

CITY OF ELIZABETH

Financial Statements

June 30, 2014

(With Independent Auditor's Report Thereon)

CITY OF ELIZABETH

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Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of Elizabeth
Elizabeth, New Jersey:

Report on the Financial Statements

We have audited the accompanying regulatory basis balance sheets of the various funds and account groups as of June 30, 2014 and 2013 of the City of Elizabeth, New Jersey, and the related regulatory basis statements of operations and changes in fund balances for the years then ended and the related regulatory basis statements of revenues and statements of expenditures of the Current Fund and Water and Sewer Utility Funds for the year ended June 30, 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 conformity with the accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey - regulatory basis. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; 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 from material misstatement.

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

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

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

As described in note 1 of the financial statements, these financial statements were prepared in conformity with the accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey regulatory basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America to meet the requirements of the State of New Jersey.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Elizabeth, New Jersey, as of June 30, 2014 and 2013 and the changes in financial position for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Elizabeth, New Jersey, as of June 30, 2014 and 2013 and the related statement of operations and changes in fund balances for the years then ended and the related statement of revenues and statements of expenditures of the Current Fund, and Water and Sewer Utility Funds for the year ended June 30, 2014 on the regulatory basis of accounting described in note 1.

Other Matters

Additional Financial Information

Our audit was conducted for the purpose of forming an opinion on the regulatory financial statements that collectively comprise the City’s financial statements. The additional financial information included in the accompanying table of contents, is presented for the purpose of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information and schedules is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional financial information included in the accompanying table of contents are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Elizabeth’s financial statements. The information included in the Supplementary data and the General Comments and Recommendations as listed in the table of contents are presented for additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements. 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 January 23, 2015 on our consideration of the City'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 City of Elizabeth's internal control over financial reporting and compliance.

Louis C. Mai CPA & Associates
Louis C. Mai

Louis C. Mai, Registered Municipal Accountant
No. CR00217

January 23, 2015

CITY OF ELIZABETH

Balance Sheets
Regulatory Basis
Current Fund

June 30, 2014 and 2013

	Ref.	2014	2013
Assets			
Current Fund - Regular Fund:			
Cash	A-4	\$ 58,248,485	50,900,513
Change funds		1,200	1,200
Due from State of New Jersey - Senior Citizens' and Veterans' deductions	A-5	240,001	282,688
Deferred Charge Special Emergency Authorization	A-19	<u>2,200,000</u>	<u>1,800,000</u>
		<u>60,689,686</u>	<u>52,984,401</u>
Receivables and other assets with full reserves:			
Delinquent property taxes receivable	A-6	6,384,613	7,522,799
Tax title liens receivable	A-7	2,800,572	2,811,450
Property acquired for taxes - assessed valuation	A-8	2,788,300	2,504,200
Revenue accounts receivable	A-9	4,829,319	13,449,465
Due from Dog License Trust Fund	A-10	4,005	3,918
Due from General Trust Funds	A-10	519	57
Due from General Capital Fund	A-10	281,150	211,765
Due from Federal and State Grant Fund	A-10	<u>25,093</u>	<u>1,359,498</u>
		<u>17,113,571</u>	<u>27,863,152</u>
		<u>77,803,257</u>	<u>80,847,553</u>
Federal and State Grant Fund:			
Federal and State grants receivable	A-22	<u>8,098,088</u>	<u>12,801,827</u>
		<u>8,098,088</u>	<u>12,801,827</u>
Total assets	\$	<u>85,901,345</u>	<u>93,649,380</u>
Liabilities, Reserves and Fund Balance			
Current Fund - Regular Fund:			
Encumbrances payable	A-17	\$ 3,285,474	2,669,415
Appropriation reserves	A-3, A-11	12,940,768	12,659,423
Due to Community Development Block Grant Fund	A-10	25,347	25,347
Emergency note	A-19	2,200,000	1,800,000
Accounts payable	A-12	690,116	735,041
Miscellaneous payables and deposits	A-18	717,684	577,323
Reserve for special purposes	A-13	<u>5,142,342</u>	<u>5,377,542</u>
		<u>25,001,731</u>	<u>23,844,091</u>
Reserve for receivables		17,113,571	27,863,152
Fund balance	A-1	<u>35,687,955</u>	<u>29,140,310</u>
		<u>77,803,257</u>	<u>80,847,553</u>
Federal and State Grant Fund:			
Unappropriated reserve	A-23	170,064	—
Due to Current Fund	A-20	25,093	1,359,498
Appropriated grant reserves	A-21	<u>7,902,931</u>	<u>11,442,329</u>
		<u>8,098,088</u>	<u>12,801,827</u>
Total liabilities, reserves and fund balance	\$	<u>85,901,345</u>	<u>93,649,380</u>

See accompanying notes to financial statements.

CITY OF ELIZABETH

Statement of Operations
and Changes in Fund Balance
Regulatory Basis
Current Fund

Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenue and other income realized:		
Fund balance utilized	\$ 25,000,000	26,000,000
Miscellaneous revenue realized	65,474,267	71,759,649
Receipts from delinquent taxes	7,416,401	7,133,146
Receipts from current taxes	216,260,002	201,315,671
Nonbudget revenue	6,004,782	3,723,708
Other credits to income:		
Unexpended balance of appropriation reserves	10,686,227	7,967,098
Cancelled appropriations	1,000,000	1,800,000
Interfunds returned	215,740	—
Other miscellaneous	73,269	—
Total income	<u>332,130,688</u>	<u>319,699,272</u>
Expenditures:		
Budget appropriations:		
Operations:		
Salaries and wages	99,908,908	95,106,892
Other expenses	63,130,210	60,555,360
Deferred charges and statutory expenditures	20,979,143	21,336,022
Other operations	13,074,568	21,061,451
Capital improvements	2,000,000	2,000,000
Municipal debt service	14,774,283	13,402,408
County taxes	33,952,807	31,689,561
Local district school taxes	52,313,124	48,673,323
Special improvement district taxes	450,000	450,000
Interfunds advanced	—	603,854
Refund of prior year taxes	—	68,640
Total expenditures	<u>300,583,043</u>	<u>294,947,511</u>
Excess in revenue over expenditures	31,547,645	24,751,761
Fund balance, July 1	<u>29,140,310</u>	<u>30,388,549</u>
	60,687,955	55,140,310
Less fund balance utilized	<u>25,000,000</u>	<u>26,000,000</u>
Fund balance, June 30	<u>\$ 35,687,955</u>	<u>29,140,310</u>

See accompanying notes to financial statements.

CITY OF ELIZABETH

Statement of Revenues
Regulatory Basis
Current Fund

Year ended June 30, 2014

	<u>Anticipated</u>		<u>Excess/ (deficit)</u>
	<u>Budget</u>	<u>Realized</u>	
General revenues:			
Fund balance utilized	\$ 25,000,000	25,000,000	—
Miscellaneous revenues:			
Licenses:			
Alcoholic beverages	150,000	188,736	38,736
Other	500,000	546,400	46,400
Fees and permits	500,000	753,116	253,116
Municipal Court - fines and costs	4,000,000	4,218,995	218,995
Interest and costs on taxes	1,500,000	1,842,704	342,704
Interest on investments and deposits	250,000	341,245	91,245
LEAA rebates - fire	—	108,989	108,989
Franchise assessments - Jersey Garden Mall	5,000,000	5,962,871	962,871
Airport parking tax	1,300,000	1,387,689	87,689
Port Authority capital projects aid	3,000,000	3,000,000	—
Receipts from Port Authority - Leased Property 13A	480,000	480,000	—
Rental of City property	300	400	100
Dock rental fees	55,000	16,687	(38,313)
Sale of junk vehicles and other property	10,000	20,762	10,762
CATV fees	300,000	392,171	92,171
Solid waste disposal - host community	200,000	228,113	28,113
Emergency medical services - ambulance charges	1,950,000	2,188,190	238,190
Miscellaneous gasoline sales	130,000	99,786	(30,214)
PILOT - Pierce Manor	100,000	148,839	48,839
PILOT - IKEA	800,000	1,005,045	205,045
PILOT - R.W.B. Associates	150,000	208,950	58,950
PILOT - Port Authority NY/NJ	63,242	63,242	—
PILOT - IKEA - Toys 'R Us	120,000	126,675	6,675
PILOT - Newark/North Ave	50,000	113,702	63,702
PILOT - Elizabeth Senior Citizens, National Church Residence	12,000	24,317	12,317
PILOT - IKEA Expansion	200,000	289,488	89,488
PILOT - Residential	450,000	369,339	(80,661)
PILOT - Immaculate Conception Residence	35,000	37,270	2,270
PILOT - Marina Village Residence	15,000	839	(14,161)
PILOT - 349 First St	10,000	2,084	(7,916)
PILOT - Winfield Scott Residence	15,000	41,335	26,335
PILOT - Atalanta (DANIC)	250,000	343,495	93,495
PILOT - West Port Homes	50,000	59,210	9,210
State aid without offsetting appropriations:			
Consolidated municipal property relief act	6,643,418	6,015,103	(628,315)
Energy Receipts Tax	22,547,269	23,175,584	628,315
Dedicated uniform construction code fees offset with appropriations:			
Uniform construction code fees	650,000	913,325	263,325

