
Public Works		
Salaries and Wages		
Other Expenses	15,000	
Gasoline	17,000	9,000
Electricity		10,000
Street Lighting		20,000
Natural Gas		30,000
Social Security	25,000	20,000
Unemployment Compensation Insurance		8,000

**Note 3: INVESTMENTS**

As of December 31, 2013 and 2012, the municipality had no investments.

**Interest Rate Risk.** The municipality does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

**Credit Risk.** New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Concentration of Credit Risk.** The municipality places no limit on the amount the City may invest in any one issuer.

**Unaudited Investments**

As more fully described in Note 19, the City has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the City. All investments are valued at contract value. In accordance with NJAC 5:30-14.37 the investments are maintained by Lincoln Benefit Life Company, which is an authorized provider approved by the Division of Local Government Services.

The balance in the account on December 31, 2013 and 2012 amounted to \$126,566 and \$116,887, respectively. The information on 5% or more invested with Lincoln Benefit Life Company is not yet available.

**Note 4: CASH**

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered 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 trust funds such as salary withholdings, bail funds or funds that may pass to the municipality relative to the happening of a future condition. As of December 31, 2013 and 2012, \$0 of the municipality's bank balance of \$4,664,575 and \$2,905,897 was exposed to custodial credit risk.

**Note 5: FIXED ASSETS**

The following schedule is a summarization of the changes in general fixed assets for the calendar year ended December 31, 2013 and 2012.

	Balance as of <u>12/31/2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance as of <u>12/31/2013</u>
Land	\$ 1,220,177			1,220,177
Buildings and Improvements	5,887,539			5,887,539
Furniture, Fixtures & Equip	<u>5,282,870</u>	<u>21,450</u>	<u>222,231</u>	<u>5,082,089</u>
Total	<u>12,390,586</u>	<u>21,450</u>	<u>222,231</u>	<u>12,189,805</u>
	Balance as of <u>12/31/2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance as of <u>12/31/2012</u>
Land	1,220,177			1,220,177
Buildings and Improvements	5,887,539			5,887,539
Furniture, Fixtures & Equip	<u>4,927,838</u>	<u>391,647</u>	<u>(36,615)</u>	<u>5,282,870</u>
Total	<u>\$ 12,035,554</u>	<u>391,647</u>	<u>(36,615)</u>	<u>12,390,586</u>

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Note 6: LONG TERM DEBT**

Long-term debt as of December 31, 2013 and 2012 consisted of the following:

		Balance 12/31/12	Additions	Payments	Ending 12/31/13	Due in One Year
General	\$	12,396,080		544,900	11,851,180	1,255,036
School		4,351,815		1,035,492	3,316,323	300,316
Comp. Absences		653,347	251,478	231,964	672,861	102,558
Total		17,401,242	251,478	1,812,356	15,840,364	2,290,528

		Balance 12/31/11	Additions	Payments	Ending 12/31/12	Due in One Year
General		11,624,768	7,475,931	6,704,619	12,396,080	544,900
School		5,427,514	1,280,000	2,355,699	4,351,815	1,035,492
Comp. Absences		715,134	174,122	235,909	653,347	
Total	\$	17,767,416	8,930,053	9,296,227	17,401,242	1,580,392

As of December 31, 2013, all outstanding bonds are included in the general capital fund and interest and principal reductions are included in the current operating budget of the City.

The regulatory basis of accounting in New Jersey does not recognize accumulated absences as long-term debt. Accumulated absence liabilities are more fully described in Note 15.

Summary of Municipal Debt

Long-term debt as of December 31, 2013 consisted of the following:

\$6,950,000 General Obligations Bonds dated July 1, 2003 for various improvements in the City. On February 7, 2012, the City exercised their option to redeem the bonds that were due to mature on and after July 15, 2014. Interest is paid semi-annually on January 15 and July 15. The final payment, including interest at 4% per annum, was made on July 15, 2013.

\$2,020,000 General Obligations Bonds dated September 15, 2005 for various improvements in the City with a balance due on December 31, 2013 of \$635,000. The bonds are payable annually on August 1 with interest paid semi-annually on February 1 and August 1. Interest rates vary from 3.25% to 3.625%. The final payment is due August 1, 2016.

\$4,099,222 General Obligation Bonds dated September 1, 2010 for various improvements in the City with a balance due on December 31, 2013 of \$3,753,677. The bonds are payable annually on August 15 with interest paid semi-annually on February 15 and August 15. Interest rates vary from 2.00% to 2.50%. The final payment is due August 15, 2020.

\$5,960,000 General Obligation Refunding Bonds dated February 7, 2012 payable in annual installments through July 15, 2023. Interest is paid semiannually at varying rates ranging from 2.00% to 4.00% per annum. The total savings to the City was \$505,852, or 6.24% as a result of refunding the 2003 bond issue. The refunding bonds are not subject to optional redemption prior to their stated maturities. The balance remaining as of December 31, 2013 was \$5,945,000.

\$148,500 Green Trust Loan dated December 22, 1997 for Construction of a bike path in the City. This is a direct reduction loan payable semiannually with interest and principal with a balance due on December 31, 2013 of \$38,741. The bonds are payable semiannually on March 22 and September 22. Interest is calculated at 2%. The final payment is due March 22, 2018.

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

\$150,000 Green Trust Loan dated July 9, 2002 for Lighting at All Wars Memorial Park in the City. This is a direct reduction loan payable semiannually with interest and principal with a balance due on December 31, 2013 of \$75,791. The bonds are payable semiannually on January 15 and July 15. Interest is calculated at 2%. The final payment is due January 15, 2022.

\$360,000 New Jersey Environmental Infrastructure Trust Loan dated May 3, 2012 for the Southwest Drainage Improvement Project. Principal payments on this loan are payable annually on August 1, with a balance due on December 31, 2013 of \$345,000, with interest paid semi-annually on February 1 and August 1. Interest rates vary from 2.00% to 5.00%. The final payment is due on August 1, 2031.

\$1,155,931 New Jersey Environmental Infrastructure Trust Loan dated May 3, 2012 for the Southwest Drainage Improvement Project. Semiannual principal payments were due on February 1 and August 1, with a balance due on December 31, 2013 of \$1,057,971. Based on the agreement with the State, this loan is interest free. The final payment is due August 1, 2031.

\$4,740,000 School Refunding Bonds dated July 1, 2003. The bonds are payable annually on May 15 and November 15. Interest rates vary from 2% to 3.125%. The final payment was made November 15, 2013. Bonds maturing on or after 7/15/14 are redeemable at the option of the City in whole or in part on any date on or after 7/15/13.

\$1,510,000 School Bonds dated July 1, 2003 for school renovations, additions and improvements and real property acquisition. On February 7, 2012, the City exercised their option to redeem the bonds that were due to mature on and after July 15, 2014. The final payment, including interest at 4.1% per annum, was paid July 15, 2013.

\$2,755,000 School Bonds dated September 15, 2005 for school renovations and upgrades with a balance due on December 31, 2013 of \$1,830,000. The bonds are payable annually on August 1 with interest paid semi-annually on February 1 and August 1. Interest rates vary from 3.5% to 4.0%. The final payment is due August 1, 2024. Bonds maturing on or after 8/1/16 are redeemable at the option of the City in whole or in part on any date on or after 8/1/15.

\$230,778 School Bonds dated September 1, 2010 for construction and various improvements to the two elementary schools located within the City with a balance due on December 31, 2013 of \$211,323. The bonds are payable annually on August 15 with interest paid semi-annually on February 15 and August 15. Interest rates vary from 2.00% to 2.50%. The final payment is due August 15, 2020.

\$1,280,000 School Refunding Bonds dated February 7, 2012 payable in annual installments through July 15, 2023. Interest is paid semiannually at varying rates ranging from 2.00% to 4.00% per annum. As indicated above, the total savings to the City was \$505,852, or 6.24% as a result of refunding the 2003 bond issue. The refunding bonds are not subject to optional redemption prior to their stated maturities. The balance remaining as of December 31, 2013 was \$1,275,000.

