

CITY OF LINWOOD
ATLANTIC COUNTY
NEW JERSEY
AUDIT REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2014

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CITY OF LINWOOD

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2014

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2014 and 2013, 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, 2014, 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, 2014 and 2013, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Note 19 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 \$138,228 and \$126,566 for 2014 and 2013 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, 2014 and 2013, 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, 2014 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 are the responsibility of management and were 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, are 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 April 24, 2015 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

April 24, 2015

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EXHIBIT A - CURRENT FUND

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

	2014	2013
<u>ASSETS</u>		
Regular Fund:		
Cash:		
Treasurer	\$ 1,560,826	1,768,705
Clerk	1,154	2,697
Change Fund	200	225
Petty Cash	100	100
Total Cash	1,562,280	1,771,727
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	380,923	420,900
Tax Title and Other Liens	22,027	15,343
Demolition Liens Receivable	64,315	-
Property Acquired for Taxes - at Assessed Valuation	28,147	28,147
Sewer Rents Receivable	32,422	35,225
Revenue Accounts Receivable	2,855	4,923
Interfund Receivable:		
Animal Control	7,820	6,026
Other Trust Funds	1,959	1,959
Grant Fund	162,918	162,918
Total Receivables and Other Assets	703,386	675,441
Deferred Charges:		
Special Emergency Appropriation	120,540	160,720
Overexpenditure of Appropriation	-	10,665
Total Deferred Charges	120,540	171,385
Total Regular Fund	2,386,206	2,618,553
Federal and State Grant Fund:		
Cash	414,100	475,973
Federal and State Grants Receivable	675,331	578,546
Total Federal and State Grant Fund	1,089,431	1,054,519
Total Current Fund	\$ 3,475,637	3,673,072

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2014</u>	<u>2013</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 268,816	149,097
Reserve for Encumbrances/Accounts Payable	68,467	78,422
Special Emergency Note Payable	120,540	160,720
Prepaid Taxes	269,682	333,184
Prepaid Sewer Rents	338,925	336,155
Overpaid Taxes	2,728	7,194
Overpaid Sewer Rents	490	1,180
Local School Tax Payable	111,052	108,694
County Added Tax Payable	1,235	14,381
Due to State:		
Marriage Licenses	175	75
Construction Training Fees	3,279	3,221
Veterans and Senior Citizens	9,949	9,957
Interfund Payable:		
Public Defender Trust	989	989
Other		
Reserve for Revaluation	-	74,333
	1,196,327	1,277,602
Reserve for Receivables and Other Assets	703,386	675,441
Fund Balance	486,493	665,510
Total Regular Fund	2,386,206	2,618,553
Federal and State Grant Fund:		
Unappropriated Reserves	16,356	14,468
Appropriated Reserves	857,807	847,415
Due to Current Fund	162,918	162,918
Reserve for Encumbrances	52,350	29,718
Total Federal and State Grant Fund	1,089,431	1,054,519
Total Current Fund	\$ 3,475,637	3,673,072

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

	2014	2013
Revenue and Other Income Realized		
Fund Balance	\$ 330,000	150,000
Miscellaneous Revenue Anticipated	2,495,187	2,864,706
Receipts from Delinquent Taxes	416,905	403,161
Receipts from Current Taxes	30,613,776	30,452,480
Non Budget Revenue	33,482	61,313
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	145,995	215,717
Interfund Returned	-	162,790
Total Income	34,035,345	34,310,167
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	3,504,086	3,407,038
Other Expenses	3,588,250	3,393,918
Deferred Charges & Statutory Expenditures	913,855	968,933
Appropriations Excluded from "CAPS"		
Operations:		
Other Expenses	1,469,037	1,397,542
Capital Improvements	299,500	515,000
Municipal Debt Service	1,605,289	909,453
Local District School Debt Service	433,080	1,181,912
Deferred Charges	40,180	206,097
Local District School Tax	11,265,025	11,045,280
Regional District High School Tax	6,342,382	6,237,982
County Tax	4,422,443	4,522,168
County Share of Added Tax	1,235	14,381
Interfund Created	-	162,952
Refund of Prior Year's Revenue	-	1,180
Total Expenditures	33,884,362	33,963,836
Excess in Revenue	150,983	346,331

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

	2014	2013
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	-	-
Total Adjustments	-	-
Statutory Excess to Fund Balance	150,983	346,331
Fund Balance January 1	665,510	469,179
	816,493	815,510
Decreased by:		
Utilization as Anticipated Revenue	330,000	150,000
Fund Balance December 31	\$ 486,493	665,510

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	
Fund Balance Anticipated	\$ 330,000		
Total Fund Balance Anticipated	<u>330,000</u>	<u>-</u>	<u>-</u>
Miscellaneous Revenues:			
Section A: Local Revenues			
Licenses:			
Other	46,000		1,722
Fines and Costs:			
Municipal Court	100,000		(40,247)
Interest and Costs on Taxes	100,000		1,061
Interest Earned on Investments and Deposits	10,000		(303)
Sewer Use Charges	1,087,000		3,323
Parking Meters	7,500		1,095
Planning and Zoning Fees and Permits	11,000		(8,000)
Total Section A: Local Revenues	<u>1,361,500</u>	<u>-</u>	<u>(41,349)</u>
Section B: State Aid Without Offsetting Appropriations			
Consolidated Municipal Property Tax Relief	1,675		1,675
Energy Receipts Tax	569,933		569,933
Building Aid Allowance for Schools- State Aid	28,110		32,476
Total Section B: State Aid Without Offsetting Appropriations	<u>599,718</u>	<u>-</u>	<u>4,366</u>

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, 2014**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	145,000		233,995	88,995
Total Section C: Uniform Construction Code Fees	145,000	-	233,995	88,995
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
NJ Transportation Trust Fund Authority Act	187,000		187,000	
Drunk Driving Enforcement Fund	3,789		3,789	
Municipal Drug Alliance	10,239		10,239	
Recycling Tonnage	8,467		8,467	
Body Armor	2,212		2,212	
Hazard Mitigation Grant Program	30,000		30,000	
Clean Communities		14,873	14,873	
Total Section F: Special Items - Public and Private Programs Off-Set with Appropriations	241,707	14,873	256,580	-
Section G: Other Special Items				
Uniform Fire Safety Act	13,543		17,319	3,776
Bell NYNEX Tower	60,000		63,058	3,058
Total Section G: Other Special Items	73,543	-	80,377	6,834

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**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budget	Anticipated N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Total Miscellaneous Revenues:	2,421,468	14,873	2,495,187	58,846
Receipts from Delinquent Taxes	400,000		416,905	16,905
Amount to be Raised by Taxes for Support of Municipal Budget	8,507,493		8,268,226	(239,267)
Local Tax for Municipal Purposes	404,972		404,972	
Amount for Local District Tax	340,302		340,302	
Library Tax				
Total Amount to be Raised by Taxes for Support of Municipal Budget	9,252,767	-	9,013,500	(239,267)
Budget Totals	12,404,235	14,873	12,255,592	(163,516)
Non- Budget Revenues:			33,482	33,482
Other Non- Budget Revenues:			12,289,074	(130,034)
	\$ 12,404,235	14,873	12,289,074	(130,034)

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN
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**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	30,613,776
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Allocated to:

School, County and Other Taxes	<u>22,031,085</u>
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Balance for Support of Municipal Budget Appropriations	8,582,691
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Increased by:

Appropriation "Reserved for Uncollected Taxes"	<u>430,809</u>
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Amount for Support of Municipal Budget Appropriations	<u><u>9,013,500</u></u>
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	416,905
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Tax Title Lien Collections	<u>-</u>
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Total Receipts from Delinquent Taxes	<u><u>416,905</u></u>
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Analysis of Non-Budget Revenue:

Clerk:

Miscellaneous	1,022
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Other Miscellaneous:

Sewer Connection Fees	3,800
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Insurance Reimbursement - Superstorm Sandy	16,468
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Administration Fees - Senior Citizens & Veterans	1,630
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Election Fees	1,578
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Accident Reports and Gun Permits	1,056
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Police Overtime - Special Duty	2,870
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Vehicle Sales through Auction	4,950
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Miscellaneous	<u>108</u>
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	<u>32,460</u>
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Total Miscellaneous Revenue Not Anticipated:	\$	<u><u>33,482</u></u>
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**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
General Administration						
Other Expenses	\$ 3,600	3,600	1,816		1,784	
Mayor and Council						
Salaries and Wages	65,935	65,935	65,423		512	
City Clerk						
Salaries and Wages	128,885	128,885	128,587		298	
Other Expenses	47,400	47,400	38,825	2,208	6,367	
Elections						
Other Expenses	6,500	6,500	4,822		1,678	
Financial Administration						
Salaries and Wages	77,629	77,629	76,942		687	
Other Expenses	13,000	13,000	10,954	424	1,622	
Audit Services						
Other Expenses	28,500	28,500	28,500			
Assessment of Taxes						
Salaries and Wages	30,903	30,903	30,902		1	
Other Expenses	4,080	4,080	3,185	11	884	
Collection of Taxes						
Salaries and Wages	152,606	147,606	142,606			5,000
Other Expenses	12,129	12,129	9,892	50	2,187	
Paying Agent Fees	2,000	2,000	-		2,000	
Legal Services						
Other Expenses	180,000	160,000	133,563	5,584	10,853	10,000
Engineering & Planning Services						
Other Expenses						
Professional Services	30,000	30,000	20,804		9,196	
Public Buildings and Grounds						
Other Expenses	57,750	77,750	67,621	4,916	5,213	
Shade Tree						
Other Expenses	400	400	95		305	
INSURANCE						
Other Insurance	127,699	127,699	127,699			
Workers Compensation	292,968	292,968	292,968			
Employee Group Health	1,130,980	1,130,980	1,097,978	64	32,938	
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, 2014**

	Appropriations		Budget After Modifications	Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications			Encumbered	Reserved	
LAND USE ADMINISTRATION							
Planning Board							
Salaries and Wages	9,353	9,353	9,353	9,353			
Other Expenses	29,700	29,700	27,697	27,697		2,003	
Zoning Board of Adjustment							
Salaries and Wages	9,353	9,353	9,346	9,346		7	
Other Expenses	9,175	9,175	6,797	6,797	1,370	1,008	
PUBLIC SAFETY							
Uniform Fire Safety Act							
Salaries and Wages	9,720	9,720	9,720	9,720			
Other Expenses	3,823	3,823	3,702	3,702		121	
Fire							
Salaries and Wages	367,260	402,260	399,374	399,374		2,886	
Other Expenses	20	-	-	-		20	
Lease of Fire House	68,750	68,750	43,246	43,246	18,569	6,935	
Misc. Other Expenses							
Aid to Volunteer Fire Company	6,000	6,000	6,000	6,000			
Operation and Maintenance							
Police							
Salaries and Wages	1,996,383	1,936,383	1,889,653	1,889,653		16,730	30,000
Other Expenses	119,950	124,950	118,899	118,899	5,914	137	
Communications							
Salaries and Wages	1,794	1,794	1,794	1,794			
Other Expenses	14,266	14,266	4,377	4,377	2,466	7,423	
Emergency Management Services							
Salaries and Wages	1,010	1,010	1,010	1,010			
Other Expenses	5,000	5,000	1,857	1,857	825	2,318	
SANITATION							
Road Repairs and Maintenance							
Salaries and Wages	528,693	553,693	546,494	546,494		7,199	
Other Expenses	151,000	151,000	139,929	139,929	8,252	2,819	
Sewer System							
Salaries and Wages	1,238	1,238	1,238	1,238			
Finance and Administration							
Other Expenses	8,236	8,236	3,078	3,078		5,158	
Finance and Administration	180,000	180,000	167,368	167,368	4,742	7,890	
Operations and Maintenance	114,975	134,975	133,513	133,513		1,462	
Miscellaneous Other Expenses							

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, 2014**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
Landfill-Tipping Fees	450,000	430,000	412,619	17,381	
Municipal Services Act	37,500	37,500	37,107	393	
HEALTH AND HUMAN SERVICES					
Dog Warden	9,600	9,600	8,800	800	
Contractual					
Senior Citizens Center	100	100	-	100	
Other Expenses					
PARKS AND RECREATION FUNCTIONS					
Parks and Play Grounds	8,416	8,416	5,916	2,500	
Salaries and Wages	22,500	22,500	16,388	1,057	
Other Expenses				5,055	
Historian	500	500	480	20	
Other Expenses					
UNIFORM CONSTRUCTION CODE					
State Uniform Construction Code	164,903	164,903	150,248	4,655	10,000
Construction Official	17,149	17,149	6,198	6,953	
Salaries and Wages					
Other Expenses				3,998	
UNCLASSIFIED					
Utilities					
Gasoline	70,000	70,000	50,817	4,183	15,000
Electric	95,000	95,000	93,703	687	
Telephone and Telegraph	40,000	37,000	27,726	2,014	5,000
Natural Gas	35,000	35,000	31,249	3,751	
Street Lighting	110,000	113,000	111,223	882	
Fire Hydrant Services	66,000	66,000	61,868	4,132	
Water and Sewer	7,500	7,500	6,371	1,129	
Public Access Channel 2	1,500	1,500	-	1,500	
Accumulated Leave					
Salaries and Wages	5	5	-	5	
TOTAL OPERATIONS WITHIN "CAPS"	7,166,836	7,166,836	6,830,840	67,954	75,000
Contingent	500	500	-	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, 2014**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	<u>7,167,336</u>	<u>7,167,336</u>	<u>6,830,840</u>	<u>193,542</u>	<u>75,000</u>
Detail:					
Salaries and Wages	3,554,086	3,549,086	3,468,606	35,480	45,000
Other Expenses	3,613,250	3,618,250	3,362,234	67,954	30,000
DEFERRED CHARGES AND STATUTORY EXPENDITURES:					
Deferred Charges:					
Overexpenditure of Appropriations	10,665	10,665	10,665		
Statutory Expenditures:					
Contributions to:					
Public Employees' Retirement System	175,091	175,091	155,604	19,487	
Public Employees' Retirement System ERI	29,827	29,827	29,827		
Social Security System (O.A.S.I.)	280,000	280,000	251,021	50	20,000
Police and Firemen's Retirement System	372,529	372,529	348,443	24,086	
Police and Firemen's Retirement System ERI	46,743	46,743	46,743		
Unemployment Compensation Insurance	15,000	15,000	10,711	4,289	
Defined Contribution Retirement Program	4,000	4,000	1,064	2,936	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	<u>933,855</u>	<u>933,855</u>	<u>854,078</u>	<u>50</u>	<u>20,000</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	<u>8,101,191</u>	<u>8,101,191</u>	<u>7,684,918</u>	<u>68,004</u>	<u>95,000</u>

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, 2014**

	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						
Atlantic County Sewerage Authority	340,302	340,302	340,302			
Share of Costs	580,232	580,232	580,231		1	
City of Northfield's Share of Sewer Rents	9,300	9,300	8,088		1,212	
Recycling Tax	9,000	9,000	8,188		812	
Length of Service Award Program	17,000	17,000	9,172		7,828	
NJDES Stormwater Permit NJSA 40A:4-45.3(cc)						
Streets & Roads O/E	6,000	6,000	380	463	5,157	
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	463		37	
Interlocal Municipal Service Agreements						
Dispatch Shared Services	312,966	312,966	312,966			
Municipal Court Shared Services	118,721	118,721	118,721			
	<u>1,396,521</u>	<u>1,396,521</u>	<u>1,380,511</u>	<u>463</u>	<u>15,547</u>	<u>-</u>
(A) Public and Private Programs Off-Set by Revenues						
Municipal Alliance-Alcoholism and Drug Abuse						
Grant Share	10,239	10,239	10,239			
Local Share	2,936	2,936	2,936			
Body Armor	2,212	2,212	2,212			
Drunk Driving Enforcement Fund	3,789	3,789	3,789			
Hazard Mitigation Grant Program	30,000	30,000	30,000			
Clean Communities Program		14,873	14,873			
Recycling Tonnage	8,467	8,467	8,467			
Total Public and Private Programs Off-Set by Revenues	<u>57,643</u>	<u>72,516</u>	<u>72,516</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operations - Excluded from "CAPS" Detail:	1,454,164	1,469,037	1,453,027	463	15,547	
Salaries and Wages						
Other Expenses	1,454,164	1,469,037	1,453,027	463	15,547	