(Continued)

CITY OF ELIZABETH

Statement of Revenues
Regulatory Basis
Current Fund

Year ended June 30, 2014

	<u>Anticipated</u>		<u>Excess/ (deficit)</u>
	<u>Budget</u>	<u>Realized</u>	
Public and private programs offset by appropriations:			
Summer Food Service Program	\$ 279,478	279,478	—
STD	22,670	22,670	—
Municipal Court Alcohol Ed, Rehab, Enforcement	7,705	7,705	—
Workforce Incevtment Act Employment Program	60,000	60,000	—
Hichway Safety Fund Safe Corridors Act	59,151	59,151	—
Pedestrian Safety Grant	10,400	10,400	—
Bike, Hike, and Roll Throughway Extension (c159)	290,000	290,000	—
Kids Recreation Trust Fund (c159)	88,000	88,000	—
Greening Union County (c159)	17,200	17,200	—
Non-Public School Nursing (c159)	127,921	127,921	—
Recycling Tonnage Grant (c159)	97,487	97,487	—
Municipal Alliance Grant (c159)	38,928	38,928	—
Body Armor (c159)	37,033	37,033	—
HOPWA (c159)	1,167,590	1,167,590	—
Drunk Driving Grant (c159)	16,061	16,061	—
Preserve Union County (c159)	300,000	300,000	—
Elizabeth Public Library (c159)	20,000	20,000	—
Communicable Diseases Grant (c159)	1,050	1,050	—
Edward Byrne Memorial Justive Assistance Grant (c159)	126,812	126,812	—
Edward Byrne Memorial Justive Assistance Grant (c159)	118,276	118,276	—
Edward Byrne Memorial Justive Assistance Grant (c159)	131,946	131,946	—
Municipal Alliance Grant (c159)	73,408	73,408	—
Responder Accountability Grant (c159)	100,000	100,000	—
Union County Night Watch (c159)	11,000	11,000	—
Special items of general revenue anticipated with prior written consent of Director of Local Government Services:			
Motor Vehicle Tax	500,000	916,728	416,728
Parking Tax	1,000,000	934,945	(65,055)
Hotel and Motel Occupancy Tax	3,400,000	3,829,918	429,918
Hotel Occupancy Tax	1,500,000	1,875,864	375,864
Total miscellaneous revenues	<u>61,088,345</u>	<u>65,474,267</u>	<u>4,385,922</u>

(Continued)

CITY OF ELIZABETH

Statement of Revenues
Regulatory Basis
Current Fund

Year ended June 30, 2014

	<u>Anticipated</u>		
	<u>Budget</u>	<u>Realized</u>	<u>Excess/ (deficit)</u>
Receipts from delinquent taxes	\$ 4,000,000	7,416,401	3,416,401
Amount to be Raised by Taxes:			
(a) Local Tax for Municipal Purposes	133,158,129	138,923,433	5,765,304
(b) Minimum Library Tax	2,245,822	2,245,822	—
Total amount to be raised by taxes for support of municipal budget	<u>135,403,951</u>	<u>141,169,255</u>	<u>5,765,304</u>
Budget totals	\$ <u>225,492,296</u>	239,059,923	<u>13,567,627</u>
Nonbudget revenue		6,004,782	
		<u>\$ 245,064,705</u>	

Analysis of Realized Revenue

Receipts from delinquent taxes:		
Delinquent tax collections realized	\$ 7,190,639	
Tax title lien collections realized	<u>225,762</u>	
	<u>\$ 7,416,401</u>	
Allocation of current tax collections:		
Collections realized	\$ 216,260,002	
Allocated to:		
Local school district tax	52,313,124	
County taxes	33,952,807	
Special assessment	<u>450,000</u>	
	<u>86,715,931</u>	
Balance for support of municipal budget appropriations	129,544,071	
Add reserve for uncollected taxes	<u>11,625,184</u>	
Total balance for support of municipal budget appropriations	<u>\$ 141,169,255</u>	

CITY OF ELIZABETH

Statement of Revenues
Regulatory Basis
Current Fund

Year ended June 30, 2014

Miscellaneous Revenues not Anticipated

Litigation Award	\$	1,387,211
UCUA/ Covanta Lease Extension		658,082
Foreclosed registration and fine fees		773,450
P.A. Goethals Bridge Development		500,000
Retirement of debt in excess of borrowing		281,151
Rent Auto Body - Harrison St.		6,860
Recycling		115,696
Premiums from Sale Redemption		114,425
Recreation fees		24,841
Stale Dated Checks		3,872
ABC Transfer fees		2,042
Interlocal agreement		19,600
Parking Lot		13,469
Turnpike for Fire Department		7,902
Senior Citizen Administrative Fees		6,219
Tourism Fees		676
Garnishees		4,624
Bad checks		3,405
Legal Fees City Liens		14,670
FEMA Reimbursement		528,313
Duplicate tax bill fees		693
Public Access Info Desk		1,250
Ambulance Report Fees		890
Cell tower		1,408
Bad Checks Construction		140
Health Dept. specialized training		4,848
Restitution Checks MC		88
Photo ID Replacement		90
Insurance Damage		8,000
Rent - Train Station		45,588
Parking Lot- CBS Outdoors		3,970
Parking Lot - Sorrentos		6,000
Parking Lot- Adco		3,600
DMV Inspection fines		18,137
DDEF MV		3,550
Constable		206
Handicap Application		20,200
Copies and postage reimbursed		334
Bid Security		317
Marina Public Pier and Ferry		675
Property Room		680
City Clerk		115
Sale of Scrap		3,000
PILOT Atlanta (Danic)		342,185
PILOT Magnolia Ave. (Portside II)		90,542
PILOT Pine Street		36,314
PILOT 620 First		20,615
PILOT Millenium		15,558
PILOT Sierra Gardens		20,046

(continued)

CITY OF ELIZABETH

Statement of Revenues
Regulatory Basis
Current Fund

Year ended June 30, 2014

Miscellaneous Revenues not Anticipated (continued)

PILOT E'PORT	\$ 11,176
PILOT Bond Street Commercial	4,029
PILOT Port Authority Bayway Ave.	39,503
PILOT Water Edge Crescent	39,459
PILOT Hope VI	1,317
PILOT- Housing Authority Bond Street	307,976
PILOT 205 First Street	11,541
PILOT Waters Edge	11,009
PILOT Madison Apartments	25,986
PILOT IKEA	144,497
PILOT Vestal Condigel	130,468
PILOT Oaks at Westminster	28,219
PILOT Elberon Urban Renewal	117,939
PILOT Administrative Fees	<u>16,116</u>
Cash receipts	<u>\$ 6,004,782</u>

See accompanying notes to financial statements.