\$7,702,000 School Loans dated August 18, 1993. The loans are payable annually on July 15. Interest is calculated at 1.5%. The final payment was made July 15, 2013.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

<u>Year Ending</u> <u>December 31,</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$	1,555,352	457,916	2,013,268
2015		1,580,687	422,394	2,003,081
2016		1,616,026	377,217	1,993,243
2017		1,561,374	330,730	1,892,104
2018		1,607,205	290,465	1,897,670
2019-2023		6,391,649	697,098	7,088,747
2024-2028		603,881	38,120	642,001
2029-2031		251,329	8,058	259,387
Total	\$	<u>15,167,503</u>	<u>2,621,998</u>	<u>17,789,501</u>

As of December 31, 2013, the carrying value of the above bonds approximates the fair value of the bonds. The debt service for the School Bonds is included in the municipal budget as a component of the Amount to be Raised by Taxation but is a component of the school tax levy. During the calendar years 2013 and 2012, the City's total amount to be raised by taxation included \$1,023,641 and \$1,022,242 respectively, for Local District School Tax.

<u>Summary of Municipal Debt</u>		<u>Year 2013</u>	<u>Year 2012</u>	<u>Year 2011</u>
Bonds & Notes Issued:				
General	\$	12,328,290	12,833,190	11,836,313
School		5,541,323	4,351,815	5,427,514
Net Bonds & Notes Issued		<u>17,869,613</u>	<u>17,185,005</u>	<u>17,263,827</u>
Bonds & Notes Authorized But Not Issued:				
General		1,197,296	1,197,296	3,588,224
School		2,225,000	240,000	240,000
Net Bonds & Notes Authorized But Not Issued		<u>3,422,296</u>	<u>1,437,296</u>	<u>3,828,224</u>
Net Bonds & Notes Issued and Authorized But Not Issued	\$	<u>21,291,909</u>	<u>18,622,301</u>	<u>21,092,051</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 indicates a statutory net debt of 1.257%.

		<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$	7,806,323	7,806,323	0
Regional School District Debt		14,077,236	14,077,236	0
General Debt		13,485,586	0	13,485,586
	\$	<u>35,369,145</u>	<u>21,883,559</u>	<u>13,485,586</u>

Net Debt \$13,485,586 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$1,072,658,442 = 1.257%. The above information is in agreement with the Annual Debt Statement filed by the City.

Borrowing Power Under N.J.S.A. 40A:2-6 as Amended

3 1/2 % of Equalized Valuation Basis (Municipal)	\$	37,543,045
Net Debt		<u>13,485,586</u>
Remaining Borrowing Power	\$	<u>24,057,459</u>

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Note 7: SHORT TERM OBLIGATIONS**

	<u>Balance</u> <u>12/31/2012</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance</u> <u>12/31/2013</u>
General Capital Note	\$ 437,110	437,110	437,110	437,110
School Note		2,265,000		2,265,000
Special Emergency Note	200,900		40,180	160,720
	<u>638,010</u>	<u>2,702,110</u>	<u>477,290</u>	<u>2,862,830</u>

	<u>Balance</u> <u>12/31/2011</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance</u> <u>12/31/2012</u>
General Capital Note	211,545	437,110	211,545	437,110
Special Emergency Note		200,900		200,900
	<u>\$ 211,545</u>	<u>638,010</u>	<u>211,545</u>	<u>638,010</u>

As of December 31, 2013 the City had the following bond anticipation notes outstanding:

<u>Bank</u>	<u>2013</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Date of</u> <u>Maturity</u>
Current Fund (Special Emergency)			
Newfield National Bank	\$ <u>160,720</u>	0.85%	8/5/14
General Capital			
Newfield National Bank	437,110	0.85%	8/5/14
Cede & Co.	<u>2,265,000</u>	1.00%	4/9/14
Total Special Emergency and Bond Anticipation Notes	<u>\$ 2,702,110</u>		

It is the intent of the City to renew the special emergency note, after a pay down of \$40,180, for an additional one year period upon maturity. It is also the intent of the City to renew the bond anticipation notes for an additional one year period upon maturity, with a pay down of \$7,345.

**Note 8: LEASES OBLIGATIONS**

The City was leasing two (2) copy machines under operating leases. The total lease payments in 2013 and 2012 were \$0 and \$3,264 respectively. The term for both leases was 36 months and they expired April 24, 2012.

In March 2012, the City entered into agreements to lease two (2) copy machines under operating leases. The total lease payments in 2013 and 2012 were \$9,792 and \$8,163 respectively. The term for both leases is 48 months and they will expire on February 20, 2016. The City has the option to purchase this equipment at the termination of the lease for the fair market value.

In addition, effective October 4, 2012, the City is leasing two (2) Dodge Charger police vehicles under an operating lease. Annual lease payments of \$23,799, which include interest at a rate of 5.95% per annum, are due each October 4, commencing in 2012. The final lease payment is due October 4, 2015 at which time the City can purchase the vehicles for \$1.

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

Future minimum payments under these leases:

<u>Year</u>	<u>Equipment</u>	<u>Vehicles</u>
2014	\$ 9,792	23,799
2015	9,792	23,799
2016	<u>2,448</u>	<u>0</u>
Total minimum lease payments	22,032	47,598
Less amount representing interest	0	(3,935)
Present value of minimum lease payments	<u>\$ 22,032</u>	<u>43,663</u>

**Note 9: FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2013 and 2012 which were appropriated and included as anticipated revenue in the current operating budget for the year ending December 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Current Fund	\$ 250,000	150,000

As of the date of this audit report, the City has not adopted the 2014 Local Municipal Budget and the above amount is subject to change. Municipalities are permitted to appropriate the full amount of fund balance, net of any amounts due from the State of NJ for Senior Citizens and Veterans deductions, deferred charges, and cash deficit. The total amount of fund balance available to the City to appropriate in the 2014 budget is \$655,800, which includes \$160,720 as non-cash surplus.

**Note 10: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2013, the following deferred charges are shown on the balance sheets of the various funds.

	Balance 12/31/13	2014 Budget Appropriation	Balance to Succeeding Budgets
Current Fund:			
Special Emergency NJSA 40A:4-55	\$ 160,720	40,180	120,540
Overexpenditure of Appropriations	<u>10,665</u>	<u>10,665</u>	<u>0</u>
	<u>\$ 171,385</u>	<u>50,845</u>	<u>120,540</u>

The appropriations in the 2014 budget are not less than that required by statute.

**Note 11: SCHOOL TAXES**

Local District and Regional High School Taxes have been raised and remitted, or established as a payable, to the respective district in the following amounts:

	<u>2013</u>	<u>2012</u>
Local School District	\$ 11,045,280	10,889,051
Regional High School District	6,237,982	6,186,236

Since the school districts operate on a July 1 to June 30 fiscal year the school tax levy is determined by taking 50% of the prior year and 50% of the current year requirements, plus the actual amount needed for debt service.

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Note 12: TAXES COLLECTED IN ADVANCE**

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	Balance <u>12/31/13</u>	Balance <u>12/31/12</u>
Prepaid Taxes	\$ 333,184	248,321
Cash Liability for Taxes Collected in Advance	<u>333,184</u>	<u>248,321</u>

**Note 13: PENSION FUNDS**

Description of Plans

Substantially all of the City's employees are covered by the Public Employees' Retirement System cost sharing multiple-employer defined benefit pension plan which has been established by State Statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report may be obtained by writing to the division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the report can be accessed on the internet at – <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

Public Employees' Retirement System

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system.

Police and Fireman's Retirement System

The contribution policy for the Police and Fireman's Retirement System (PFRS) is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

Defined Contribution Retirement Program (DCRP)

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

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2013 AND 2012

employer contributions may be amended by State of new Jersey legislation. PERS provided for employee contributions of 6.64% through June 30, 2013 and 6.78% thereafter of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 13.7% of covered payroll. The City's contributions to PERS for the years ended December 31, 2013, 2012 and 2011 were \$167,034, \$202,546, and \$209,296.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The current PFRS rate is 29.4% of covered payroll. The City's contributions to PFRS for the years ended December 31, 2013, 2012, and 2011 were \$457,884, \$428,496, and \$430,342.

### Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to  $\frac{1}{60}$ <sup>th</sup> from  $\frac{1}{55}$ <sup>th</sup>, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2013 AND 2012

instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1/7<sup>th</sup> of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

### **Note 14: POST-RETIREMENT BENEFITS**

**Plan Description** – The City contributes to the State Health Benefits Program (SHBP) a cost-sharing, multi-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. The SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq to provide health benefits to State employees, retirees, and their dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operating and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare part B reimbursement to retirees and their covered dependents.