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, 2014**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
(C) Capital Improvements						
Capital Improvement Fund	100,000	100,000	100,000	-	-	
Improvements to Sewer System	12,500	12,500	12,500	-	-	
(C) Public and Private Programs Off-Set by Revenues						
New Jersey Transportation Trust Fund Authority Act	187,000	187,000	187,000	-	-	
Woodylyne Blvd.						
Total Public and Private Programs Off-Set by Revenues	187,000	187,000	187,000	-	-	
Total Capital Improvements	299,500	299,500	299,500	-	-	
(D) Debt Service						
Payment of Bond Principal	1,164,684	1,164,684	1,164,684			
Payment of Bond Anticipation Notes	7,345	7,345	7,345			
Interest on Bonds	316,257	316,257	316,239			18
Interest on Notes	5,083	5,083	5,083			
Green Trust Loan Program:						
Loan Repayments for Principal and Interest	18,787	18,787	18,786			1
NJFIT Loans & Bonds	93,153	93,153	93,152			1
Total Debt Service	1,605,309	1,605,309	1,605,289	-	-	20
(E) Deferred Charges						
Special Emergency Authorizations - 5 years	40,180	40,180	40,180			
Total Deferred Charges	40,180	40,180	40,180	-	-	
(N) Transferred to Board of Education for Use of Local Schools (NJSA 40:48-17.1 & 17.3)	40,000	40,000	-			40,000
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	3,439,153	3,454,026	3,397,996	463	15,547	40,020

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, 2014**

	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	300,316	300,316	300,316			
Interest on Bonds	120,078	120,078	120,076			2
Principal and Interest on Loans	12,688	12,688	12,688			
TOTAL TYPE 1 DISTRICT SCHOOL DEBT SERVICE	433,082	433,082	433,080	-	-	2
SUBTOTAL GENERAL APPROPRIATIONS	11,973,426	11,988,299	11,515,994	68,467	268,816	135,022
(M) Reserve for Uncollected Taxes	430,809	430,809	430,809			
TOTAL GENERAL APPROPRIATIONS	\$ 12,404,235	12,419,108	11,946,803	68,467	268,816	135,022
Budget		12,404,235			Cancelled	135,022
Appropriations by 40A:4-87		14,873			Overexpended	-
Emergency Appropriations		-				
		<u>12,419,108</u>				<u>135,022</u>
Reserve for Uncollected Taxes			430,809			
Federal and State Grants			259,516			
Deferred Charges			50,845			
Disbursements			11,205,633			
			<u>11,946,803</u>			

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

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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,**

	2014	2013
<u>ASSETS</u>		
Animal Control Fund:		
Cash - Treasurer	\$ 24,231	22,546
	24,231	22,546
LOSAP (unaudited)		
Investment	138,228	126,566
	138,228	126,566
Other Funds		
Cash - Treasurer	421,125	313,091
Due from Current Fund		
Public Defender Fees	989	989
	422,114	314,080
	584,573	463,192
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Animal Control Fund		
Reserve for:		
Dog Expenditures	4,950	5,215
Cat Expenditures	11,461	11,305
Due to Current Fund	7,820	6,026
	24,231	22,546
LOSAP (unaudited)		
Reserve for LOSAP	138,228	126,566
	\$ 138,228	126,566

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

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

	2014	2013
Other Funds		
Due to Current Fund	\$ 1,959	1,959
Payroll Taxes Payable	31,009	34,068
Reserves for:		
Parking Offenses Adjudication Act	42	40
Surety	14,487	23,111
Planning and Zoning Escrows	9,307	9,301
Street Openings	17,896	16,876
Accumulated Absences	37,794	37,776
Bike Path Beautification	6,101	5,625
Law Enforcement	8,660	7,014
Recycling	7,843	1,958
Drug Alliance	11,467	10,988
Tax Title Lien Redemption	245,761	143,667
Public Defender	1,039	1,039
Development Fees	25,277	17,188
Uniform Fire Safety Fees	3,472	3,470
	422,114	314,080
	\$ 584,573	463,192

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>2014</u>	<u>2013</u>
Cash	\$ 2,971,058	2,076,349
Cash Held by New Jersey Environmental Infrastructure Trust	102,065	102,065
Deferred Charges to Future Taxation - Funded	13,672,149	15,167,503
Unfunded	7,035,061	6,124,406
	<u>23,780,333</u>	<u>23,470,323</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	508,239	116,150
Bond Anticipation Notes Payable	4,881,765	2,702,110
Serial Bonds Payable	9,168,993	10,333,677
Green Trust Loan Payable	97,954	114,532
Environmental Infrastructure Trust Loans Payable	1,329,195	1,402,971
School Serial Bonds	3,076,007	3,316,323
Reserve for Improvements to Sewer System	12,500	-
Improvement Authorizations:		
Funded	784,486	785,848
Unfunded	3,788,075	4,585,407
Capital Improvement Fund	110,405	103,305
Fund Balance	22,714	10,000
	<u>\$ 23,780,333</u>	<u>23,470,323</u>

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

2013	3,422,296
2014	2,153,296

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

	<u>2014</u>	<u>2013</u>
Beginning Balance January 1	\$ 10,000	25,762
Increased by:		
Premiums on Sale of Notes	12,714	4,238
Decreased by:		
Realized in Current Operating Budget	-	20,000
	<u> </u>	<u> </u>
Ending Balance December 31	<u>\$ 22,714</u>	<u>10,000</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>2014</u>	<u>2013</u>
General Fixed Assets:		
Land	\$ 1,565,319	1,220,177
Buildings	5,644,127	5,887,539
Vehicles	2,765,539	-
Machinery and Equipment	<u>2,293,225</u>	<u>5,082,089</u>
Total General Fixed Assets	<u><u>12,268,210</u></u>	<u><u>12,189,805</u></u>
Investment in General Fixed Assets	\$ <u><u>12,268,210</u></u>	<u><u>12,189,805</u></u>

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NOTES TO FINANCIAL STATEMENTS

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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, 2014 AND 2013

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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

The following schedule is a summarization of the changes in general fixed assets for the calendar year ended December 31, 2014 and 2013.

	Balance as of <u>12/31/2013</u>	Adjustments/ <u>Additions</u>	Adjustments/ <u>Deletions</u>	Balance as of <u>12/31/2014</u>
Land	\$ 1,220,177	345,142		1,565,319
Buildings and Improvements	5,887,539		(243,412)	5,644,127
Vehicles		2,765,539		2,765,539
Furniture, Fixtures & Equip	5,082,089	106,818	(2,895,682)	2,293,225
Total	<u>12,189,805</u>	<u>3,217,499</u>	<u>(3,139,094)</u>	<u>12,268,210</u>

	Balance as of <u>12/31/2012</u>	Adjustments/ <u>Additions</u>	Adjustments/ <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	5,282,870	21,450	(222,231)	5,082,089
Total	<u>\$ 12,390,586</u>	<u>21,450</u>	<u>(222,231)</u>	<u>12,189,805</u>

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.

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 31st, 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 15 for additional information on the City's compensated absences policy.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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. 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.

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 2014 and 2013 statutory budgets included a reserve for uncollected taxes in the amount of \$430,809 and \$403,669, respectively. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2014 and 2013 statutory budgets was \$330,000 and \$150,000 respectively.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

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 2014 and 2013 calendar years:

	2014	2013
Legal Services – Other Expenses	(20,000)	(30,000)
Public Buildings & Grounds – Other Expenses	20,000	
Employee Group Insurance		30,000
Police – Salaries & Wags	(60,000)	
Fire – Salaries & Wages	35,000	
Public Works/Streets & Roads – Salaries & Wages	25,000	
Landfill Tipping Fees	(20,000)	
Sewer System – Other Expenses	20,000	

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 2014 and 2013 calendar years, City Council approved a budget insertion for Clean Communities in the amount of \$14,873 and \$15,861, respectively.

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 2014 and 2013 calendar years, no emergency appropriations or special emergencies were approved by City Council.

The unfunded balance on the Property Revaluation as of December 31, 2014 and 2013 was \$120,540 and \$160,720, respectively.

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 2014 and 2013 calendar years:

	2014	2013
Collection of Taxes		
Salaries and Wages	\$5,000	
Legal Services and Costs		
Other Expenses	10,000	
Planning Board		
Other Expenses		15,000
Police		
Salaries and Wages	30,000	50,000
Public Works		
Other Expenses		15,000
Construction Official		
Salaries and Wages	10,000	
Gasoline	15,000	17,000
Telephone and Telegraph	5,000	
Social Security	20,000	25,000

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

Note 3: INVESTMENTS

As of December 31, 2014 and 2013, 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.