CITY OF ELIZABETH

Statement of Expenditures
Regulatory Basis
Current Fund

Year ended June 30, 2014

Appropriations	Budget	Budget after modification	Paid or charged	Reserved
Operations within "CAPS":				
General Government:				
Administrative and Executive:				
City Council:				
Salaries and wages	\$ 299,289	299,289	297,969	1,320
Other expenses	60,000	60,000	28,593	31,407
Alcoholic Beverage Control:				
Salaries and wages	149,713	159,713	157,451	2,262
Other expenses	7,850	7,850	3,773	4,077
City Clerk:				
Salaries and wages	292,092	292,092	290,415	1,677
Other expenses	10,225	10,225	6,883	3,342
Elections:				
Salaries and wages	8,000	8,000	170	7,830
Other expenses	47,000	47,000	39,496	7,504
Printing and Publications:				
Other expenses	175,000	175,000	52,748	122,252
Mayor's Office:				
Salaries and wages	257,052	257,052	256,978	74
Other expenses	15,850	15,850	12,581	3,269
Department of Law:				
Salaries and wages	985,993	985,993	962,514	23,479
Other expenses	447,750	447,750	237,780	209,970
Administration:				
Business Administrator's Office:				
Salaries and wages	483,947	507,947	474,857	33,090
Other expenses	333,250	333,250	257,153	76,097
Division of Budget and Personnel:				
Salaries and wages	219,598	220,598	220,191	407
Other expenses	3,700	3,700	3,279	421
Division of Purchasing:				
Salaries and wages	273,866	280,566	280,467	99
Other expenses	150,300	150,300	118,460	31,840
Division of Data Processing:				
Salaries and wages	779,504	795,504	794,715	789
Other expenses	538,000	538,000	376,232	161,768
Division of Employee Benefits:				
Salaries and wages	120,283	121,783	121,278	505
Other expenses	1,500	1,500	415	1,085
Division of EMS Billing and Collection:				
Salaries and wages	174,481	174,481	171,472	3,009
Bureau of Rent Control				
Salaries and wages	36,060	37,060	36,560	500
Other expenses	3,650	3,650	617	3,033
Bureau of Central Licensing				
Salaries and wages	337,879	364,879	360,201	4,678
Other expenses	10,507	13,307	5,682	7,625
Agency of Weights and Measures				
Salaries and wages	49,797	98,797	98,191	606
Other expense	200	6,800	5,862	938
Department of Finance:				
Division of Accounts and Controls:				
Salaries and wages	864,827	864,827	860,101	4,726
Other expenses	43,000	43,000	22,851	20,149
Division of Assessments:				
Salaries and wages	539,097	546,097	545,707	390
Other expenses	259,250	259,250	249,998	9,252

(Continued)

CITY OF ELIZABETH

Statement of Expenditures
Regulatory Basis
Current Fund

Year ended June 30, 2014

Appropriations	Budget	Budget after modification	Paid or charged	Reserved
Annual City Audit:				
Other expenses	\$ 59,000	59,000	59,000	—
Single Audit Act:				
Other expenses	59,000	59,000	59,000	—
Audit - Other Funds:				
Other expenses	59,000	59,000	59,000	—
Audit - Other Financial:				
Other expenses	6,000	6,000	6,000	—
Division of Revenue:				
Salaries and wages	578,519	578,519	496,954	81,565
Other expenses	42,700	92,700	54,153	38,547
Department of Neighborhood Services:				
Bureau of Construction and Zoning:				
Salaries and wages	266,278	266,278	266,278	—
Other expenses	97,906	97,906	97,906	—
Division of Housing:				
Salaries and wages	170,800	170,800	170,800	—
Other expenses	2,274	2,274	2,274	—
Bureau of Rent Control				
Salaries and wages	17,504	17,504	17,504	—
Other expenses	—	—	—	—
Central License Bureau:				
Salaries and wages	167,434	167,434	167,434	—
Other expenses	1,993	1,993	1,993	—
Division of Weights and Measures:				
Salaries and wages	35,245	35,245	35,245	—
Other expenses	400	400	400	—
Department of Planning and Community Development:				
Director's Office:				
Salaries and wages	262,236	262,236	237,266	24,970
Other expenses	4,500	4,500	2,302	2,198
Bureau of Community Development:				
Salaries and wages	—	50,000	47,687	2,313
Other expenses	4,200	4,200	3,744	456
Bureau of Elizabeth Home Improvement				
Salaries and wages	167,257	202,257	158,750	43,507
Other expenses	2,900	2,900	2,119	781
Bureau of Cultural and Heritage Affairs				
Salaries and wages	81,059	82,059	81,562	497
Other expenses	36,000	36,000	16,943	19,057
Bureau of Planning and Zoning				
Salaries and wages	125,987	125,987	125,882	105
Other expenses	151,150	151,150	74,501	76,649
Bureau of Economic Development				
Salaries and wages	70,176	71,176	70,941	235
Other expenses	1,250	1,250	566	684
Bureau of Public Information and Citizens Participation Services:				
Salaries and wages	219,557	219,557	214,830	4,727
Other expenses	126,500	126,500	86,154	40,346
Bureau of Construction and Zoning:				
Salaries and wages	773,575	773,575	647,845	125,730
Other	67,894	67,894	59,568	8,326
Human Rights Commission:				
Salaries and wages	81,848	81,848	—	81,848
Other expenses	3,450	3,450	159	3,291
Department of Public Works:				
Director's Office:				
Salaries and wages	1,024,009	1,024,009	942,998	81,011
Other expenses	3,000	3,000	1,934	1,066

(Continued)

CITY OF ELIZABETH

Statement of Expenditures
Regulatory Basis
Current Fund

Year ended June 30, 2014

Appropriations	Budget	Budget after modification	Paid or charged	Reserved
Bureau of Public Buildings:	\$			
Salaries and wages	2,167,393	2,167,393	2,005,737	161,656
Other expenses	1,508,825	1,523,825	1,485,464	38,361
Bureau of Streets, Parks and Trees:				
Salaries and wages	5,477,740	5,477,740	5,119,497	358,243
Other expenses	946,000	1,246,000	1,206,428	39,572
Bureau of Equipment and Yard Maintenance:				
Salaries and wages	984,087	984,087	944,222	39,865
Other expenses	922,200	1,022,200	960,597	61,603
Marina:				
Salaries and wages	262,838	262,838	248,773	14,065
Other expenses	224,725	224,725	91,502	133,223
Recycling Program:				
Salaries and wages	218,895	218,895	215,240	3,655
Other expenses	10,575	10,575	6,482	4,093
Garbage and Trash Removal:				
Other expenses	8,625,000	8,625,000	8,619,398	5,602
Street Lighting:				
Other expenses	1,897,050	1,897,050	1,815,299	81,751
Department of Health and Human Services:				
Director's Office:				
Salaries and wages	511,428	543,428	542,893	535
Other expenses	155,850	155,850	58,269	97,581
Division of Health:				
Salaries and wages	1,793,000	1,793,000	1,505,338	287,662
Other expenses	673,100	673,100	612,230	60,870
Division of Human Services				
Salaries and wages	92,628	105,628	104,945	683
Other expenses	8,600	8,600	4,186	4,414
Office of Social Services				
Salaries and wages	99,608	99,608	40,500	59,108
Other expenses	115,400	115,400	104,072	11,328
Office on Aging:				
Salaries and wages	645,303	710,303	705,612	4,691
Other expenses	55,500	55,500	53,652	1,848
Office of Vital Statistics				
Salaries and wages	214,139	214,139	206,618	7,521
Other expenses	6,600	6,600	5,074	1,526
Office of Relocation				
Salaries and wages	122,696	122,696	98,199	24,497
Other expenses	500	500	—	500
Office of Youth Services				
Salaries and wages	846,644	846,644	742,926	103,718
Other expenses	360,750	360,750	255,538	105,212
Bureau of Housing				
Salaries and wages	395,140	395,140	374,542	20,598
Other expenses	6,626	6,626	3,282	3,344
Public Health Nurses Division:				
Salaries and wages	602,129	602,129	487,782	114,347
Public Safety:				
Fire Department:				
Salaries and wages	26,023,182	26,028,182	25,328,331	699,851
Other expenses	697,160	697,160	525,377	171,783
Uniform Fire Safety Act:				
Salaries and wages	228,750	256,750	219,094	37,656
Other expenses	61,750	61,750	52,963	8,787

(Continued)