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

Plan Coverage – The City currently has 4 collective bargaining units as well as several non-union employees. The employee's post employment benefits are dependent upon the collective bargaining unit to which they are a member as well as the year of retirement. The benefits by collective bargaining unit are:

Fire Fighters Local #4370 – upon completion of 25 years of service the employee receives 100% coverage for themselves and 50% coverage for spouse.

Mainland Local #77 (Superior Officers) – upon completion of 25 years of service the employee receives 100% coverage from themselves and family.

Mainland Local #77 (Rank and File) – upon completion of 25 years of service a Patrol Officer receives 100% coverage for themselves. Upon completion of 25 years of service a Sergeant receives 100% coverage for themselves and family. If a Patrol Officer or Sergeant retires due to a work related medical disability, the employee receives 100% coverage for themselves and family after only 20 years of service.

## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2013 AND 2012**

Teamsters Local #331 – upon completion of 25 years of service the employee receives 100% coverage for themselves.

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the City on a monthly basis. The rates charged by the system for the year ended December 31, 2013 vary according to the type of coverage selected by the retiree and range from \$486 to \$2,844 per month.

The City's contributions to SHBP for post-retirement benefits for the year ended December 31, 2013 and 2012 were \$389,534 and \$368,399 respectively, which equaled the required contribution for the year.

### **Note 15: INTER-LOCAL AGREEMENT**

Effective March 13, 2013, the City entered into a one year agreement with the Atlantic County Utilities Authority (ACUA) where the ACUA will provide solid waste and bulk waste collection services for the City. This contract will renew automatically each year through March 17, 2018 unless terminated by either party. After the fifth year, the City has the option to extend the agreement for an additional five year term. The City is obligated to pay \$165,700 for these services during the initial term of the contract. Any increases in cost will not exceed the percentage increase in the CPI-U for the Philadelphia SMSA of August of the contract year over August of the preceding year. In addition, the ACUA will assume ownership of a 2012 CNG Freightliner trash truck at a value of \$171,500. The value of this truck will be recaptured over five years, or \$34,300 per year. This value will be deducted from the annual contract costs. Invoices will be provided to the City each month for collections made during the preceding month.

### **Note 16: ACCRUED SICK AND VACATION BENEFITS**

The City has permitted employees to accrue unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. It is estimated that the cost for the most current calendar year of such unpaid compensation would approximate \$672,861 in 2013 and \$653,347 in 2012. This amount is not reported either as an expenditure or liability due to the likelihood of all employees terminating in one fiscal year being improbable. It is the city's policy to negotiate the final amount of each payment of accrued sick and vacation pay on an individual basis. The policy of not reflecting the accrued benefit is not in agreement with GASB Statement No. 12 but is required by the State of New Jersey. Effective January 1, 2002 the State of New Jersey is allowing municipalities to accrue a compensated liability. The city does not accrue the liability.

### **Note 17: ECONOMIC DEPENDENCY**

The City of Linwood is not economically dependent on any one business or industry as a major source of tax revenue for the City.

### **Note 18: LITIGATION**

During the normal course of operations, lawsuits are occasionally brought against the governmental unit. There are presently no outstanding lawsuits that would result in a contingent liability to the City.

### **Note 19: 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.

## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Property and Liability Insurance** – The City maintains commercial insurance coverage for property, liability and surety bonds. During the years ended December 31, 2013 and 2012 the City did not incur claims in excess of the coverage and the amount of coverage did not significantly decrease.

The City of Linwood is a member of the Atlantic County Municipal Joint Insurance Fund and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The City is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The City has a liability limit of \$10,000,000 under MEL. There has not been a reduction in coverage and there have not been any claims in excess of coverage.

**New Jersey Unemployment Compensation Insurance** – The City has elected to fund its New Jersey Unemployment Compensation Insurance under the “Contributory Method”. Under this plan, the City is required to annually appropriate funds to pay the projected costs of contributions at a rate determined by the Commissioner of Labor. The expense for the years ended December 31, 2013 and 2012 was \$10,361 and \$1,368 respectively.

### **Note 20: LENGTH OF SERVICE AWARDS PROGRAM (UNAUDITED)**

During the year 2003 the voters of the City of Linwood approved the establishment of a Length of Service Awards Program (LOSAP) Deferred Compensation Plan. This plan was approved by the voters of the City of Linwood by referendum at the general election in November of 2003. This plan is made available to all bona fide eligible volunteers who are performing qualified services which are defined as fire fighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP also complies with New Jersey Public Law 1997, Chapter 388 and the LOSAP Document. The balance is subject to the general creditors of the City. Contributions by the City for qualified participants were \$14,950 and \$14,265 for 2013 and 2012 respectively.

### **Note 21: TAX ABATEMENT PROGRAM**

The tax abatement program was established to encourage commercial and industrial development in the City. It is a five year program where real estate taxes on the approved buildings are abated and payments are made in lieu. Specific qualifications for properties are delineated in the Code Book of the City. Qualifying properties are tax exempt until the project is complete. Once completed, the taxpayer pays no tax in the first year after completion. Beginning in the second year, the taxpayer is assessed taxes on 20% of the assessed value, with annual increases of 20% until the end of five years. During the 2013 and 2012 calendar years, the tax abatement program generated \$0 in revenue for the City.

### **Note 22: GRANTS AND CONTRACTS**

During the 2012 calendar year, the City was awarded a grant for the Reconstruction of Poplar Avenue. A contract in the amount of \$163,291 was awarded on this project during 2012, of which \$0 remained open as of December 31, 2013.

The City also awarded a contract in the amount of \$1,164,612 for the Southwest Linwood Flood Control project. This project is funded by City Ordinance #8 of 2010, as adopted on March 24, 2010. As of December 31, 2013, a balance of \$50,734 remained on this contract.

In addition, the City awarded a contract in the amount of \$170,030 for Pedestrian Improvements on Poplar Avenue. This project is funded by a State of New Jersey Safe Routes to Transit Grant. As of December 31, 2013, a balance of \$0 remained on this contract.

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Note 23: UNION CONTRACTS**

As of December 31, 2013, the City's employees are organized in five collective bargaining units.

<u>Bargaining Unit</u>	<u>Job Category</u>	<u>Members</u>	<u>Term</u>
PBA	Police	All uniformed police excluding Chief and Superior Officers	1/1/12-12/31/15
PBA	Police	Superior Officers	1/1/12-12/31/15
IAFF	Firefighters	All uniformed firefighters	1/1/10-12/31/14
Teamsters	Public Works	All public works employees excluding Superintendent, and police secretary	1/1/11-12/31/13 (currently being negotiated for another 3 year term)

**Note 24: INTERFUND BALANCES**

As of December 31, 2013, the following interfunds were included on the balance sheets of the various funds of the City of Linwood:

	Due From	Due To
Current Fund:		
Animal Control Fund	\$ 6,026	
Grant Fund	162,918	
Other Trust Funds	1,959	
Public Defender Trust		989
Grant Fund:		
Current Fund		162,918
Trust Fund:		
Current Fund-		
Public Defender Trust	989	
Animal Control Fund		6,026
Other Trust Funds		1,959
	<u>\$ 171,892</u>	<u>171,892</u>

The amounts due to the Current Fund from the Animal Control Fund is the result of excess funds in the reserve for dog expenditures. The amount due from Other Trust Funds to the Current Fund is due to interest earned on bank accounts that has not yet been transferred. The amount due to the Public Defender Trust represents fees collected through the municipal court. The amount due from the Grant Fund to the Current Fund is the result of grant expenditures that have not yet been reimbursed by the funding agencies.

**Note 25: DEFERRED COMPENSATION**

Employees of the City may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

An unrelated financial institution administers the deferred compensation plan. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the employees.

As part of its fiduciary role, the City has an obligation of due care in selecting the third party administrator. In the opinion of the City's legal counsel, the City has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

**Note 26: SUBSEQUENT EVENTS**

The City has evaluated subsequent events through February 28, 2014, the date which the financial statements were available to be issued and no additional items were noted for disclosure or adjustment.