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, 2014 and 2013 amounted to \$138,228 and \$126,566, 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, 2014 and 2013, \$0 of the municipality's bank balance of \$5,406,933 and \$4,664,575 was exposed to custodial credit risk.

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

Note 5: LONG TERM DEBT

Long-term debt as of December 31, 2014 and 2013 consisted of the following:

	Balance <u>12/31/13</u>	<u>Additions</u>	<u>Payments</u>	Ending <u>12/31/14</u>	Due in <u>One Year</u>
General	\$ 11,851,180		1,255,038	10,596,142	1,270,371
School	3,316,323	1,615,000	1,855,316	3,076,007	335,316
Comp. Absences	672,861	239,159	290,010	622,010	39,153
Total	15,840,364	1,854,159	3,400,364	14,294,159	1,644,840

	Balance <u>12/31/12</u>	<u>Additions</u>	<u>Payments</u>	Ending <u>12/31/13</u>	Due in <u>One Year</u>
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

As of December 31, 2014, 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, 2014 consisted of the following:

\$2,020,000 General Obligations Bonds dated September 15, 2005 for various improvements in the City with a balance due on December 31, 2014 of \$430,000. 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, 2014 of \$3,303,993. 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, 2014 was \$5,435,000.

\$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, 2014 of \$30,429. The bonds are payable semiannually on March 22 and September 22. Interest is calculated at 2%. The final payment is due March 22, 2018.

\$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, 2014 of \$67,525. The bonds are payable semiannually on January 15 and July 15. Interest is calculated at 2%. The final payment is due January 15, 2022.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

\$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, 2014 of \$330,000, 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, 2014 of \$999,195. Based on the agreement with the State, this loan is interest free. The final payment is due August 1, 2031.

\$2,755,000 School Bonds dated September 15, 2005 for school renovations and upgrades with a balance due on December 31, 2014 of \$140,000. The bonds are payable annually on August 1 with interest paid semi-annually on February 1 and August 1. Interest is charged at a rate of 3.75% per annum. 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. On December 3, 2014, the City refunded the bonds maturing August 1, 2016 through, and including, August 1, 2024 for a total amount of \$1,555,000.

\$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, 2014 of \$186,007. 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, 2014 was \$1,135,000.

\$1,615,000 School Refunding Bonds dated December 3, 2014 payable in annual installments through August 1, 2024. Interest is paid semiannually at 3% per annum. The total savings to the City was 47,073.58, or 3.03% as a result of refunding the 2005 bond issue. The refunding bonds are not subject to optional redemption prior to their stated maturities. The balance remaining as of December 31, 2014 was \$1,615,000.

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

Year Ending December 31,	Principal	Interest	Total
2015	\$ 1,605,687	392,976	1,998,663
2016	1,626,026	363,467	1,989,493
2017	1,571,374	317,768	1,889,142
2018	1,612,205	278,365	1,890,570
2019	1,677,907	229,066	1,906,973
2020-2024	5,002,518	444,406	5,446,924
2025-2029	408,881	25,620	434,501
2030-2031	167,551	4,584	172,135
Total	<u>\$ 13,672,149</u>	<u>2,056,252</u>	<u>15,728,401</u>

As of December 31, 2014, 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 2014 and 2013, the City's total amount to be raised by taxation included \$404,972 and \$1,023,641 respectively, for Local District School Tax.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

<u>Summary of Municipal Debt</u>	<u>Year 2014</u>	<u>Year 2013</u>	<u>Year 2012</u>
<u>Bonds & Notes Issued:</u>			
General	\$ 11,975,907	12,328,290	12,833,190
School	6,578,007	5,541,323	4,351,815
Net Bonds & Notes Issued	<u>18,553,914</u>	<u>17,869,613</u>	<u>17,185,005</u>
<u>Bonds & Notes Authorized But Not Issued:</u>			
General	1,803,296	1,197,296	1,197,296
School	350,000	2,225,000	240,000
Net Bonds & Notes Authorized But Not Issued	<u>2,153,296</u>	<u>3,422,296</u>	<u>1,437,296</u>
Net Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 20,707,210</u>	<u>21,291,909</u>	<u>18,622,301</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 1.334%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$ 6,928,007	6,928,007	0
Regional School District Debt	13,294,572	13,294,572	0
General Debt	13,779,203	0	13,779,203
	<u>\$ 34,001,782</u>	<u>20,222,579</u>	<u>13,779,203</u>

Net Debt \$13,779,203 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$1,032,860,365 = 1.334%. 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)	\$	36,150,113
Net Debt		<u>13,779,203</u>
Remaining Borrowing Power	\$	<u><u>22,370,910</u></u>

Note 6: SHORT TERM OBLIGATIONS

	<u>Balance</u> <u>12/31/2013</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance</u> <u>12/31/2014</u>
General Capital Note	\$ 437,110	950,000	7,345	1,379,765
School Note	2,265,000	1,237,000		3,502,000
Special Emergency Note	160,720		40,180	120,540
	<u>2,862,830</u>	<u>2,187,000</u>	<u>47,525</u>	<u>5,002,305</u>
	<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>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

As of December 31, 2014 the City had the following bond anticipation notes outstanding:

<u>Bank</u>	<u>2014 Amount</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>
Current Fund (Special Emergency)			
Newfield National Bank	\$ <u>120,540</u>	0.90%	7/31/15
General Capital			
Cede & Co.	1,379,765	1.25%	7/31/15
Jeffries, LLC	<u>3,502,000</u>	1.25%	4/6/16
Total Special Emergency and Bond Anticipation Notes	\$ <u>5,002,305</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 \$20,000.

Note 7: LEASES OBLIGATIONS

In March 2012, the City entered into agreements to lease two (2) copy machines under operating leases. The total lease payments in 2014 and 2013 were \$9,792 and \$9,792 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.

Future minimum payments under these leases:

<u>Year</u>	<u>Equipment</u>	<u>Vehicles</u>
2015	\$ 9,792	23,799
2016	<u>2,448</u>	<u>0</u>
Total minimum lease payments	12,240	23,799
Less amount representing interest	0	(1,337)
Present value of minimum lease payments	\$ <u>12,240</u>	<u>22,462</u>

Note 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2014 and 2013 which were appropriated and included as anticipated revenue in the current operating budget for the year ending December 31, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Current Fund	\$ 200,000	330,000

As of the date of this audit report, the City has not adopted the 2015 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 2015 budget is \$351,915.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

Note 9: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2014, the following deferred charges are shown on the balance sheets of the various funds.

	Balance 12/31/14	2015 Budget Appropriation	Balance to Succeeding Budgets
Current Fund:			
Special Emergency NJSA 40A:4-55	\$ 120,540	40,180	80,360
	<u>\$ 120,540</u>	<u>40,180</u>	<u>80,360</u>

The appropriations in the 2015 budget are not less than that required by statute.

Note 10: 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:

		2014	2013
Local School District	\$	11,265,025	11,045,280
Regional High School District		6,342,382	6,237,982

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.

Note 11: 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 12/31/14	Balance 12/31/13
Prepaid Taxes	\$ 269,682	333,184
Cash Liability for Taxes Collected in Advance	<u>269,682</u>	<u>333,184</u>

Note 12: 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>.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

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 employer contributions may be amended by State of new Jersey legislation. PERS provided for employee contributions of 6.78% through June 30, 2014 and 6.92% 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, 2014, 2013 and 2012 were \$185,431, \$167,034, and \$202,546.

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 25.1% of covered payroll. The City's contributions to PFRS for the years ended December 31, 2014, 2013, and 2012 were \$395,186, \$457,884, and \$428,496.

The total payroll for the years ended December 31, 2014, 2013, and 2012 was \$3,485,474, \$3,389,079, and \$3,564,289. Payroll covered by PERS was \$1,351,902, \$1,431,515, and \$1,599,953, respectively. Payroll covered by PFRS was \$1,575,159, \$1,557,725, and \$1,497,825, respectively.

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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

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 $\frac{1}{60}$ th from $\frac{1}{55}$ th, 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 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 $\frac{1}{7}$ th 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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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 13: 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.

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, 2014 vary according to the type of coverage selected by the retiree and range from \$486 to \$2,844 per month. Effective January 1, 2015, the rates charged per month range from \$516 to \$3,021.