CITY OF ELIZABETH

Statement of Expenditures
Regulatory Basis
Current Fund

Year ended June 30, 2014

Appropriations	Budget	Budget after modification	Paid or charged	Reserved
Police Department:				
Salaries and wages	\$ 41,209,513	41,209,513	39,409,996	1,799,517
Other expenses	1,578,000	1,578,000	1,141,373	436,627
Emergency Medical Services:				
Salaries and wages	2,527,339	2,527,339	2,270,255	257,084
Other expenses	180,600	180,600	143,307	37,293
Recreation Department:				
Salaries and wages	3,028,655	3,028,655	2,627,117	401,538
Other expenses	320,800	320,800	242,862	77,938
Municipal Court:				
Salaries and wages	2,171,639	2,171,639	1,914,021	257,618
Other expenses	346,050	346,050	301,355	44,695
Public Defender:				
Other expenses	140,000	140,000	61,067	78,933
Unclassified Purposes:				
Insurance:				
Other expenses	450,000	492,000	483,706	8,294
Insurance Reserve:				
Other Expenses	3,000,000	3,000,000	3,000,000	—
Group Insurance:				
Other expenses	200,000	221,000	219,723	1,277
Health Benefit Waiver - other expense	50,000	50,000	45,730	4,270
Cobra Administration:				
Other expenses	5,000	5,000	3,550	1,450
Hospital, Medical, Dental, etc. Insurance - Other expenses	31,720,000	31,720,000	30,374,331	1,345,669
Right to Know Law:				
Other expenses	15,000	15,000	—	15,000
Annual Dues:				
N.J. State League of Municipalities:				
Other expenses	10,000	10,000	—	10,000
U.S. Conference of Mayors:				
Other expenses	15,000	15,000	12,242	2,758
Utilities:				
Electricity	1,400,000	1,400,000	979,557	420,443
Natural Gas	600,000	600,000	411,811	188,189
Gasoline	1,400,000	1,400,000	1,156,116	243,884
Fuel Oil	175,000	175,000	115,561	59,439
Telephone	1,400,000	1,400,000	976,734	423,266
Postage	250,000	250,000	192,306	57,694
Parking Lot Agreement	100,000	100,000	97,500	2,500
Total operations within "CAPS"	<u>162,003,518</u>	<u>162,914,118</u>	<u>152,551,614</u>	<u>10,362,504</u>
Contingent	<u>125,000</u>	<u>125,000</u>	<u>75,744</u>	<u>49,256</u>
Total operations including contingent, within "CAPS"	<u>162,128,518</u>	<u>163,039,118</u>	<u>152,627,358</u>	<u>10,411,760</u>
Detail:				
Salaries and wages	99,535,708	99,908,908	94,722,851	5,186,057
Other expenses including contingent	62,592,810	63,130,210	57,904,507	5,225,703

(Continued)

CITY OF ELIZABETH

Statement of Expenditures
Regulatory Basis
Current Fund

Year ended June 30, 2014

Appropriations	Budget	Budget after modification	Paid or charged	Reserved
Deferred Charges and Statutory Expenditures:				
Statutory Expenditures:				
Contributions to:				
Social Security System	\$ 3,650,000	3,650,000	3,498,201	151,799
Consolidated Police and Fire Retirement Fund	90,000	90,000	84,393	5,607
Police and Firemen's Retirement System of N. J.	13,578,315	12,778,715	12,752,540	26,175
Public Employees Retirement System - Other expenses	3,738,428	3,627,428	3,379,106	248,322
Assessment for CIF/RTK	8,000	8,000	—	8,000
DCRP	50,000	50,000	—	50,000
N.J. Unemployment Fund	175,000	175,000	—	175,000
Total deferred charges and statutory expenditures - Municipal within "CAPS"	<u>21,289,743</u>	<u>20,379,143</u>	<u>19,714,240</u>	<u>664,903</u>
Total general appropriations for Municipal purposes within "CAPS"	<u>183,418,261</u>	<u>183,418,261</u>	<u>172,341,598</u>	<u>11,076,663</u>
Operations excluded from "CAPS":				
Other operations excluded from "CAPS":				
Matching Fund - City share	634,105	634,105	—	634,105
Hospital, Medical, Dental, etc. Insurance - Other expenses	1,230,000	1,230,000	—	1,230,000
Reserve for Tax Appeals:				
Other expenses	3,700,000	3,700,000	3,700,000	—
Maintenance of Free Public Library	3,927,452	3,927,452	3,927,452	—
Total other operations excluded from "CAPS"	<u>9,491,557</u>	<u>9,491,557</u>	<u>7,627,452</u>	<u>1,864,105</u>
Public and Private Programs Offset by Revenues:				
Summer Food Service Program	279,478	279,478	279,478	—
STD	22,670	22,670	22,670	—
Municipal Court Alcohol Ed, Rehab, and Enforcement	7,705	7,705	7,705	—
Workforce Investment Act Employment Program	60,000	60,000	60,000	—
Workforce Investment Act Employment Program-Local	15,000	15,000	15,000	—
Highway Safety Fund Safe Corridor Act	59,151	59,151	59,151	—
Pedestrian Safety Grant	10,400	10,400	10,400	—
Bike, Hike, and Roll Throughway Extension (c159)	290,000	290,000	290,000	—
Kids Recreation Trust (c159)	88,000	88,000	88,000	—
Greening Union County (c159)	17,200	17,200	17,200	—
Greening Union County - Local Share (c159)	17,200	17,200	17,200	—
Non-Public School Nursing (c159)	127,921	127,921	127,921	—
Recycling Tonnage Grant (c159)	97,487	97,487	97,487	—
Municipal Alliance Grant (c159)	38,928	38,928	38,928	—
Municipal Alliance Grant - Local Share (c159)	9,732	9,732	9,732	—
Body Armor (c159)	37,033	37,033	37,033	—
HOPWA 2014 (c159)	1,167,590	1,167,590	1,167,590	—
Drunk Driving Grant (c159)	16,061	16,061	16,061	—
Preserve Union County (c159)	300,000	300,000	300,000	—
Preserve Union County - Local (c159)	300,000	300,000	300,000	—
Elizabeth Public Library (c159)	20,000	20,000	20,000	—
Elizabeth Public Library - Local (c159)	20,000	20,000	20,000	—
Communicable Disease Grant (c159)	1,050	1,050	1,050	—
Edward Byrne Memorial Justice Assistance Grant 2011 (c159)	126,812	126,812	126,812	—
Edward Byrne Memorial Justice Assistance Grant 2012 (c159)	118,276	118,276	118,276	—
Edward Byrne Memorial Justice Assistance Grant 2013 (c159)	131,946	131,946	131,946	—
Municipal Alliance Grant (c159)	73,408	73,408	73,408	—
Municipal Alliance Grant - Local Share (c159)	18,963	18,963	18,963	—
Responder Accountability Grant (c159)	100,000	100,000	100,000	—
Union County Night Watch (c159)	11,000	11,000	11,000	—
Total public and private programs offset by revenues	<u>3,583,011</u>	<u>3,583,011</u>	<u>3,583,011</u>	<u>—</u>

(Continued)