**SUPPLEMENTARY INFORMATION**

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# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538  
PHONE 609.399.6333 • FAX 609.399.3710  
www.ford-scott.com

## Independent Auditor's Report

The Honorable Mayor and  
Members of City Council  
City of Linwood, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated February 28, 2014, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

### **Internal Control over Financial Reporting**

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

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. 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.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,

**FORD, SCOTT & ASSOCIATES, L.L.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

*Leon P. Costello*

**Leon P. Costello**  
**Certified Public Accountant**  
**Registered Municipal Accountant**  
**No. 393**

**February 28, 2014**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal or State Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor #	Grant Period	Program or Award Amount	Balance at 1/1/13	Receipts or Revenue Recognized	Disbursements/Expenditures	Adjustments	Balance 12/31/13
<b>Federal</b>								
Passed through State of New Jersey Department of Transportation Safe Routes to Schools	20.205	1/1/09-12/31/11	170,000	\$ 35,043.00				35,043.00
Safe Routes to Transit	20.205	1/1/11-12/31/11	209,000	29,420.00		12,875.00		16,545.00
Federal Emergency Management Assistance 2011 Entitlement		1/1/11-12/31/11	15,381	15,381.00				15,381.00
U.S. Department of Homeland Security Passed through Federal Emergency Management Assistance (FEMA)								
Disaster Grants - Public Assistance for Presidentially Declared Disaster - Reimbursement for Hurricane Sandy	97.036	1/1/13-12/31/13	43,188		43,188.00	43,188.00		-
<b>Total Federal Funds</b>				<u>79,844.00</u>	<u>43,188.00</u>	<u>56,063.00</u>	<u>-</u>	<u>66,969.00</u>

THE ACCOMPANYING NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE ARE AN INTEGRAL PART OF THIS STATEMENT

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal or State Grantor/Pass-Through Grantor/Program Title		Pass-Through Grantor #	Grant Period	Program or Award Amount	Balance at 1/1/13	Receipts or Revenue Recognized	Disbursements/Expenditures	Adjustments	Balance 12/31/13	Total Cumulative State Expenditures (Memo Only)
<b>State of New Jersey:</b>										
Passed through:										
Department of Environmental Protection										
Clean Communities	4900-765-178920		1/1/12-12/31/12	13,714	16.00		16.00		-	5,148.00
Clean Communities	4900-765-178920		1/1/13-12/31/13	15,861	15,861.00	15,843.00			18.00	15,843.00
Recycling Tonnage Grant	4830-752-050580-50		1/1/12-12/31/12	17,778	17,778.00				17,778.00	
Recycling Tonnage Grant	4830-752-050580-50		1/1/13-12/31/13	8,412	8,412.00	15,859.00			8,412.00	
Total Department of Environmental Protection				17,794.00	24,273.00				26,208.00	
Department of Community Affairs:										
Garden State Historic Preservation Trust	N/A		1/1/11-12/31/11	47,199	8,020.00				8,020.00	39,179.00
Sustainable Land Use Planning Grant	N/A		1/1/12-12/31/12	4,000	4,000.00			(4,000.00)	-	4,000.00
					12,020.00			(4,000.00)	8,020.00	
Division of Motor Vehicles										
Drunk Driving Enforcement Fund	1110-101-030000-129040		1/1/09-12/31/09	2,729	724.00	667.00			57.00	2,671.00
Drunk Driving Enforcement Fund	1110-101-030000-129040		1/1/10-12/31/10	3,660	791.00	435.00			356.00	3,275.00
Drunk Driving Enforcement Fund	1110-101-030000-129040		1/1/11-12/31/11	3,660	3,660.00				3,660.00	
Drunk Driving Enforcement Fund	1110-101-030000-129040		1/1/12-12/31/12	2,415	2,415.00	1,102.00			2,415.00	
Total Division of Motor Vehicles				7,590.00	-	1,102.00			6,488.00	
Department of Transportation										
Reconstruction of Maple Avenue	6320-480-601381-61		1/1/10-12/31/10	190,000	16,821.00			(376.00)	16,445.00	173,555.00
Reconstruction of Poplar Avenue	6320-480-601381-61		1/1/11-12/31/11	180,000	139,064.00	123,717.00			15,347.00	164,653.00
Reconstruction of Country Club Drive and Delmar Avenue	6320-480-601381-61		1/1/13-12/31/13	200,000	200,000.00	339.00			199,661.00	339.00
Linwood Bike Path Extension	6320-480-601381-61		1/1/13-12/31/13	270,000	270,000.00				270,000.00	
Total Department of Transportation				155,885.00	470,000.00	124,056.00		(376.00)	501,453.00	
Division of Criminal Justice										
Body Armor Fund	1020-718-066-1020-001		1/1/10-12/31/10	1,013	40.00	40.00			-	1,013.00
Body Armor Fund	1020-718-066-1020-001		1/1/11-12/31/11	1,013	1,013.00			(1,013.00)	-	1,013.00
Body Armor Fund	1020-718-066-1020-001		1/1/12-12/31/12	3,607	3,607.00	1,530.00			2,077.00	1,530.00
Body Armor Fund	1020-718-066-1020-001		1/1/13-12/31/13	1,050	1,050.00	1,570.00			1,050.00	
Total Division of Criminal Justice				4,660.00	1,050.00	1,570.00		(1,013.00)	3,127.00	
Total State Funds				197,949.00	495,323.00	142,587.00		(5,389.00)	545,296.00	
Total Federal and State Financial Assistance				\$ 277,793.00	538,511.00	198,650.00		(5,389.00)	612,265.00	

THE ACCOMPANYING NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE ARE AN INTEGRAL PART OF THIS STATEMENT

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS AND STATE FINANCIAL ASSISTANCE  
DECEMBER 31, 2013**

**Note 1: BASIS OF PRESENTATION**

The accompanying schedule of federal awards and state financial assistance includes the federal and state grant activity of the City of Linwood, New Jersey and is presented on the basis of accounting prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, which is a regulatory basis of accounting other than generally accepted accounting principles. Encumbrances are considered in determining the single audit threshold on major programs.

**Note 2: RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedules agree with amounts reported in the City's financial statement. Receipts from federal and state grants are realized as revenue when anticipated in the City's budget. Expenditures are recognized when they become payable. Financial assistance revenue and expenditures are reported in the City's financial statements on the basis of accounting prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Expenditures per Schedule of Federal Awards And State Financial Assistance	\$ 56,063	142,587	198,650
Add: Local Funding		12,102	12,102
Less: Expenditures Related to Storms - Subsequently reimbursed through FEMA	(43,188)		(43,188)
Less: Prior Year Encumbrances		(122,243)	(122,243)
Expenditures Reported in Basic Financial Statements	<u>\$ 12,875</u>	<u>32,446</u>	<u>45,321</u>

**AUDIT FINDINGS AND RESPONSES**

**NONE**

**CURRENT FUND  
SCHEDULE OF CASH - TREASURER**

		Current Fund	Grant Fund
Balance December 31, 2012	\$	1,473,841	438,753
Increased by Receipts:			
Taxes Receivable		30,556,201	
Prepaid Taxes		333,184	
Sewer Rents Receivable		749,091	
Prepaid Sewer		336,155	
Revenue Accounts Receivable		1,234,301	
State of New Jersey -			
Senior Citizens and Veterans		83,750	
Marriage License Fees		650	
DCA Construction Fees		6,326	
Petty Cash		100	
Close Out Change Fund		25	
Interfunds		20,000	11,275
Miscellaneous Revenue		61,313	
Grant - Unappropriated Reserves			14,468
Grant Receivables			191,696
		33,381,096	217,439
		34,854,937	656,192
Decreased by Disbursements:			
Current Year Appropriation		11,076,796	
Prior Year Appropriations		145,538	
County Taxes		4,522,168	
County Added Taxes		6,736	
Local District School Taxes		10,936,586	
Regional School Taxes		6,237,982	
State of New Jersey -			
Marriage License Fees		625	
DCA Construction Fees		4,320	
Tax Overpayments		28,814	
Reserve for Revaluation		126,567	
Petty Cash Fund		100	
Due to Current Fund			8,279
Federal and State Disbursements			171,940
		33,086,232	180,219
Balance December 31, 2013	\$	1,768,705	475,973