The City's contributions to SHBP for post-retirement benefits for the year ended December 31, 2014 and 2013 were \$441,672 and \$389,534 respectively, which equaled the required contribution for the year.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

Note 14: 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 automatically renewed for an additional one year period and will continue to 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 was 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. The City paid \$277,006 and \$281,580 for these services during the 2014 and 2013 calendar years.

Note 15: 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 \$622,010 in 2014 and \$672,861 in 2013. 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 16: 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 17: 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 18: RISK MANAGEMENT

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

Property and Liability Insurance – The City maintains commercial insurance coverage for property, liability and surety bonds. During the years ended December 31, 2014 and 2013 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.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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, 2014 and 2013 was \$10,711 and \$10,361 respectively.

Note 19: 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 \$11,500 and \$14,950 for 2014 and 2013 respectively.

Note 20: 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 2014 and 2013 calendar years, the tax abatement program generated \$0 in revenue for the City.

Note 21: GRANTS AND CONTRACTS

The City awarded a contract, in 2012, 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.

During the 2014 calendar year, the City awarded a contract in the amount of \$156,000 for the Replacement/Installation of Concrete Curbs and Sidewalks. This project is funded by City Ordinance #14 of 2014, as adopted on July 9, 2014. As of December 31, 2014, a balance of \$95,796 remained on this contract.

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

Note 22: UNION CONTRACTS

As of December 31, 2014, 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 (effective January 2015, contract extended for additional 4 year term)
Teamsters	Public Works	All public works employees excluding Superintendent, and police secretary	1/1/14-12/31/16

Note 23: INTERFUND BALANCES

As of December 31, 2014, 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	\$ 7,820	
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		7,820
Other Trust Funds		1,959
	<u>\$ 173,686</u>	<u>173,686</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 24: 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).

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

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.

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 25: SUBSEQUENT EVENTS

The City has evaluated subsequent events through April 24, 2015, 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

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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, 2014, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated April 24, 2015, 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**

April 24, 2015

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Federal	Federal or State Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor #	Grant Period	Program or Award Amount	Balance at 1/1/14	Receipts or Revenue Recognized	Disbursements/Expenditures	Adjustments	Balance 12/31/14
	Passed through State of New Jersey Department of Transportation	20.205	1/1/09-12/31/11	170,000	35,043				35,043
	Safe Routes to Schools	20.205	1/1/11-12/31/11	209,000	16,545				16,545
	Safe Routes to Transit								
	Total Department of Transportation				51,588	-	-	-	51,588
	Federal Emergency Management Assistance 2011 Entitlement	97.xxx	1/1/11-12/31/11	15,381	15,381				15,381
	Passed through State of New Jersey Office of Emergency Management					30,000			30,000
	Hazard Mitigation Grant Program - Lifeline/Life Safety Energy Resilience Program	97.039	2/18/14-2/18/18	30,000					
	Total Federal Emergency Management Assistance				15,381	30,000			45,381
	Total Federal Funds				66,969	30,000			96,969

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, 2014**

Federal or State Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor #	Grant Period	Program or Award Amount	Balance at 1/1/14	Receipts or Revenue Recognized	Disbursements/Expenditures	Adjustments	Balance 12/31/14	Total Cumulative State Expenditures (Memo Only)
State of New Jersey:									
Passed through:									
Department of Environmental Protection									
Clean Communities	4900-765-178920	1/1/13-12/31/13	15,861	18		18			15,861
Clean Communities	4900-765-178920	1/1/14-12/31/14	14,873	14,873	14,824	49			14,824
Recycling Tonnage Grant	4830-752-050580-50	1/1/12-12/31/12	17,778	17,778	17,778				17,778
Recycling Tonnage Grant	4830-752-050580-50	1/1/13-12/31/13	8,412	8,412	1,436			6,976	1,436
Recycling Tonnage Grant	4830-752-050580-50	1/1/14-12/31/14	8,467	8,467	34,056			8,467	
Total Department of Environmental Protection				26,208	23,340			15,492	
Department of Community Affairs:									
Garden State Historic Preservation Trust				8,020				8,020	39,179
	N/A	1/1/11-12/31/11	47,199	8,020				8,020	
Division of Motor Vehicles									
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/09-12/31/09	2,729	57	57				2,728
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/10-12/31/10	3,660	356	356				3,631
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/11-12/31/11	3,660	3,660	916			2,744	916
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/12-12/31/12	2,415	2,415				2,415	
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/13-12/31/13	3,789	3,789	3,789			3,789	
Total Division of Motor Vehicles				6,488	3,789	1,329		8,948	
Department of Transportation									
Reconstruction of Poplar Avenue	6320-480-601381-61	1/1/10-12/31/10	190,000	16,445				16,445	173,555
Reconstruction of Maple Avenue	6320-480-601381-61	1/1/11-12/31/11	180,000	15,347				15,347	164,653
Reconstruction of Woodlynte Drive	6320-480-601381-61	1/1/14-12/31/14	187,000	187,000				187,000	20,000
Reconstruction of Country Club Drive and Delmar Avenue	6320-480-601381-61	1/1/13-12/31/13	200,000	199,661	177,844			21,817	178,183
Linwood Bike Path Extension	6320-480-601381-61	1/1/13-12/31/13	270,000	270,000	177,844			270,000	
Total Department of Transportation				501,453	187,000			510,609	
Division of Criminal Justice									
Body Armor Fund	1020-718-066-1020-001	1/1/12-12/31/12	3,607	2,077	2,077			577	3,607
Body Armor Fund	1020-718-066-1020-001	1/1/13-12/31/13	1,050	1,050	473			2,212	473
Body Armor Fund	1020-718-066-1020-001	1/1/14-12/31/14	2,212	2,212	2,550			2,788	
Total Division of Criminal Justice				3,127	2,212				
Total State Funds				545,296	216,341	215,779		545,858	
Total Federal and State Financial Assistance				\$ 612,265	246,341	215,779		642,827	

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, 2014**

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	\$ -	215,779	215,779
Add: Local Funding		10,713	10,713
Less: Prior Year Encumbrances		(29,718)	(29,718)
Expenditures Reported in Basic Financial Statements	\$ <u>-</u>	<u>196,774</u>	<u>196,774</u>

AUDIT FINDINGS AND RESPONSES

NONE

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	<u>Current Fund</u>	<u>Grant Fund</u>
Balance December 31, 2013	\$ 1,768,705	475,973
Increased by Receipts:		
Taxes Receivable	30,611,549	
Prepaid Taxes	269,682	
Sewer Rents Receivable	753,477	
Prepaid Sewer	338,925	
Revenue Accounts Receivable	1,148,284	
State of New Jersey -		
Senior Citizens and Veterans	81,492	
Marriage License Fees	950	
DCA Construction Fees	5,449	
Petty Cash	100	
Close Out Change Fund	25	
Miscellaneous Revenue	33,482	
Due from Current Fund		2,936
Grant - Unappropriated Reserves		16,356
Grant Receivables		145,327
	<u>33,243,415</u>	<u>164,619</u>
	35,012,120	640,592
Decreased by Disbursements:		
Current Year Appropriation	11,205,633	
Prior Year Appropriations	81,524	
County Taxes	4,422,443	
County Added Taxes	14,381	
Local District School Taxes	11,262,667	
Regional School Taxes	6,342,382	
Special Emergency Note Payable	40,180	
State of New Jersey -		
Marriage License Fees	850	
DCA Construction Fees	5,391	
Tax Overpayments	1,410	
Reserve for Revaluation	74,333	
Petty Cash Fund	100	
Due to Current Fund		
Federal and State Disbursements		226,492
	<u>33,451,294</u>	<u>226,492</u>
Balance December 31, 2014	\$ <u>1,560,826</u>	<u>414,100</u>

**CURRENT FUN
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance Dec. 31, 2013	Current Year Levy	Added Taxes	Collections by Cash		Adjustments	Transferred To Tax Title Lien	Arrears	Balance Dec. 31, 2014
				2013	2014				
2012	\$ 250				250				-
2013	420,650			416,655	3,995				-
	420,900			416,905	3,995				-
2013		31,291,924	8,741	333,184	30,280,592	299,602	6,364		380,923
	\$ 420,900	31,291,924	8,741	333,184	30,697,497	303,597	6,364		380,923

Cash Receipts 30,611,549
 Overpayments Applied (2,728)
 Overpayments Created 7,426
 Senior Citizens and Veterans 81,250
30,697,497