CITY OF ELIZABETH

Statement of Expenditures
Regulatory Basis
Current Fund

Year ended June 30, 2014

<u>Appropriations</u>	<u>Budget</u>	<u>Budget after modification</u>	<u>Paid or charged</u>	<u>Reserved</u>
Total operations - excluded from "CAPS"	\$ 13,074,568	13,074,568	11,210,463	1,864,105
Detail (total operations - excluded from "CAPS"):				
Salaries and wages	656,927	656,927	656,927	—
Other expenses	12,417,641	12,417,641	10,553,536	1,864,105
Capital Improvements - excluded from "CAPS":				
Capital Improvement Fund	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	—
Total Capital Improvements excluded from "CAPS"	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	—
Municipal Debt Service - excluded from "CAPS":				
Payment of bond principal	4,515,000	4,515,000	4,515,000	—
Interest on bonds	2,159,436	2,159,436	2,159,436	—
Restructuring Bonds - Principal	4,885,000	4,885,000	4,885,000	—
Restructuring bonds - interest	817,416	817,416	817,416	—
Interest on notes	67,811	67,811	67,811	—
NJDEP				
Loan repayment for principal and interest schedule 1	50,321	50,321	50,321	—
Loan repayment for principal and interest schedule 2	56,045	56,045	56,045	—
Lease Ordinance - Telephone System	1,000,000	1,000,000	1,000,000	—
Lease Ordinance #4 repayment for principal and interest	223,254	223,254	223,254	—
Guarantee, deficiency and other agreements	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	—
Total municipal debt service excluded from "CAPS"	<u>14,774,283</u>	<u>14,774,283</u>	<u>14,774,283</u>	—
Deferred Charges:				
Special Emergency Authorizations	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	—
	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	—
Total General Appropriation For Municipal Purposes Excluded from "CAPS"	<u>30,448,851</u>	<u>30,448,851</u>	<u>28,584,746</u>	<u>1,864,105</u>
Subtotal general appropriations	213,867,112	213,867,112	200,926,344	12,940,768
Reserve for Uncollected Taxes	<u>11,625,184</u>	<u>11,625,184</u>	<u>11,625,184</u>	—
Total general appropriations	<u>\$ 225,492,296</u>	<u>225,492,296</u>	<u>212,551,528</u>	<u>12,940,768</u>
Original budget		\$ 222,729,584		
Appropriation by N.J.S.A. 40A:4-87		<u>2,762,712</u>		
		<u>\$ 225,492,296</u>		
Encumbered			\$ 3,285,474	
Reserve for uncollected taxes			11,625,184	
Transferred to Federal and State Grant Fund			3,583,011	
Transferred to reserves			3,700,000	
Accumulated absences			613,866	
Cancelled MetroMall Loan appropriation			1,000,000	
Deferred charge			600,000	
Due to Payroll Trust			2,050	
Cash disbursed			<u>188,141,943</u>	
			<u>\$ 212,551,528</u>	

See accompanying notes to financial statements.

CITY OF ELIZABETH

Balance Sheet

Trust Funds

June 30, 2014 and 2013

Assets	Ref.	2014	2013
Dog License Fund:			
Cash	B-1	\$ 31,108	30,541
Due from State of New Jersey	B-6	36	—
		<u>31,144</u>	<u>30,541</u>
Other Federal Grant Funds:			
Cash	B-1	—	270,199
Grants receivable	B-8	641,231	2,079,711
HPRP Receivable	B-17	673	673
Due from General Trust	B-24	225,519	—
Due from UDAG Fund	B-12	—	225,519
		<u>867,423</u>	<u>2,576,102</u>
Urban Development Action Grant (UDAG) Fund:			
Cash	B-1	1,112,577	1,343,125
		<u>1,112,577</u>	<u>1,343,125</u>
Community Development Block Grant Fund:			
Cash	B-1	68,122	178,643
Federal grants receivable	B-10	1,074,564	1,194,864
Due from Current Fund	B-5	25,347	25,347
Due from Elizabeth Development Corp.	B-15	80,672	80,672
		<u>1,248,705</u>	<u>1,479,526</u>
UEZ Trust Fund:			
Due from General Trust	B-23	5,744,208	6,647,583
		<u>5,744,208</u>	<u>6,647,583</u>
General Trust Funds:			
Cash	B-1	28,930,106	24,227,407
Due from Trustee	B-2	13,976	13,976
		<u>28,944,082</u>	<u>24,241,383</u>
		<u>\$ 37,948,139</u>	<u>36,318,260</u>

CITY OF ELIZABETH

Balance Sheet

Trust Funds

June 30, 2014 and 2013

Liabilities, Reserves and Fund Balance	Ref.	2014	2013
Dog License Fund:			
Due to State of New Jersey	B-6	\$ —	542
Due to Current Fund	B-19	4,005	3,918
Reserve for Dog Expenditures	B-7	27,139	26,081
		<u>31,144</u>	<u>30,541</u>
Other Federal Grant Funds:			
Reserve for Grants	B-9	866,751	2,576,000
Due to Bank	B-1	672	
Reserve for HPRP Grant Expenditures	B-18	—	102
		<u>867,423</u>	<u>2,576,102</u>
Urban Development Action Grant (UDAG) Fund:			
Reserve for UDAG loans receivable	B-3	1,112,577	1,115,840
Accounts Payable	B-16	—	1,766
Due to Other Federal Grant Funds	B-12	—	225,519
		<u>1,112,577</u>	<u>1,343,125</u>
Community Development Block Grant Fund:			
Reserve for Community Development Block Grant	B-11	1,203,885	1,472,061
Reserve for Program Income	B-14	44,820	7,465
		<u>1,248,705</u>	<u>1,479,526</u>
UEZ Trust Fund:			
Appropriated Reserve: UEZ	B-21	3,544,229	4,402,044
Unappropriated Reserve: UEZ	B-25	2,199,979	2,245,539
		<u>5,744,208</u>	<u>6,647,583</u>
General Trust Funds:			
Off Duty Police Reserve	B-13	489,122	436,677
Due to Current Fund	B-20	519	57
Due to UEZ Trust	B-23	5,744,208	6,647,583
Due to Other Federal Grant Funds	B-24	225,519	—
Reserves for 2nd Generation Funds	B-22	1,344,132	3,472,198
Unappropriated Reserve 2nd Generation Funds	B-22	5,058,881	756,172
Reserves for Special Purposes	B-4	16,081,701	12,928,696
		<u>28,944,082</u>	<u>24,241,383</u>
		<u>\$ 37,948,139</u>	<u>36,318,260</u>

See accompanying notes to financial statements.

CITY OF ELIZABETH

Balance Sheets
Regulatory Basis
General Capital Fund

June 30, 2014 and 2013

	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
Assets			
Cash	C-2, C-3	\$ 22,793,873	27,554,526
Due from State of New Jersey -			
Department of Environmental Protection	C-14	110,914	206,878
Department of Transportation	C-10	275,048	275,048
Due from Union County Improvement Authority	C-16	648,785	648,785
Deferred charges to future taxation:			
Funded	C-7	90,408,884	88,899,607
Unfunded	C-8	58,075,941	32,120,941
		<u>\$ 172,313,445</u>	<u>149,705,785</u>
Liabilities and Fund Balance			
Serial bonds:			
General	C-4	\$ 84,438,000	82,838,000
Bond anticipation notes	C-5	3,000,000	4,000,000
Loans payable	C-17	5,970,884	6,061,607
Improvement authorizations:			
Funded	C-11	13,537,395	12,558,398
Unfunded	C-11	49,958,273	28,913,739
Capital improvement fund	C-12	4,772,171	4,717,171
Due to Current Fund	C-6	281,150	211,765
Reserve for:			
State aid receivable	-	386,693	386,693
Bond sale expense	C-9	142,476	107,662
Retirement of debt	C-13	2,269,855	2,551,005
Fund balance	C-1	7,556,548	7,359,745
		<u>\$ 172,313,445</u>	<u>149,705,785</u>

There were bonds and notes authorized but not issued on June 30, 2013 and 2014 of \$28,120,941 and \$55,075,941(Exhibit C-15), respectively.

See accompanying notes to financial statements.

CITY OF ELIZABETH

Statement of Fund Balance
 Regulatory Basis
 General Capital Fund

Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Balance, Beginning of Year	\$ <u>7,359,745</u>	<u>6,401,510</u>
Increased by:		
Improvement authorizations cancelled	—	999,734
Other (net interest)	2,563	29,250
DOT collections for funded Ordinances	—	229,251
Premium on sale of bonds	<u>197,084</u>	<u>—</u>
	<u>199,647</u>	<u>1,258,235</u>
	<u>7,559,392</u>	<u>7,659,745</u>
Decreased by:		
Improvement authorization	—	300,000
Interest earned paid to Current Fund	<u>2,844</u>	<u>—</u>
	<u>2,844</u>	<u>300,000</u>
Balance, End of Year	\$ <u><u>7,556,548</u></u>	<u><u>7,359,745</u></u>

See accompanying notes to financial statements.