**CURRENT FUND  
SCHEDULE OF RENTS**

Balance December 31, 2012		\$	36,677
Increased by:			
Sewer Charges Levied in 2013	1,089,318		
Overpayments Created	<u>284</u>		
			<u>1,089,602</u>
			1,126,279
Decreased by:			
Prepaid in 2012	340,397		
Cash	<u>749,091</u>		
	1,089,488		
Transfer to Liens	<u>1,566</u>		
			<u>1,091,054</u>
Balance December 31, 2013		\$	<u><u>35,225</u></u>

**CURRENT FUND  
SCHEDULE OF TAX TITLE AND OTHER LIENS**

Balance December 31, 2012		\$	11,536
Increased by:			
Transfers from:			
Taxes Receivable	2,241		
Sewer Rents Receivable	1,566		
Interest and Costs Accrued by Sale of September 12, 2013	-		
			3,807
Balance December 31, 2013		\$	15,343

**CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2012	Accrued in 2013	Collected by		Balance Dec. 31, 2013
			Collector	Treasurer	
Licenses:					
Other		48,644		48,644	
Fines and Costs:					
Municipal Court	6,543	88,990		90,610	4,923
Interest and Costs on Taxes		100,837			
Interest Earned on Investments		10,243	100,837	10,243	
Parking Permits		7,560		7,560	
Planning and Zoning Permits		11,450		11,450	
Energy Receipts Tax		567,085		567,085	
Consolidated Municipal Property					
Tax Relief Act		4,523		4,523	
Building Aid Allowance for Schools-State		160,952		160,952	
Uniform Construction Code Fees		147,843		147,843	
Uniform Fire Safety Fees		23,005		23,005	
Bell Atlantic Nynex Tower		61,549		61,549	
	<u>6,543</u>	<u>1,232,681</u>	<u>100,837</u>	<u>1,133,464</u>	<u>4,923</u>

**CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2012	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
OPERATIONS WITHIN "CAPS" GENERAL GOVERNMENT:					
Municipal Clerk					
Other Expenses	\$ 5,953	5,953	2,504	3,449	
Financial Administration					
Other Expenses	2,268	2,268	37	2,231	
Collection of Taxes					
Other Expenses	1,081	1,081	879	202	
Legal Services and Costs					
Other Expenses	4,734	4,734	3,105	1,629	
Engineering Services and Costs					
Other Expenses	806	806	594	212	
Public Buildings and Grounds					
Other Expenses	13,993	13,993	7,663	6,330	
Municipal Land Use Law (N.J.S.A. 40:55D-1) Planning Board					
Other Expenses	8,463	8,463	828	7,635	
Board of Adjustment					
Other Expenses	5,120	5,120	2,680	2,440	
PUBLIC SAFETY:					
Fire					
Other Expenses	12,050	12,050	4,055	7,995	
Police					
Salaries and Wages	40,036	40,036	36,749	3,287	
Other Expenses	24,604	24,604	20,893	3,711	
Communication					
Other Expenses	25,804	25,804	19,771	6,033	
Emergency Management Services					
Other Expenses	1,408	1,408	837	571	
STREETS AND ROADS:					
Road Repair and Maintenance					
Other Expenses	\$ 19,587	19,587	15,446	4,141	

See Accompanying Auditor's Report

**CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2012	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
<b>SANITATION:</b>					
Sewer System					
Other Expenses	29,007	29,007	5,139	23,868	
Landfill - Tipping Fees	30	30	30		
<b>HEALTH AND WELFARE:</b>					
Animal Control Service (Dog Regulation)					
Contractual	800	800	800		
<b>RECREATION AND EDUCATION:</b>					
Parks and Playgrounds					
Other Expenses	2,163	2,163	1,146	1,017	
<b>STATE UNIFORM CONSTRUCTION CODE</b>					
Construction Official					
Other Expenses	3,929	3,929	814	3,115	
<b>UNCLASSIFIED:</b>					
Utilities					
Electricity	2,940	2,940	1,408	1,532	
Telephone and Telegraph	4,371	4,371	2,799	1,572	
Street Lighting	1,872	1,872	1,754	118	
Fire Hydrant Service	12,806	12,806	11,249	1,557	
<b>OPERATIONS EXCLUDED FROM "CAPS"</b>					
Group Insurance for Employees	1,602	1,602	119	1,483	
NPJDES Stormwater Permit NJSA 40A:4-45.3(cc)					
Streets & Roads O/E	891	891	240	651	
<b>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</b>					
Municipal Alliance - Alcoholism and Drug Abuse					
Grant Matching Funds	7,600	7,600	3,999	3,601	
All Other Accounts - No Change	127,337	127,337		127,337	
	\$ 361,255	\$ 361,255	145,538	215,717	-

See Accompanying Auditor's Report

**CURRENT FUND  
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX**

Balance December 31, 2012	\$	-
Increased by:		
Levy - Calendar Year 2013		11,045,280
		11,045,280
Decreased by:		
Payments		10,936,586
Balance December 31, 2013	\$	108,694

**CURRENT FUND  
SCHEDULE OF REGIONAL SCHOOL TAX**

Balance December 31, 2012	\$	-
Increased by:		
Levy - Calendar Year 2013		6,237,982
		6,237,982
Decreased by:		
Payments		6,237,982
Balance December 31, 2013	\$	-

**CURRENT FUND  
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

<u>Purpose</u>	Balance Dec. 31, 2012	Transferred From 2013 Revenues	Received	Adjustments	Balance Dec. 31, 2013
<b>FEDERAL GRANTS:</b>					
Community Development Block Grant - 2011	\$ 6,838		6,838		
Community Development Block Grant - 2012	20,128		20,128		
FEMA Grant # 1889	358				358
FEMA Grant # 1954	15,381				15,381
Safe Routes to Schools	35,043				35,043
Safe Routes to Transit - Poplar Avenue	98,186		74,066		24,120
<b>Total Federal</b>	<b>175,934</b>	<b>-</b>	<b>101,032</b>	<b>-</b>	<b>74,902</b>
<b>STATE GRANTS:</b>					
New Jersey Transportation Trust Fund					
Reconstruction of Poplar Avenue	58,638		57,110		1,528
Country Club Drive & Delmar Avenue		200,000			200,000
Linwood Bike Path Extension		270,000			270,000
Clean Communities Program	822	15,861	15,861		822
Recycling Tonnage Grant		8,412	8,412		
Body Armor		1,050	1,050		
Drunk Driving Enforcement 2011	3,216				3,216
Garden State Historic Preservation Trust					
Leedsville School Project	20,121		17,693		2,428
Sustainable Land Use Planning Grant	4,000				4,000
<b>Total State</b>	<b>86,797</b>	<b>495,323</b>	<b>100,126</b>	<b>-</b>	<b>481,994</b>

**CURRENT FUND  
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

<u>Purpose</u>	Balance Dec. 31, 2012	Transferred From 2013 Revenues	Received	Adjustments	Balance Dec. 31, 2013
Atlantic County Drug Alliance	10,180	11,470			21,650
Total Local	<u>10,180</u>	<u>11,470</u>	-	-	<u>21,650</u>
	<u>\$ 272,911</u>	<u>506,793</u>	<u>201,158</u>	-	<u>578,546</u>
		Cash	191,696		
		Unappropriated Reserves	9,462		
			<u>201,158</u>		