Analysis of Current Year Tax Levy

Tax Yield:
 General Property Tax 31,291,924
 Added Taxes (54:4-63.1 et. Seq.) 8,741
31,300,665

Tax Levy:
 General County Taxes 4,048,277
 County Open Space Taxes 57,044
 County Health Taxes 317,122
 County Added and Omitted Taxes 1,235
Total County Taxes 4,423,678

Local School District Tax 11,265,025
 Regional School District Tax 6,342,382
 Additional Local School District Tax 404,972
 Minimum Library Tax 340,302

Local Tax for Municipal Purposes 8,507,493
 Add: Additional Tax Levied 16,813
8,524,306
31,300,665

**CURRENT FUND
SCHEDULE OF RENTS**

Balance December 31, 2013		\$	35,225
Increased by:			
Sewer Charges Levied in 2014	1,086,659		
Overpayments Created	<u>490</u>		
			<u>1,087,149</u>
			1,122,374
Decreased by:			
Prepaid in 2013	336,155		
Cash	<u>753,477</u>		
	1,089,632		
Transfer to Liens	<u>320</u>		
			<u>1,089,952</u>
Balance December 31, 2014		\$	<u><u>32,422</u></u>

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

Balance December 31, 2013	\$	15,343
Increased by:		
Transfers from:		
Taxes Receivable	6,364	
Sewer Rents Receivable	320	
Interest and Costs Accrued by Sale of October 15, 2014	-	
	<hr/>	<hr/>
		6,684
Balance December 31, 2014	\$	<u><u>22,027</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance	Accrued	Collected by		Balance
	Dec. 31, 2013	in 2014	Collector	Treasurer	Dec. 31, 2014
Licenses:					
Other		47,722		47,722	
Fines and Costs:					
Municipal Court	4,923	57,685		59,753	2,855
Interest and Costs on Taxes		101,061	101,061		
Interest Earned on Investments		9,697		9,697	
Parking Permits		8,595		8,595	
Planning and Zoning Permits		3,000		3,000	
Energy Receipts Tax		569,933		569,933	
Consolidated Municipal Property					
Tax Relief Act		1,675		1,675	
Building Aid Allowance for Schools-State		32,476		32,476	
Uniform Construction Code Fees		233,995		233,995	
Uniform Fire Safety Fees		17,319		17,319	
Bell Atlantic Nynex Tower		63,058		63,058	
	<u>4,923</u>	<u>1,146,216</u>	<u>101,061</u>	<u>1,047,223</u>	<u>2,855</u>

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

	Balance Dec. 31, 2013	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT:					
Municipal Clerk					
Other Expenses	1,791	1,791	1,493	298	
Financial Administration					
Other Expenses	2,414	2,414	46	2,368	
Collection of Taxes					
Other Expenses	2,456	2,456	24	2,432	
Public Buildings and Grounds					
Other Expenses	5,640	5,640	1,869	3,771	
Zoning Board of Adjustment					
Other Expenses	4,471	4,471	802	3,669	
PUBLIC SAFETY:					
Fire					
Other Expenses	13,278	13,278	11,653	1,625	
Police					
Other Expenses	25,684	25,684	22,866	2,818	
Communication					
Other Expenses	9,131	9,131	3,876	5,255	
STREETS AND ROADS:					
Road Repair and Maintenance					
Other Expenses	6,389	6,389	3,398	2,991	
SANITATION:					
Sewer System					
Other Expenses	7,204	7,204	807	6,397	
Landfill - Tipping Fees					
Other Expenses	9,619	9,619	4,920	4,699	
HEALTH AND WELFARE:					
Animal Control Service (Dog Regulation)					
Contractual	800	800	800	-	

See Accompanying Auditor's Report

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

	Balance Dec. 31, 2013	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
RECREATION AND EDUCATION:					
Parks and Playgrounds	3,982	3,982	3,982	-	
Other Expenses					
STATE UNIFORM CONSTRUCTION CODE					
Construction Official	9,912	9,912	3,035	6,877	
Other Expenses					
UNCLASSIFIED:					
Utilities					
Electricity	580	580	173	407	
Telephone and Telegraph	2,678	2,678	2,669	9	
Natural Gas	3,287	3,287	1,686	1,601	
Street Lighting	171	171	10	161	
Fire Hydrant Service	18,208	18,208	16,873	1,335	
Water and Sewer	1,075	1,075	542	533	
All Other Accounts - No Change	98,749	98,749		98,749	
	<u>\$ 227,519</u>	<u>227,519</u>	<u>81,524</u>	<u>145,995</u>	<u>-</u>

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

Balance December 31, 2013	\$	108,694
Increased by:		
Levy - Calendar Year 2014		<u>11,265,025</u>
		11,373,719
Decreased by:		
Payments		<u>11,262,667</u>
Balance December 31, 2014	\$	<u><u>111,052</u></u>

**CURRENT FUND
SCHEDULE OF REGIONAL SCHOOL TAX**

Balance December 31, 2013	\$	-
Increased by:		
Levy - Calendar Year 2014		<u>6,342,382</u>
		6,342,382
Decreased by:		
Payments		<u>6,342,382</u>
Balance December 31, 2014	\$	<u><u>-</u></u>

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

<u>Purpose</u>	Balance Dec. 31, 2013	Transferred From 2014 Revenues	Received	Adjustments	Balance Dec. 31, 2014
FEDERAL GRANTS:					
Federal Emergency Management Assistance					
Grant #1889	\$ 358				358
Grant #1954	15,381				15,381
Hazard Mitigation Grant Program - Lifeline/ Life Safety Energy Resilience Program		30,000			30,000
Safe Routes to Schools	35,043				35,043
Safe Routes to Transit - Poplar Avenue	24,120				24,120
Total Federal	74,902	30,000	-	-	104,902
STATE GRANTS:					
New Jersey Transportation Trust Fund					
Reconstruction of Poplar Avenue	1,528				1,528
Reconstruction of Woodlynnne Blvd.		187,000	113,250		187,000
Country Club Drive & Delmar Avenue	200,000				86,750
Linwood Bike Path Extension	270,000				270,000
Clean Communities Program	822	14,873	14,872		823
Recycling Tonnage Grant		8,467	8,467		
Body Armor		2,212	2,212		
Drunk Driving Enforcement 2011	3,216				3,216
Drunk Driving Enforcement 2014		3,789	3,789		
Garden State Historic Preservation Trust					
Leedsville School Project	2,428				2,428
Sustainable Land Use Planning Grant	4,000				4,000
Total State	481,994	216,341	142,590	-	555,745

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

<u>Purpose</u>	Balance Dec. 31, 2013	Transferred From 2014 Revenues	Received	Adjustments	Balance Dec. 31, 2014
LOCAL GRANTS:					
Atlantic County Drug Alliance	21,650	10,239	17,205		14,684
Total Local	<u>21,650</u>	<u>10,239</u>	<u>17,205</u>	<u>-</u>	<u>14,684</u>
	<u>\$ 578,546</u>	<u>256,580</u>	<u>159,795</u>	<u>-</u>	<u>675,331</u>
		Cash	145,327		
		Unappropriated Reserves	14,468		
			<u>159,795</u>		

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

	Balance December 31, 2013		2014		Disbursed	Encumbrances	Adjustment/ Canceled	Balance Dec. 31, 2014
	Appropriated	Reserve for Encumbrances	Appropriations	Encumbrances				
FEDERAL GRANTS:								
Federal Emergency Management Assistance Grant #1954	\$ 15,381							15,381
Hazard Mitigation Grant Program - Lifeline/Life Safety Energy Resilience Program	35,043		30,000					30,000
Safe Routes to Schools	16,545							35,043
Safe Routes to Transit - Poplar Avenue	66,969		30,000					16,545
Total Federal		-		-				96,969
STATE GRANTS:								
New Jersey Transportation Trust Fund								
Reconstruction of Poplar Avenue	16,445							16,445
Reconstruction of Maple Avenue	15,347							15,347
Country Club Drive & Delmar Avenue	170,000			148,183				21,817
Bike Path Extension	270,000				29,500			240,500
Reconstruction of Woodlyne Blvd.			187,000		20,000			167,000
Clean Communities Program	18		14,842					49
Recycling Tonnage Grant	26,190		8,467		2,000			13,443
Body Armor	3,127		2,212		850			1,939
Drunk Driving Enforcement 2010	356			356				2,744
Drunk Driving Enforcement 2011	3,660			916				2,415
Drunk Driving Enforcement 2012	2,415							3,789
Drunk Driving Enforcement 2013			3,789					8,020
Garden State Historic Preservation Trust	8,020							
Total State	515,578	-	216,341	186,061	52,350	-	-	493,508
LOCAL GRANTS:								
Atlantic County Drug Alliance-County	7,894		10,239	7,777				10,356
Atlantic County Drug Alliance-Local	6,974		2,936	2,936				6,974
Frank H. Stewart Trust Fund								
Acquisition of Land for City Purposes	250,000							250,000
Total State	264,868	-	13,175	10,713	-			267,330
\$	847,415	-	259,516	196,774	52,350	-	-	857,807
			Expended in Cash	226,492				
			Prior Year Encumbrances	(29,718)				
				196,774				