CITY OF ELIZABETH

Balance Sheets
Regulatory Basis
Water Utility Funds

June 30, 2014 and 2013

Assets	Ref.	2014	2013
Operating Fund:			
Cash	D-3	\$ 849,611	844,862
Due from Water Capital Fund	D-7	<u>420</u>	<u>349</u>
		<u>850,031</u>	<u>845,211</u>
Receivables and inventory with reserves:			
Water liens receivable	D-9	<u>16,647</u>	<u>33,649</u>
		<u>16,647</u>	<u>33,649</u>
Total Operating Fund		<u>866,678</u>	<u>878,860</u>
Trust Fund:			
Cash	D-3	<u>157,472</u>	<u>157,472</u>
Total Trust Fund		<u>157,472</u>	<u>157,472</u>
Capital Fund:			
Cash		<u>1,875,167</u>	<u>1,549,806</u>
	D-3,D-4	1,875,167	1,549,806
Fixed capital	D-12	<u>16,441,271</u>	<u>16,441,271</u>
Total Capital Fund		<u>18,316,438</u>	<u>17,991,077</u>
		<u>\$ 19,340,588</u>	<u>19,027,409</u>

CITY OF ELIZABETH

Balance Sheets
Regulatory Basis
Water Utility Funds

June 30, 2014 and 2013

Liabilities, Reserves, and Fund Balance	Ref.	2014	2013
Operating Fund:			
Reserve for:			
Water liens receivable		16,647	33,649
		<u>16,647</u>	<u>33,649</u>
Fund balance	D-1	850,031	845,211
Total Operating Fund		<u>866,678</u>	<u>878,860</u>
Trust Fund:			
Reserve for customer deposits	D-5	157,472	157,472
Total Trust Fund		<u>157,472</u>	<u>157,472</u>
Capital Fund:			
Reserve for amortization	D-11	16,441,271	16,441,271
Reserve for capital expenditures	D-6	1,177,508	852,218
Due to Water Operating Fund	D-7	420	349
Capital Improvement Fund	D-8	697,239	697,239
Total Capital Fund		<u>18,316,438</u>	<u>17,991,077</u>
		<u>\$ 19,340,588</u>	<u>19,027,409</u>

There were bonds and notes authorized but not issued of \$0 and \$0 on June 30, 2014 and 2013 respectively.

See accompanying notes to financial statements.

CITY OF ELIZABETH

Statement of Operations and Changes in Fund Balance
 Regulatory Basis
 Water Utility Operating Fund

Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenue and other credits to income:		
Miscellaneous revenue not anticipated	\$ <u>4,820</u>	<u>8,406</u>
Total income	<u>4,820</u>	<u>8,406</u>
Fund balance, July 1	<u>845,211</u>	<u>836,805</u>
Fund balance, June 30	\$ <u><u>850,031</u></u>	<u><u>845,211</u></u>

See accompanying notes to financial statements.

CITY OF ELIZABETH

Statement of Revenues
Regulatory Basis
Water Utility Operating Fund

Year ended June 30, 2014

	Revenues Realized
Nonbudget revenue (interest on investments)	\$ <u>4,820</u>
	\$ <u><u>4,820</u></u>

See accompanying notes to financial statements.

CITY OF ELIZABETH

Balance Sheets
Regulatory Basis
Sewer Utility Funds

June 30, 2014 and 2013

Assets	Ref.	2014	2013
Operating Fund:			
Cash	E-5	\$ <u>12,896,161</u>	<u>10,159,289</u>
Receivables with reserves:			
Consumers' accounts receivable	E-7	10,842	10,842
Miscellaneous rents receivable	E-28	5,342	5,342
Sewer liens receivable	E-24	<u>12,992</u>	<u>28,482</u>
		<u>29,176</u>	<u>44,666</u>
Total Operating Fund		<u>12,925,337</u>	<u>10,203,955</u>
Capital Fund:			
Cash	E-5, E-6	14,376,975	9,415,555
Fixed capital	E-9	52,754,530	50,501,759
Fixed capital authorized and uncompleted	E-10	122,114,563	115,260,513
Due from Trustee-Environmental Infrastructure Trust and fund loans	E-16	507,334	5,163,091
Due from State of New Jersey -			
Stormwater Grant Receivable	E-30	5,155	5,155
Wastewater Treatment Trust Fund	E-27	508,053	508,053
Due from Sewer Operating Fund	E-31	<u>27,222</u>	<u>600,000</u>
Total Capital Fund		<u>190,293,832</u>	<u>181,454,126</u>
		<u>\$ 203,219,169</u>	<u>191,658,081</u>

CITY OF ELIZABETH

Balance Sheets
Regulatory Basis
Sewer Utility Funds

June 30, 2014 and 2013

Liabilities, Reserves, and Fund Balance	Ref.	2014	2013
Operating Fund:			
Appropriation reserves	E-4,E-12	\$ 3,690,045	1,147,042
Encumbrances payable	E-26	81,897	362,793
Accounts payable	E-13	800,867	749,013
Accrued interest on bonds and notes	E-15	241,403	256,940
Due to Sewer Capital Fund	E-31	<u>27,222</u>	<u>600,000</u>
		<u>4,841,434</u>	<u>3,115,788</u>
Reserve for receivables		29,176	44,666
Fund balance	E-1	<u>8,054,727</u>	<u>7,043,501</u>
Total Operating Fund		<u>12,925,337</u>	<u>10,203,955</u>
Capital Fund:			
Bond sale expense payable	E-29	25,054	27,932
Serial bonds	E-17	13,650,000	14,725,000
Local unit bonds	E-18	607,303	797,377
Environmental infrastructure loans payable	E-23	24,114,651	25,858,246
Bond anticipation notes	E-14	22,000,000	12,000,000
Improvement authorizations:			
Funded	E-19	4,668,175	8,783,093
Unfunded	E-19	43,107,062	40,559,293
Reserve for:			
Amortization	E-20	70,080,112	67,071,444
Deferred amortization	E-21	9,204,200	9,046,766
Renewal and replacement	E-11	364,000	364,000
Appropriated grants	E-8	20,619	20,619
Capital Improvement Fund	E-25	1,363,338	1,138,338
Fund balance	E-2	<u>1,089,318</u>	<u>1,062,018</u>
Total Capital Fund		<u>190,293,832</u>	<u>181,454,126</u>
		<u>\$ 203,219,169</u>	<u>191,658,081</u>

There were bonds and notes authorized but not issued at June 30, 2013 and 2014 of \$36,526,226 and \$36,196,310 respectively (Exhibit E-22)

See accompanying notes to financial statements.

CITY OF ELIZABETH

Statement of Operations and Changes in Fund Balance
 Regulatory Basis
 Sewer Utility Operating Fund

Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenue and other credits to income:		
Fund balance utilized	\$ 5,500,000	1,500,000
Sewer fees and charges	19,791,475	17,090,018
Miscellaneous	664,641	1,175,893
Other credits to income:		
Appropriation reserves lapsed	1,055,110	1,009,667
Cancellation of appropriation	<u>2,000,000</u>	<u>1,000,000</u>
Total income	<u>29,011,226</u>	<u>21,775,578</u>
Expenditures:		
Operating	14,100,000	12,100,000
Capital improvements	2,441,079	2,313,408
Debt service	<u>5,958,921</u>	<u>5,086,592</u>
Total expenditures	<u>22,500,000</u>	<u>19,500,000</u>
Excess of revenues over expenses	6,511,226	2,275,578
Fund balance, July 1	<u>7,043,501</u>	<u>6,267,923</u>
	13,554,727	8,543,501
Less Fund Balance Utilized	<u>5,500,000</u>	<u>1,500,000</u>
Fund balance, June 30	<u>\$ 8,054,727</u>	<u>7,043,501</u>

See accompanying notes to financial statements.

CITY OF ELIZABETH

Statement of Fund Balance
 Regulatory Basis
 Sewer Utility Capital Fund

Years ended June 30, 2014 and 2013

	<u>2013</u>	<u>2012</u>
Balance, Beginning of year	\$ 1,062,018	1,062,018
Increased by:		
Premium on sale of notes	<u>27,300</u>	<u>—</u>
Balance, End of year	<u>\$ 1,089,318</u>	<u>1,062,018</u>

See accompanying notes to financial statements.