**CURRENT FUND  
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS**

	Balance December 31, 2012		2013		Encumbrances	Disbursed	Adjustment/ Canceled	Balance Dec. 31, 2013
	Appropriated	Reserve for Encumbrances	Appropriations	Appropriations				
<b>FEDERAL GRANTS:</b>								
FEMA Grant # 1954	15,381							15,381
Safe Routes to Schools	35,043							35,043
Safe Routes to Transit - Poplar Avenue	5,562			12,875			(23,858)	16,545
<b>Total Federal</b>	<u>55,986</u>	<u>-</u>	<u>-</u>	<u>12,875</u>	<u>-</u>	<u>-</u>	<u>(23,858)</u>	<u>66,969</u>
<b>STATE GRANTS:</b>								
New Jersey Transportation Trust Fund	16,445							16,445
Reconstruction of Poplar Avenue	16,821							15,347
Country Club Drive & Delmar Avenue			200,000		29,661			170,000
Bike Path Extension	16		270,000					270,000
Clean Communities Program	17,778		15,861					18
Recycling Tonnage Grant	3,647		8,412					26,190
Body Armor	724		1,050					3,127
Drunk Driving Enforcement 2009					57			356
Drunk Driving Enforcement 2010	3,660							3,660
Drunk Driving Enforcement 2011	2,415							2,415
Drunk Driving Enforcement 2012	8,020							8,020
Garden State Historic Preservation Trust								
<b>Total State</b>	<u>70,317</u>	<u>-</u>	<u>495,323</u>	<u>20,344</u>	<u>29,718</u>	<u>-</u>	<u>-</u>	<u>515,578</u>
<b>LOCAL GRANTS:</b>								
Atlantic County Drug Alliance-County	7,576		11,470			11,152		7,894
Atlantic County Drug Alliance-Local	5,056		2,868			950		6,974
Frank H. Stewart Trust Fund								
Acquisition of Land for City Purposes	250,000							250,000
<b>Total State</b>	<u>262,632</u>	<u>-</u>	<u>14,338</u>	<u>12,102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>264,868</u>
<b>\$</b>	<u>388,935</u>	<u>-</u>	<u>509,661</u>	<u>45,321</u>	<u>29,718</u>	<u>(23,858)</u>	<u>-</u>	<u>847,415</u>
			Expended in Cash	171,940				
			Prior Year Encumbrances	(126,619)				
				<u>45,321</u>				

**CURRENT FUND  
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES**

Purpose	Balance Dec. 31, 2012	Transferred To 2013 Appropriations	Received	Adjustments	Balance Dec. 31, 2013
<b>FEDERAL GRANTS:</b>					
None	\$ -				-
<b>Total Federal</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>STATE GRANTS:</b>					
Drunk Driving Enforcement	-		3,789		3,789
Body Armor Grant	1,050	1,050	2,212		2,212
Recycling Tonnage	8,412	8,412	8,467		8,467
<b>Total State</b>	<u>9,462</u>	<u>9,462</u>	<u>14,468</u>	<u>-</u>	<u>14,468</u>
<b>Total</b>	<u>\$ 9,462</u>	<u>9,462</u>	<u>14,468</u>	<u>-</u>	<u>14,468</u>

**TRUST FUND  
SCHEDULE OF CASH - TREASURER**

	Dog License	Other
Balance December 31, 2012	\$ 21,163	352,813
Increased By:		
Dog License Fees	2,407	
Cat License Fees	294	
Dog License Fees - State Share	485	
Interest		194
Bike Path Beautification		1,502
Bequest - Law Enforcement Trust		1,355
Municipal Recycling Receipts		1,842
Tax Premiums and Redemptions		181,733
Municipal Drug Alliance		3,359
Street Openings		15,011
Developer's Escrow		113,479
Parking Offenses Adjudication Act		2
Payroll Withholdings		2,268,123
Accumulated Absences		4
	3,186	2,586,604
	24,349	2,939,417
Decreased By:		
Due to State of New Jersey	485	
Animal Control Expenditures	1,318	
Reserve for Bike Path Maintenance		1,270
Municipal Recycling Expenditures		2,959
Law Enforcement Trust Fund		489
Tax Premium and Redemption Refunds		112,533
Municipal Drug Alliance		1,985
Street Openings		13,486
Payroll Withholdings		2,232,723
Development Fees		51,336
Developer's Escrow		209,545
	1,803	2,626,326
Balance December 31, 2013	\$ <u>22,546</u>	<u>313,091</u>

**Analysis of Balance @ 12/31/13**

Payroll Agency	36,028
Accumulated Absences	37,776
Developer's Escrow	709
Bike Path Beautification	5,625
SPZ & Other Trust Funds	31,689
Performance Guarantees	17,202
Law Enforcement	7,014
Street Openings	16,876
Public Defender	50
Recycling	1,958
Municipal Alliance	10,988
Tax Title Lien Redemption	143,666
Parking Offenses Adjudication Act	40
Uniform Fire Safety	3,470
	<u>313,091</u>

**TRUST FUND  
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES**

Balance December 31, 2012	\$	5,596
Increased by:		
Dog License Fees Collected		2,407
8,003		
Decreased by:		
Expenditures Under N.J.S.A. 4:19-15.11	1,318	
Statutory Excess Due Current Fund	1,470	
2,788		
Balance December 31, 2013	\$	5,215

License Fees Collected	<u>Year</u>	<u>Amount</u>
	2012	2,543
	2011	2,672
	\$	5,215

**TRUST FUND  
SCHEDULE OF AMOUNT DUE TO CURRENT FUND -  
ANIMAL CONTROL FUND**

Balance December 31, 2012	\$	4,556
Increased by:		
Statutory Excess in Reserve for Dog Fund Expenditures		
		<u>1,470</u>
		<u>1,470</u>
Balance December 31, 2013	\$	<u><u>6,026</u></u>

**TRUST FUND  
SCHEDULE OF AMOUNT DUE TO/(FROM) STATE OF NEW JERSEY -  
DEPARTMENT OF HEALTH**

Balance December 31, 2012	\$		-
Increased by:			
2013 State License Fee		354	
2013 Pilot Clinic Fee		71	
2013 Animal Population Control Fee		60	
			485
			485
Decreased By:			
Payments		485	
			485
Balance December 31, 2013	\$		-

**TRUST FUND**  
**SCHEDULE OF RESERVE FOR CAT REGISTRATIONS**

Balance December 31, 2012	\$	11,011
Increased by:		
Cat License Fees Collected		<u>294</u>
Balance December 31, 2013	\$	<u><u>11,305</u></u>

**TRUST FUND  
SCHEDULE OF RESERVE FOR BIKE PATH BEAUTIFICATION  
OTHER TRUST FUNDS**

Balance December 31, 2012	\$	5,393
Increased by:		
Contributions for Tees and Benches		1,502
		6,895
Decreased by:		
Disbursements		1,270
Balance December 31, 2013	\$	5,625

**TRUST FUND**  
**SCHEDULE OF RESERVE FOR LAW ENFORCEMENT TRUST FUND**  
**OTHER TRUST FUNDS**

Balance December 31, 2012	\$	6,148
Increased By:		
Bequest received	<u>1,355</u>	<u>1,355</u>
		7,503
Decreased by:		
Law Enforcement Expenditures		<u>489</u>
Balance December 31, 2013	\$	<u><u>7,014</u></u>

**TRUST FUND  
SCHEDULE OF RESERVE FOR RECYCLING TRUST  
OTHER TRUST FUNDS**

Balance December 31, 2012	\$	3,075
Increased By:		
Municipal Recycling Receipts		1,842
		<u>1,842</u>
		4,917
Decreased by:		
Recycling Expenditures		2,959
		<u>2,959</u>
Balance December 31, 2013	\$	<u><u>1,958</u></u>

**TRUST FUND  
SCHEDULE OF RESERVE FOR PUBLIC DEFENDER  
OTHER TRUST FUNDS**

Balance December 31, 2012	\$	1,039
No Activity During 2013		
		<u>1,039</u>
Balance December 31, 2013	\$	<u><u>1,039</u></u>

**TRUST FUND**  
**SCHEDULE OF RESERVE FOR TAX TITLE LIEN REDEMPTIONS**

Balance December 31, 2012	\$	74,270
Increased by:		
Premium Received at Tax Sale	92,100	
Tax Title Lien Redemptions Deposited	89,633	
Interest Earned	<u>197</u>	
		<u>181,930</u>
		256,200
Decreased by Disbursements:		
Refund Upon Redemption	89,633	
Premiums Returned	<u>22,900</u>	
		<u>112,533</u>
Balance December 31, 2013	\$	<u><u>143,667</u></u>

**TRUST FUND**  
**SCHEDULE OF RESERVE FOR DRUG ALLIANCE**

Balance December 31, 2012	\$	9,614
Increased by:		
Drug Alliance Receipts	<u>3,359</u>	
		<u>3,359</u>
		12,973
Decreased by:		
Expenditures for Drug Alliance Program	<u>1,985</u>	
		<u>1,985</u>
Balance December 31, 2013	\$	<u><u>10,988</u></u>

**GENERAL CAPITAL FUND  
SCHEDULE OF CASH - TREASURER**

Balance December 31, 2012		\$	606,089
Increased by:			
Capital Improvement Fund	45,000		
Premium on Sale of Bond Anticipation Notes	4,238		
Bond Anticipation Notes	2,265,000		
NJEIT Drainage Project Reimbursements	237,966		
Reimbursements	86,185		
	<hr/>		<hr/>
			2,638,389
			3,244,478
Decreased by:			
Improvement Authorizations	1,148,129		
Budget Appropriation			
Capital Surplus	20,000		
	<hr/>		<hr/>
			1,168,129
Balance December 31, 2013		\$	<u><u>2,076,349</u></u>