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

Purpose	Balance Dec. 31, 2013	Transferred To 2014 Appropriations	Received	Adjustments	Balance Dec. 31, 2014
FEDERAL GRANTS:					
None	\$ -				-
Total Federal	<u>-</u>				<u>-</u>
STATE GRANTS:					
Drunk Driving Enforcement	3,789	3,789	1,670		1,670
Body Armor Grant	2,212	2,212	1,765		1,765
Recycling Tonnage	8,467	8,467	12,921		12,921
Total State	<u>14,468</u>	<u>14,468</u>	<u>16,356</u>	<u>-</u>	<u>16,356</u>
\$	<u>14,468</u>	<u>14,468</u>	<u>16,356</u>	<u>-</u>	<u>16,356</u>

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

	<u>Dog License</u>	<u>Other</u>
Balance December 31, 2013	\$ 22,546	313,091
Increased By:		
Dog License Fees	2,101	
Cat License Fees	156	
Dog License Fees - State Share	416	
Interest		320
Bike Path Beautification		1,803
Bequest - Law Enforcement Trust		1,646
Municipal Recycling Receipts		7,696
Tax Premiums and Redemptions		252,310
Municipal Drug Alliance		1,071
Street Openings		29,740
Traffic Control		4,880
Developer's Escrow		184,464
Payroll Withholdings		1,565,360
	<u>2,673</u>	<u>2,049,290</u>
	25,219	2,362,381
Decreased By:		
Due to State of New Jersey	416	
Animal Control Expenditures	572	
Reserve for Bike Path Maintenance		1,327
Municipal Recycling Expenditures		1,811
Tax Premium and Redemption Refunds		150,510
Municipal Drug Alliance		592
Street Openings		28,720
Traffic Control		4,880
Payroll Withholdings		1,568,418
Development Fees		20,764
Developer's Escrow		164,234
	<u>988</u>	<u>1,941,256</u>
Balance December 31, 2014	\$ <u>24,231</u>	<u>421,125</u>

Analysis of Balance @ 12/31/14

Payroll Agency	32,967
Accumulated Absences	37,794
Developer's Escrow	713
Bike Path Beautification	6,101
SPZ & Other Trust Funds	23,068
Performance Guarantees	25,292
Law Enforcement	8,660
Street Openings	17,896
Public Defender	50
Recycling	7,842
Municipal Alliance	11,467
Tax Title Lien Redemption	245,761
Parking Offenses Adjudication Act	42
Uniform Fire Safety	3,472
	<u>421,125</u>

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

Balance December 31, 2013	\$	5,215
Increased by:		
Dog License Fees Collected		2,101
		7,316
Decreased by:		
Expenditures Under N.J.S.A. 4:19-15.11		572
Statutory Excess Due Current Fund		1,794
		2,366
Balance December 31, 2014	\$	4,950

License Fees Collected	<u>Year</u>	<u>Amount</u>
	2013	2,407
	2012	2,543
	\$	4,950

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

Balance December 31, 2013	\$	6,026
Increased by:		
Statutory Excess in Reserve for Dog Fund Expenditures	<u>1,794</u>	<u>1,794</u>
Balance December 31, 2014	\$	<u><u>7,820</u></u>

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

Balance December 31, 2013	\$		-
Increased by:			
2014 State License Fee		309	
2014 Pilot Clinic Fee		62	
2014 Animal Population Control Fee		45	
			416
Decreased By:			
Payments		416	
			416
Balance December 31, 2014	\$		-

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

Balance December 31, 2013	\$	11,305
Increased by:		
Cat License Fees Collected		<u>156</u>
Balance December 31, 2014	\$	<u><u>11,461</u></u>

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

Balance December 31, 2013	\$	5,625
Increased by:		
Contributions for Tees and Benches		1,803
		7,428
Decreased by:		
Disbursements		1,327
Balance December 31, 2014	\$	6,101

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

Balance December 31, 2013	\$	7,014
Increased By:		
Bequest received		1,646
		<u>1,646</u>
		8,660
Decreased by:		
Law Enforcement Expenditures		<u>-</u>
Balance December 31, 2014	\$	<u><u>8,660</u></u>

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

Balance December 31, 2013	\$	1,958
Increased By:		
Municipal Recycling Receipts		<u>7,696</u>
		<u>7,696</u>
		9,654
Decreased by:		
Recycling Expenditures		<u>1,811</u>
		<u>1,811</u>
Balance December 31, 2014	\$	<u><u>7,843</u></u>

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

Balance December 31, 2013	\$	1,039
No Activity During 2014		
		<u>1,039</u>
Balance December 31, 2014	\$	<u><u>1,039</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR TAX TITLE LIEN REDEMPTIONS

Balance December 31, 2013	\$	143,667
Increased by:		
Premium Received at Tax Sale	142,200	
Tax Title Lien Redemptions Deposited	110,110	
Interest Earned	<u>294</u>	
		<u>252,604</u>
		396,271
Decreased by Disbursements:		
Refund Upon Redemption	110,110	
Premiums Returned	<u>40,400</u>	
		<u>150,510</u>
Balance December 31, 2014	\$	<u><u>245,761</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR DRUG ALLIANCE

Balance December 31, 2013	\$	10,988
Increased by:		
Drug Alliance Receipts	<u>1,071</u>	
		<u>1,071</u>
		12,059
Decreased by:		
Expenditures for Drug Alliance Program	<u>592</u>	
		<u>592</u>
Balance December 31, 2014	\$	<u><u>11,467</u></u>

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

Balance December 31, 2013		\$ 2,076,349
Increased by:		
Capital Improvement Fund	100,000	
Premium on Sale of Bond Anticipation Notes	12,714	
Bond Anticipation Notes	2,187,000	
Reserve for Improvements to Sewer System	12,500	
Reimbursements	8,175	
	<hr/>	<hr/> 2,320,389
		4,396,738
Decreased by:		
Improvement Authorizations	1,425,680	
	<hr/>	<hr/> 1,425,680
Balance December 31, 2014		\$ <u><u>2,971,058</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance		Receipts		Disbursements		Transfers		Balance
	Dec. 31, 2013		Budget Appropriation	Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	
Fund Balance	\$ 10,000								
Capital Improvement Fund	103,305		100,000	12,714				92,900	22,714
Encumbrances Payable	116,150							116,150	110,405
Reserve for Improvements to Sewer System				12,500					508,239
									12,500
Improvement Authorizations:									
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	28,179				27,878				19,784
14-08 Various General Improvements	45,800				3,429			19,483	42,371
11-09 Various General Improvements	12,412				5,165				7,247
8-10 Clean Water Project - NJEJF	59,830				5,272			50,555	79,709
9-10 Purchase of Police Vehicle	413								413
10-10 Various General Improvements	38,490				12,528			11,500	14,462
17-10 Purchase of Computer Server	1,367				1,367				-
10-11 Various General Improvements	28,326				7,334			1,360	22,352
13-12 Various General Improvements	62,266				26,640			25,804	29,423
10-13 Various Improvements to Schools	1,569,811				1,180,445			153,580	1,472,786
9-14 Purchase of Computer Software for Construction Department								10,900	-
12-14 Demolition of Poplar Avenue School						10,857			32,000
14-14 Various General Improvements					950,000	136,590		255,900	607,510
	\$ 2,076,349		100,000	25,214	2,187,000	1,417,505	-	717,289	2,971,058

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

Balance December 31, 2013	\$	103,305
Increased by:		
Budget Appropriation		<u>100,000</u>
		203,305
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>92,900</u>
Balance December 31, 2014	\$	<u><u>110,405</u></u>