CITY OF ELIZABETH

Statement of Revenues
 Regulatory Basis
 Sewer Utility Operating Fund

Year ended June 30, 2014

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (deficit)</u>
Operating surplus anticipated	\$ 5,500,000	5,500,000	—
Rents	16,500,000	19,791,475	3,291,475
Miscellaneous	<u>500,000</u>	<u>664,641</u>	<u>164,641</u>
Total budget revenue	<u>\$ 22,500,000</u>	<u>25,956,116</u>	<u>3,456,116</u>

Analysis of Certain Realized Revenues

Rents:

Revenues collected	\$ <u>19,791,475</u>
	\$ <u><u>19,791,475</u></u>

Analysis of Miscellaneous

Interest on investments	\$ 157,919
Interest and costs	25,589
Joint Meeting refund	380,859
Miscellaneous	84,784
Liens	<u>15,490</u>
Cash receipts	<u>\$ 664,641</u>

See accompanying notes to financial statements.

CITY OF ELIZABETH

Statement of Expenditures
Regulatory Basis
Sewer Utility Operating Fund

Year ended June 30, 2014

<u>Account</u>	<u>Appropriations</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget after modification</u>	<u>Paid or charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Operating:					
Management Fee	\$ 2,100,000	2,100,000	1,638,257	461,743	—
Joint Meeting	12,000,000	12,000,000	8,612,777	2,387,223	1,000,000
Capital improvements:					
Capital Improvement Fund	600,000	600,000	600,000	—	—
Capital outlay	1,841,079	1,841,079	—	841,079	1,000,000
Debt service:					
Sewer System lease Payments- principal and int.	1,924,318	1,924,318	1,924,318	—	—
Payment of bond principal	1,075,000	1,075,000	1,075,000	—	—
Interest on bonds	407,864	407,864	407,864	—	—
Interest on notes	94,667	94,667	94,667	—	—
Wastewater Treatment bonds - principal	1,933,668	1,933,668	1,933,668	—	—
Wastewater Treatment bonds - interest	523,404	523,404	523,404	—	—
Total	\$ <u>22,500,000</u>	<u>22,500,000</u>	<u>16,809,955</u>	<u>3,690,045</u>	<u>2,000,000</u>

Analysis of paid or charged

Cash disbursed	\$ 15,102,123
Encumbrances payable	81,897
Due to Sewer Capital Fund	600,000
Interest on bonds and notes	<u>1,025,935</u>
	<u>\$ 16,809,955</u>

See accompanying notes to financial statements.

CITY OF ELIZABETH

Statement of General Fixed Assets

General Fixed Assets Account Group

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
General fixed assets:		
Land and buildings	\$ 49,228,128	48,371,547
Equipment	13,830,969	12,822,511
Vehicles	<u>22,413,975</u>	<u>20,135,989</u>
Total general fixed assets	<u>\$ 85,473,072</u>	<u>81,330,047</u>
Investment in general fixed assets	<u>\$ 85,473,072</u>	<u>81,330,047</u>

See accompanying notes to financial statements.

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

The accounting policies of the City of Elizabeth conform to the accounting principles and practices 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 respect to public funds. Such practices are not in accordance with generally accepted accounting principles (GAAP). The following is a summary of the significant policies:

Reporting entity

Except as noted below, the financial statements of the City of Elizabeth include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the City of Elizabeth, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the City of Elizabeth do not include the operations of the Elizabeth Free Public Library, Parking Authority, Board of Education, Housing Authority, Elizabeth Development Corporation, and Special Improvement Districts.

Fund accounting:

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the City, the accounts of the City are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified or legal requirements. Separate accounts are maintained for each fund and, accordingly, all financial transactions have been recorded and reported by fund group. Under this method of accounting, the City of Elizabeth 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 (including the Community Development Block Grant) - 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 capital facilities, other than those acquired in the Current Fund.
- Water and Sewer Utility Funds - account for the operations and acquisition of capital facilities of the municipally-owned Water and Sewer Utilities.
- General Fixed Assets Account Group - investments in and disposal of fixed assets used to maintain operations of the City. Infrastructure assets

Budgets and budgetary accounting

An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2014

financial statements are those adopted by the City of Elizabeth and approved by the State Division of Local Government Services per N.J.S.A. 40A:4 et. seq.

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 government units. The more significant differences are as follows:

- Grant Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the current fund are recognized when anticipated in the City budget. GAAP requires such revenues to be recognized in the accounting period when they become available and measurable. GAAP defines available as collectible in the current period or soon enough thereafter to be used to pay liabilities that are owed at the end of the accounting period.
- Property Taxes and Other Revenues - Property taxes and other revenues are recognized on a cash basis. Receivables for property taxes and other items that are susceptible to accrual are recorded with offsetting reserves on the balance sheets of the various funds. GAAP requires such revenues to be recognized in the current accounting period if they are expected to be collected soon enough after the end of the year to pay current liabilities.
- Expenditures - unexpended or uncommitted appropriations, at year-end, are reported as expenditures through the establishment of appropriation reserves unless canceled by the governing body. GAAP requires expenditures in the current fund, to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.
- Appropriation Reserves - are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves are not established under GAAP.
- Compensated Absences - Expenditures relating to obligations for vacation, sick and compensatory time are not recorded until paid. City officials have determined that only vacation, holiday and compensatory time should be accrued. Employee sick time is appropriated in the various departmental salary and wage accounts and the City is not liable for accrued sick time when employees retire. Any employee who retires, or is laid off from employment with the City, irrespective of years of service, shall be reimbursed for accumulated unused sick time at a rate of fifty (50%) percent of the employee's daily rate of pay for each day of accumulated unused sick time up to a maximum of ten thousand (\$10,000) dollars. Payment shall be made to the employee within six (6) months of the date of separation from employment. In order to be eligible for reimbursement, an employee must have at least thirty (30) accumulated sick days to his or her credit upon the effective date of separation from employment.

As of June 30, 2013 and 2014, the estimated accrued liability as determined by City officials for vacation, sick and compensatory time is approximately \$20,625,947 and \$23,054,529 respectively. In accordance with state regulations this accrued liability has not been expensed or recorded as a liability.

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2014

- Property Acquired for Taxes - is recorded in the current fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the general fund or general fixed assets account group at its net realizable value.
- Inventories - Current fund inventory type items and inventories held by the sewer utility fund are expensed as incurred. GAAP requires the amount of inventory on hand to be recorded as an asset at year-end.
- General Fixed Assets - Property and equipment purchased by the current fund and the capital fund are recorded as expenditures at the time of purchase and are capitalized and recorded in the fixed assets account group (after January 1, 1985) or at estimated historical cost (prior to January 1, 1985). The accounts are adjusted for dispositions and abandonment's. Depreciation is not recorded. Property and equipment purchased by the utility funds are recorded at cost as fixed capital (completed projects) and fixed capital authorized and uncompleted (construction in progress). The accounts are adjusted for dispositions and abandonment's. Depreciation is not recorded. GAAP requires that depreciation be recorded in the utility funds.
- Interfunds - advances from the current fund are reported as interfund receivables with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.
- Encumbrances - contractual orders at year-end, are reported as expenditures through the establishment of a reserve for encumbrances. GAAP does not recognize encumbrances as expenditures or liabilities.
- Deferred Charges to Future Taxation -Funded and Unfunded - Upon the authorization of capital projects, the City establishes deferred charges for the cost of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary funding or nonfunding of the authorized costs of capital projects. According to the New Jersey Statutes Annotated 40A:2-4, the City may levy taxes on all taxable property within the local unit to repay the debt. Annually, the City raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced. GAAP does not require the establishment of deferred charges to future taxation and records proceeds of debt issued as revenue.
- Improvement authorizations – in the General Capital Fund represent the unexpended balance of an ordinance appropriation and is similar to the unexpended portion of the budget in the Current Fund. GAAP does not recognize these amounts as liabilities.
- Investments - Investments are carried at cost. Purchases of investments are limited by N.J.S. 40A:5-15.1 to bonds or obligations of or guaranteed by the Federal government and bonds or other obligations of Federal or local units having a maturity date not more than twelve months from the date of purchase. GAAP requires that investments be recorded at fair value.