**GENERAL CAPITAL FUND  
ANALYSIS OF CASH**

	Balance		Receipts		Disbursements		Transfers		Balance	
	Dec. 31, 2012		Budget Appropriation	Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From		To
Fund Balance	\$ 25,762			4,238			20,000			10,000
Capital Improvement Fund	58,305	45,000						287,086	116,150	103,305
Encumbrances Payable	287,086									116,150
<b>Improvement Authorizations:</b>										
10-03 Various Improvements	4,524									4,524
1-04 Various Improvements	49,867									49,867
12-04 Various Improvements	(49,866)									(49,866)
9-05 Various Improvements	(4,525)									(4,525)
14-07 Various General Improvements	33,939			86,185		76,118		19,483	3,656	28,179
14-08 Various General Improvements	55,410					9,610				45,800
11-09 Various General Improvements	12,412									12,412
8-10 Clean Water Project - NJEIF	(52,767)			237,966		169,817		75,706	120,154	59,830
9-10 Purchase of Police Vehicle	413									413
10-10 Various General Improvements	39,879					61,571			60,182	38,490
17-10 Purchase of Computer Server	1,367									1,367
10-11 Various General Improvements	42,416					92,124		1,360	79,394	28,326
13-12 Various General Improvements	101,867				2,265,000	43,700		19,601	23,700	62,266
10-13 Various Improvements to Schools						695,189				1,569,811
	\$ 606,089	45,000	45,000	328,389	2,265,000	1,148,129	20,000	403,236	403,236	2,076,349

**GENERAL CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND**

Balance December 31, 2012	\$	58,305
Increased by:		
Budget Appropriation		<u>45,000</u>
Balance December 31, 2013	\$	<u><u>103,305</u></u>

**GENERAL CAPITAL FUND**  
**SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED**

Balance December 31, 2012		\$ 16,747,895
Decreased by:		
Municipal Bonds	454,873	
Green Trust Loan Principal Paid	16,251	
NJEIT Bonds & Loans	73,776	
School Bonds	630,127	
School Loans	405,365	
	<u>1,580,392</u>	<u>1,580,392</u>
Balance December 31, 2013		\$ <u><u>15,167,503</u></u>

**GENERAL CAPITAL FUND  
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

Ord #	Improvement Description	Balance Dec. 31, 2012	2013 Authorizations	Raised in 2013 Budget	Debt Issued	Balance Dec. 31, 2013	Analysis of Balance		
							Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
11-09	Various Improvements (a) Improvements to Roads & Drainage \$	223				223		223	
8-10	Property Acquisition	494,069				494,069		494,069	
10-10	Various General Improvements (a) Improvements to Roads & Drainage	3,000				3,000		3,000	
10-11	Various General Improvements	211,546				211,546	211,545	1	-
15-11	Refunding Bond Issue	940,000				940,000			940,000
13-12	Various General Improvements	225,568				225,568	225,565	3	-
10-13	Various Improvements to Schools		4,250,000			4,250,000	2,265,000	695,189	1,289,811
		<u>\$ 1,874,406</u>	<u>4,250,000</u>	<u>-</u>	<u>-</u>	<u>6,124,406</u>	<u>2,702,110</u>	<u>1,192,485</u>	<u>2,229,811</u>
									<u>2,229,811</u>

Improvement Authorizations Unfunded



**GENERAL CAPITAL FUND  
SCHEDULE OF GENERAL SERIAL BONDS**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds				Balance Dec. 31, 2012	Increased	Decreased	Balance Dec. 31, 2013
			Date	Outstanding December 31, 2013	Interest Rate	Amount				
General Improvement Bonds	7/1/2003	6,950,000			4.000%	\$ 80,000		80,000	-	
General Improvement Bonds	9/15/2005	2,020,000	8/01/14	205,000	3.500%	830,000		195,000	635,000	
			8/01/15	210,000	3.625%					
			8/01/16	220,000	3.625%					
General Improvement Bonds	9/1/2010	4,099,222	9/1/2014	449,684	2.000%	3,933,550		179,873	3,753,677	
			9/1/2015	449,684	2.000%					
			9/1/2016	449,684	2.000%					
			9/1/2017	577,489	2.000%					
			9/1/2018	596,423	2.250%					
			9/1/2019	620,090	2.375%					
			9/1/2020	610,623	2.500%					
General Improvement Bonds (Refunding)	2/7/2012	5,960,000	7/15/2014	510,000	2.000%	5,945,000		-	5,945,000	
			7/15/2015	520,000	3.000%					
			7/15/2016	535,000	3.000%					
			7/15/2017	550,000	3.000%					
			7/15/2018	570,000	4.000%					
			7/15/2019	600,000	4.000%					
			7/15/2020	625,000	4.000%					
			7/15/2021	650,000	4.000%					
			7/15/2022	680,000	4.000%					
			7/15/2023	705,000	4.000%					
						\$ 10,788,550		454,873	10,333,677	

**GENERAL CAPITAL FUND  
SCHEDULE OF GREEN TRUST LOAN PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2013		Interest Rate	Balance Dec. 31, 2012	Increased	Decreased	Balance Dec. 31, 2013
			Date	Amount					
Construction of Bike Path	12/22/1997	148,500.00	3/22/2014	4,135	2.000%	46,889		8,148	38,741
			9/22/2014	4,176	2.000%				
			3/22/2015	4,218	2.000%				
			9/22/2015	4,261	2.000%				
			3/22/2016	4,303	2.000%				
			9/22/2016	4,346	2.000%				
			3/22/2017	4,390	2.000%				
			9/22/2017	4,434	2.000%				
			3/22/2018	4,478	2.000%				
	Lighting at All Wars Memorial Park	7/9/2003	150,000.00	01/15/14	4,112	2.000%	83,894		8,103
			07/15/14	4,153	2.000%				
			01/15/15	4,195	2.000%				
			07/15/15	4,237	2.000%				
			01/15/16	4,279	2.000%				
			07/15/16	4,322	2.000%				
			01/15/17	4,365	2.000%				
			07/15/17	4,409	2.000%				
			01/15/18	4,453	2.000%				
			07/15/18	4,498	2.000%				
			01/15/19	4,543	2.000%				
			07/15/19	4,588	2.000%				
			01/15/20	4,634	2.000%				
		07/15/20	4,680	2.000%					
		01/15/21	4,727	2.000%					
		07/15/21	4,774	2.000%					
		01/15/22	4,822	2.000%					
						\$ 130,783	-	16,251	114,532

**GENERAL CAPITAL FUND  
SCHEDULE OF ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds				Balance Dec. 31, 2012	Interest Rate	Increased	Decreased	Balance Dec. 31, 2013
			Date	Outstanding December 31, 2013	Amount	Dec. 31, 2012					
Infrastructure	5/3/12	1,155,931	2/1/14	39,184	39,184	1,116,747	- \$		58,776	1,057,971	
			8/1/14	19,592	19,592		-				
			2/1/15	39,184	39,184		-				
			8/1/15	19,592	19,592		-				
			2/1/16	39,184	39,184		-				
			8/1/16	19,592	19,592		-				
			2/1/17	39,184	39,184		-				
			8/1/17	19,592	19,592		-				
			2/1/18	39,184	39,184		-				
			8/1/18	19,592	19,592		-				
			2/1/19	39,184	39,184		-				
			8/1/19	19,592	19,592		-				
			2/1/20	39,184	39,184		-				
			8/1/20	19,592	19,592		-				
			2/1/21	39,184	39,184		-				
			8/1/21	19,592	19,592		-				
			2/1/22	39,184	39,184		-				
			8/1/22	19,592	19,592		-				
			2/1/23	39,184	39,184		-				
			8/1/23	19,592	19,592		-				
			2/1/24	39,184	39,184		-				
			8/1/24	19,592	19,592		-				
			2/1/25	39,184	39,184		-				
			8/1/25	19,592	19,592		-				
			2/1/26	39,184	39,184		-				
			8/1/26	19,592	19,592		-				
			2/1/27	39,184	39,184		-				
			8/1/27	19,592	19,592		-				
			2/1/28	39,184	39,184		-				
			8/1/28	19,592	19,592		-				
			2/1/29	39,184	39,184		-				