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

Balance December 31, 2013		\$ 15,167,503
Increased by:		
School Bonds - Refunding Issue		<u>1,615,000</u>
		16,782,503
Decreased by:		
Municipal Bonds	1,164,684	
Green Trust Loan Principal Paid	16,578	
NJEIT Bonds & Loans	73,776	
School Bonds	<u>1,855,316</u>	
		<u>3,110,354</u>
Balance December 31, 2014		\$ <u><u>13,672,149</u></u>

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2014		Interest Rate	Balance Dec. 31, 2013	Increased	Decreased	Balance Dec. 31, 2014
			Date	Amount					
General Improvement Bonds	9/15/2005	2,020,000	8/01/15	210,000	3.625% 3.625%	635,000		205,000	430,000
			8/01/16	220,000					
General Improvement Bonds	9/1/2010	4,099,222	9/1/2015	449,684	2.000% 2.000% 2.000% 2.250% 2.375% 2.500%	3,753,677		449,684	3,303,993
			9/1/2016	449,684					
			9/1/2017	577,489					
			9/1/2018	596,423					
			9/1/2019	620,090					
9/1/2020	610,623								
General Improvement Bonds (Refunding)	2/7/2012	5,960,000	7/15/2015	520,000	3.000% 3.000% 3.000% 4.000% 4.000% 4.000% 4.000%	5,945,000		510,000	5,435,000
			7/15/2016	535,000					
			7/15/2017	550,000					
			7/15/2018	570,000					
			7/15/2019	600,000					
			7/15/2020	625,000					
			7/15/2021	650,000					
7/15/2022	680,000								
7/15/2023	705,000								
						\$ 10,333,677		1,164,684	9,168,993

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding				Balance Dec. 31, 2013	Balance Dec. 31, 2014
			Date	December 31, 2014 Amount	Interest Rate	Increased		
Infrastructure	5/3/12	1,155,931	2/1/15	39,184	-	\$	1,057,971	999,195
			8/1/15	19,592	-			
			2/1/16	39,184	-			
			8/1/16	19,592	-			
			2/1/17	39,184	-			
			8/1/17	19,592	-			
			2/1/18	39,184	-			
			8/1/18	19,592	-			
			2/1/19	39,184	-			
			8/1/19	19,592	-			
			2/1/20	39,184	-			
			8/1/20	19,592	-			
			2/1/21	39,184	-			
			8/1/21	19,592	-			
			2/1/22	39,184	-			
			8/1/22	19,592	-			
			2/1/23	39,184	-			
			8/1/23	19,592	-			
			2/1/24	39,184	-			
			8/1/24	19,592	-			
			2/1/25	39,184	-			
			8/1/25	19,592	-			
			2/1/26	39,184	-			
			8/1/26	19,592	-			
			2/1/27	39,184	-			
			8/1/27	19,592	-			
			2/1/28	39,184	-			
			8/1/28	19,592	-			
			2/1/29	39,184	-			
			8/1/29	19,592	-			
		2/1/30	39,184	-				

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2014 Date	Interest Rate	Balance Dec. 31, 2013	Increased	Decreased	Balance Dec. 31, 2014	
									Amount
			8/1/30	-					
			2/1/31	-					
			8/1/31	-					
			8/1/15	4.00%	345,000		15,000	330,000	
Infrastructure	5/3/12	360,000	8/1/16-8/1/21	5.00%					
			8/1/22-26	5.00%					
			8/1/27-28	3.00%					
			8/1/29	3.13%					
			8/1/30	3.20%					
			8/1/31	3.25%					
					\$ 1,402,971		73,776	1,329,195	

**GENERAL CAPITAL FUND
SCHEDULE OF (TYPE I) SCHOOL SERIAL BONDS**

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding Dec. 31, 2013			Int. Rate	Balance Dec. 31, 2013	Issued 2014	Decreased Paid 2014	Balance Dec. 31, 2014
			Date	Amount						
School Bonds	9/15/2005	2,755,000	8/01/15	140,000		3.750%	\$ 1,830,000		1,690,000	140,000
School Bonds	9/1/2010	230,778	9/1/15	25,316		2.000%	211,323		25,316	186,007
			9/1/16	25,316		2.000%				
			9/1/17	32,511		2.000%				
			9/1/18	33,577		2.250%				
			9/1/19	34,910		2.375%				
			9/1/20	34,377		2.500%				
School Bonds (Refunding)	2/7/2012	1,280,000	7/15/15	145,000		3.000%	1,275,000		140,000	1,135,000
			7/15/16	150,000		3.000%				
			7/15/17	155,000		3.000%				
			7/15/18	160,000		4.000%				
			7/15/19	170,000		4.000%				
			7/15/20	175,000		4.000%				
			7/15/21	180,000		4.000%				
School Bonds (Refunding)	12/3/2014	1,615,000	8/01/15	25,000		3.000%		1,615,000		1,615,000
			8/01/16	155,000		3.000%				
			8/01/17	165,000		3.000%				
			8/01/18	165,000		3.000%				
			8/01/19	170,000		3.000%				
			8/01/20	175,000		3.000%				
			8/01/21	185,000		3.000%				
			8/01/22	185,000		3.000%				
			8/01/23	195,000		3.000%				
			8/01/24	195,000		3.000%				
							\$ 3,316,323	1,615,000	1,855,316	3,076,007
								Refunded Paid	1,555,000	
									300,316	
									1,855,316	

See Accompanying Auditor's Report

**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, 2013	Increased	Decreased	Balance Dec. 31, 2014
Various General Improvements	10-2011	9/8/2011	8/5/2013	7/31/2015	1.250% \$	211,545		7,345	204,200
Various General Improvements	13-2012	8/7/2012	8/5/2013	7/31/2015	1.250%	225,565			225,565
Various Improvements to Schools	10-2013	7/10/2013	4/10/2013	4/7/2015	1.250%	2,265,000			2,265,000
Various Improvements to Schools	10-2013	4/8/2014	4/8/2014	4/7/2015	1.000%		1,237,000		1,237,000
Various General Improvements	14-2014	8/1/2014	8/1/2014	7/31/2015	1.000%		950,000		950,000
					\$	<u>2,702,110</u>	<u>2,187,000</u>	<u>7,345</u>	<u>4,881,765</u>

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2013	2014 Authorizations	Debt Issued	Other	Balance Dec. 31, 2014
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	1,985,000		1,237,000	(638,000)	110,000
12-2014	Demolition of Poplaar Avenue School and Related Improvements		606,000			606,000
14-2014	Various General Improvements		950,000	950,000		
		<u>\$ 3,422,296</u>	<u>1,556,000</u>	<u>2,187,000</u>	<u>(638,000)</u>	<u>2,153,296</u>

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CITY OF LINWOOD

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2014

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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:

- Resurfacing of Country Club Drive and Delmar Avenue
- Demolition, Removal, and Final Cleaning Up of Elm Avenue Property
- Fire Hose for the Fire Department
- Concrete Curb & Sidewalk Replacement/Installation Project
- Sanitary Sewer & Stormwater Repair and Rehab

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 4, 2014, 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 4, 2014, 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, 2014 for the first quarter, May 11, 2014 for the second quarter, August 11, 2014 for the third quarter and November 11, 2014 for the fourth quarter.”

Further, the governing body on January 4, 2014, 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 October 15, 2014 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>
2014	4	1
2013	3	1
2012	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 2014 and 2015 Taxes	5
Delinquent Taxes	4
Payment of 2014 and 2015 Sewer Charges	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>
2014	\$ 31,300,665	30,613,776	97.80%
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%

Comparative Schedule of Tax Rate Information

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Tax Rate	\$ 3.100	3.971	3.777	3.783	3.652
Apportionment of Tax Rate:					
Municipal	0.843	1.000	0.945	0.927	0.958
Municipal Library	0.034	0.045	0.048	0.050	0.000
County	0.438	0.579	0.490	0.504	0.470
Local School	1.156	1.547	1.510	1.526	1.491
Regional High School	0.629	0.800	0.784	0.776	0.733
Assessed Valuation	1,009,416,904	779,803,897	789,042,244	792,876,551	785,144,340

A revaluation of properties was performed in 2013 in order to bring the property values in line with their true value. The revaluation was effective for the 2014 tax year.

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>
2014	\$ 86,342	380,923	467,265	1.49%
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%

STATUS OF PRIOR RECOMMENDATIONS

None

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