**GENERAL CAPITAL FUND  
SCHEDULE OF (TYPE I) SCHOOL LOANS**

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding Dec. 31, 2013		Int. Rate	Balance Dec. 31, 2012	Decreased	
			Date	Amount			Paid by Budget Appropriation	Balance Dec. 31, 2013
School Loan	8/18/93	4,118,500	-	-	-	216,754	216,754	-
School Loan	8/18/93	132,000	-	-	-	6,952	6,952	-
School Loan	8/18/93	3,451,500	-	-	-	181,659	181,659	-
					\$	<u>405,365</u>	<u>405,365</u>	<u>-</u>

**GENERAL CAPITAL FUND  
SCHEDULE OF BOND ANTICIPATION NOTES**

Improvement Description	Ordinance Number	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2012	Increased	Decreased	Balance Dec. 31, 2013
Various General Improvements	10-2011	9/8/2011	8/5/2013	8/4/2014	0.850% \$	211,545			211,545
Various General Improvements	13-2012	8/7/2012	8/5/2013	8/4/2014	0.850%	225,565			225,565
Various Improvements to Schools	10-2013	7/10/2013	4/10/2013	4/9/2014	1.000%		2,265,000		2,265,000
					\$	<u>437,110</u>	<u>2,265,000</u>	<u>-</u>	<u>2,702,110</u>

**GENERAL CAPITAL FUND  
SCHEDULE OF BOND AND NOTES AUTHORIZED BUT NOT ISSUED**

Ordinance Number	Improvement Description	Balance Dec. 31, 2012	2013 Authorizations	Debt Issued	Other	Balance Dec. 31, 2013
11-2009	Various General Improvements	\$ 223				223
8-2010	Stormwater Drain System Improvements (Construction of Clean Water Project)	494,069				494,069
10-2010	Various General Improvements	3,000				3,000
10-2011	Various General Improvements	1				1
15-2011	Refunding Bond Ordinance General Obligation Refunding Bonds School Refunding Bonds	700,000 240,000				700,000 240,000
13-2012	Various General Improvements	3				3
10-2013	Various Improvements to Schools		4,250,000	2,265,000		1,985,000
		<u>\$ 1,437,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,422,296</u>

**CITY OF LINWOOD**

**PART II**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2013**

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## **GENERAL COMMENTS**

### **Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4**

N.J.S. 40A:11-4 states, "Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding the aggregate of \$17,500 except by contract or agreement".

The governing body of the City of Linwood has the responsibility of determining whether the expenditures in any category will exceed \$17,500 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the district counsel's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising for the following items:

HVAC Repairs and Service, Temperature Control System at City Hall, and One 2013 Two Ton Infrared Machine

The minutes indicate resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per NJS 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed.

Our examination of expenditures did not reveal individual payments, contracts or agreements in excess of \$17,500 "for the performance of any work or the furnishing or hiring of any materials or supplies" other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

### **Collection of Interest on Delinquent Taxes and Assessments**

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

The governing body, on January 7, 2013, adopted the following resolution authorizing interest to be charged on delinquent taxes:

"WHEREAS, R.S. 54:4-67 permits the governing body of each municipality to fix the rate of interest to be charged for nonpayment of taxes or assessments; and

WHEREAS, R.S. 54:4-67 has been amended to permit the fixing of said rate of 8% per annum on the first \$1,500 of delinquency and 18% per annum on any amount in excess of \$1,500;

NOW, THEREFORE, BE IT RESOLVED, by the Common Council of the City of Linwood, County of Atlantic, State of New Jersey as follows:

The Tax Collector is hereby authorized and directed to charge eight (8) percent per annum on the first \$1,500 of delinquency, and eighteen (18) percent per annum on any amount in excess of \$1,500, said amounts to be calculated from the date the tax is payable until the date of actual payment."

In addition, the governing body, on January 7, 2013, adopted the following resolution authorizing the allowance of a grace period before charging a penalty for late payment of taxes:

“WHEREAS, NJSA 54:4-67 allows the governing body to fix the rate of interest to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent, and may provide that no interest shall be charged if payment of any installment is made within the tenth calendar day following the date upon which the same became payable; and

WHEREAS, the Mayor and Common Council of the City of Linwood are desirous of so authorizing the Linwood Tax Collector to allow such a grace period of taxes, assessments and sewer charges;

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and Common Council of the City of Linwood, that the Linwood City Tax Collector is hereby duly authorized, empower and directed to charge a penalty starting on February 11, 2013 for the first quarter, May 11, 2013 for the second quarter, August 11, 2013 for the third quarter and November 11, 2013 for the fourth quarter.”

Further, the governing body on January 7, 2013, adopted the following resolution to impose a penalty on tax delinquencies in excess of \$10,000:

“WHEREAS, NJSA 54:4-67 allows the governing body to charge a taxpayer having a tax delinquency in excess of \$10,000 at the end of the calendar year, an amount not to exceed 6% of said delinquency; and

WHEREAS, the Mayor and Common Council of the City of Linwood are desirous of so authorizing the Linwood Tax Collector to assess such a penalty;

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and Common Council of the City of Linwood, that the Linwood Tax Collector be and is hereby duly authorized, empowered and directed to charge a penalty in the amount of 6% for all delinquent taxes, assessments, or other municipal liens or charges in excess of \$10,000 which have not been paid prior to the end of this calendar year.”

Our examination of interest collected on delinquent taxes did not reveal any charges that were not in agreement with the above resolution.

### **Delinquent Taxes and Tax Title Liens**

Inspection of tax sale certificates on file revealed that all tax sale certificates were available for audit. The last tax sale was held on September 12, 2013 and was complete,

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

<u>Year</u>	<u>Tax</u>	<u>Sewer</u>
2013	3	1
2012	3	0
2011	3	0

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a taxpaying basis.

### Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services, including the mailing of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payments of 2013 and 2014 Taxes	5
Delinquent Taxes	4
Payment of 2013 and 2014 Sewer Charges	5
Municipal Court	5

As of the date of this audit report, all verifications have not been returned. However, no problems were noted with those that have been returned.

### Comparison of Tax Levies and Collections Currently

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collections</u>
2013	\$ 31,080,217	30,452,480	97.98%
2012	29,853,838	29,062,734	97.35%
2011	30,076,358	29,526,625	98.17%
2010	28,720,845	28,062,608	97.71%
2009	26,292,679	26,022,597	98.97%

### Comparative Schedule of Tax Rate Information

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Tax Rate	\$ 3.972	3.776	3.783	3.652	3.448
Apportionment of Tax Rate:					
Municipal	1.000	0.945	0.927	0.958	0.921
Municipal Library	0.045	0.048	0.050	0.000	0.000
County	0.579	0.490	0.504	0.470	0.436
Local School	1.547	1.510	1.526	1.491	1.444
Regional High School	0.800	0.784	0.776	0.733	0.647
Assessed Valuation	779,803,897	789,042,244	792,876,551	785,144,340	780,446,294

### Delinquent Taxes and Tax Title Liens

This tabulation includes a comparison, expressed in percentage, of the total delinquent taxes and tax title liens, in relation to the tax levies of the last five years.

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage Of Tax Levy</u>
2013	\$ 15,343	420,900	436,243	1.40%
2012	11,536	387,772	399,308	1.34%
2011	9,406	342,393	351,799	1.17%
2010	5,216	372,862	378,078	1.32%
2009	7,336	269,751	277,087	1.02%

## **STATUS OF PRIOR RECOMMENDATIONS**

### **12-1. Condition**

An overexpenditure of appropriations was noted in the current fund as of December 31, 2012.

### **Current Status**

This finding was cleared during 2013.

## **RECOMMENDATIONS**

None

The problems and weaknesses noted in my review were not of such magnitude that they would affect my ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to my comments or recommendations, or should you desire assistance in implementing my recommendations, please do not hesitate to call.

Very truly yours,

**FORD, SCOTT & ASSOCIATES, L.L.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

*Leon P. Costello*

**Leon P. Costello**  
**Certified Public Accountant**  
**Registered Municipal Accountant**  
**No. 393**