Use of Estimates

To prepare the accompanying financial statements management made estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2014

liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Taxes Receivable, Tax Title Liens

In accordance with the accounting principles presented by the State of New Jersey, taxes receivable and tax title liens are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible.

Taxes for the City are levied semi-annually in July and January and are payable August 1, November 1, February 1 and May 1. The taxes are liens on the property as of the billing date.

(3) Debt

The New Jersey Local Bond Law governs the issuance of bonds to finance general municipal and utility capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. General capital serial bonds are direct obligations of the City for which its full faith and credit are pledged, and are payable from the taxes levied on all taxable property located within the City. The water/ sewer utility bonds are payable from revenues generated from user fees but also have the ad valorem taxes pledged, should the utility revenues be insufficient to meet the debt obligations.

In addition, Wastewater Treatment Bonds issued on behalf of the City by the State of New Jersey, are recorded in the Sewer Capital Fund.

	<u>Balance as of June 30, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance as of June 30, 2014</u>	<u>Principal Due By June 30, 2015</u>
General Capital					
General Serial Bonds	\$82,838,000	11,000,000	9,400,000	84,438,000	9,890,000
Loans Payable	6,061,607	—	90,723	5,970,884	586,023
Sewer Capital					
Serial Bonds	\$14,725,000	—	1,075,000	13,650,000	1,280,000
Local Unit Bonds	\$797,377	—	110,000	607,303	194,524
Environmental Infrastructure Loans	25,858,246	—	1,743,595	24,114,651	1,793,079

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2014

The City debt is summarized as follows:

	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2013</u>
Bonds, Notes and Loans Issued:		
General	\$93,408,884	92,899,607
Sewer	<u>60,371,954</u>	<u>53,380,623</u>
	<u>153,780,838</u>	<u>146,280,230</u>
 Bonds and Notes Authorized Not Issued:		
General	55,075,941	28,120,941
Sewer	36,196,310	36,526,226
Water	<u>00</u>	<u>00</u>
	<u>91,272,251</u>	<u>64,647,167</u>
 Total Bonds and Notes Issued and Authorized But Not Issued	 <u>\$245,053,089</u>	 <u>210,927,397</u>

Schedule of annual debt service for principal and interest for the next five years and every five year period thereafter for bonded debt issued and outstanding as of June 30, 2014:

Fiscal Year

<u>Ending</u> <u>June 30</u>	<u>General Bonds</u>		<u>Sewer Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 9,890,000	3,086,882	3,057,605	917,383
2016	10,220,000	2,749,208	3,074,769	846,276
2017	10,600,000	2,366,683	3,159,706	772,508
2018	7,415,000	1,968,336	2,993,145	693,852
2019	5,580,000	1,695,272	3,030,482	621,398
2020-2024	25,580,000	5,411,915	12,737,632	2,060,079
2025-2029	14,478,000	1,355,221	8,580,942	760,244
2030-2031	<u>675,000</u>	<u>21,938</u>	<u>1,737,673</u>	<u>65,225</u>
 Total	 <u>\$84,438,000</u>	 <u>18,655,455</u>	 <u>38,371,954</u>	 <u>6,736,965</u>

	<u>Gross Debt</u>	<u>Deduction</u>	<u>Net Debt</u>
Local School District	\$ 2,800,000	2,800,000	—
General Debt	148,484,825	—	148,484,825
Sewer Utility Debt	95,868,264	95,868,264	—
Guaranteed Debt/ Deficiency Agreement (note 18)	34,340,000	34,340,000	—
Water Utility Debt	<u>—</u>	<u>—</u>	<u>—</u>
	<u>\$281,493,089</u>	<u>133,008,264</u>	<u>148,484,825</u>

Net Debt of \$148,484,825 divided by equalized valuation basis per N.J.S.A. 40A:2-2 as amended of \$6,738,823,686 equals 2.203%.

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2014

Borrowing Power Under N.J.S. 40a:2-6 As Amended

3.5% of Equalized Valuation Basis	\$235,858,829
Net Debt	<u>148,484,825</u>
Remaining (Excess) Borrowing Capacity	<u>\$87,374,004</u>

(4) State Loans

Green Trust Loans:

1989 Green Trust Program – Westfield Ave. Ball Field Acquisition

Interest is 2% with payments through Feb. 14, 2017.

Future minimum loan payments under the lease program as of June 30, 2014 are:

Fiscal Year	
Ending	<u>Amount</u>
<u>June 30</u>	
2015	\$ 4,664
2016	4,664
2017	<u>4,662</u>
Total	13,990
Less interest	<u>474</u>
Principal Balance	\$13,516

1995 Green Trust Program – Westfield Ave. Ball field Improvements

Interest is 2% with payments through May 1, 2019.

Future minimum loan payments under the lease program as of June 30, 2014 are:

Fiscal Year	
Ending	<u>Amount</u>
<u>June 30</u>	
2015	\$ 27,767
2016	27,767
2017	27,767
2018	27,767
2019	<u>27,767</u>
Total	138,835
Less interest	<u>7,340</u>
Principal Balance	\$131,495

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2014

1992 Green Trust Program – Arthur Kill Additions

Interest is 2% with payments through Jan. 22, 2017.

Future minimum loan payments under the lease program as of June 30, 2014 are:

Fiscal Year	
Ending	
<u>June 30</u>	<u>Amount</u>
2015	\$ 13,537
2016	13,537
2017	<u>13,538</u>
Total	40,612
Less interest	<u>1,385</u>
Principal Balance	\$ 39,227

2004 Green Trust Program – Elmora Raquet Club

Interest is 2% with payments through May 7, 2028.

Future minimum loan payments under the lease program as of June 30, 2014 are:

Fiscal Year	
Ending	
<u>June 30</u>	<u>Amount</u>
2015	\$ 24,873
2016	24,874
2017	24,873
2018	24,873
2019	24,873
2020-2024	124,366
2025-2028	<u>94,493</u>
Total	348,226
Less interest	<u>45,811</u>
Principal Balance	\$ 302,415

1992 Green Trust Program – Kenah Center Acquisition

Interest is 2% with payments through Sep. 2, 2018.

Future minimum loan payments under the lease program as of June 30, 2014 are:

Fiscal Year	
Ending	
<u>June 30</u>	<u>Amount</u>
2015	\$ 4,352
2016	4,353
2017	4,353
2018	4,353
2019	<u>2,176</u>
Total	19,587
Less interest	<u>943</u>
Principal Balance	\$18,644

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2014

2004 Green Trust Program – Kenah Center Field

Interest is 2% with payments through September 24, 2028.

Future minimum loan payments under the lease program as of June 30, 2014 are:

Fiscal Year	
Ending	
<u>June 30</u>	<u>Amount</u>
2015	\$ 17,470
2016	17,470
2017	17,470
2018	17,470
2019	17,470
2020-2024	87,347
2025-2029	<u>78,612</u>
Total	253,309
Less interest	<u>34,365</u>
Principal Balance	\$ 218,944

2012 DEP Elizabeth Riverwalk

Interest is 0% with semi-annual payments through April 27, 2032.

Future minimum loan payments under the lease program as of June 30, 2014 are:

Fiscal Year	
Ending	
<u>June 30</u>	<u>Amount</u>
2015	\$ 13,702
2016	13,702
2017	13,702
2018	13,703
2019	13,702
2020-2024	68,512
2025-2029	68,513
2030-2032	<u>41,107</u>
Total	246,642

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2014

1997 Metro Mall Road Improvements Proposed Loan

Interest is 0.05% with annual payments through January 12, 2025.

Future minimum loan payments under the lease program as of June 30, 2014 are:

Fiscal Year	
Ending	<u>Amount</u>
<u>June 30</u>	
2015	\$ 500,000
2016	500,000
2017	500,000
2018	500,000
2019	500,000
2020-2024	2,500,00
2025	<u>116,117</u>
Total	5,116,117
Less interest	<u>116,117</u>
Principal Balance	\$5,000,000

(5) Bond Anticipation Notes

The City issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid or permanent financing obtained no later than the tenth anniversary of the date of the original note. The State of New Jersey also prescribes that on or before the third anniversary date of the original note and on or before each subsequent anniversary, a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of which such notes were installment of the bonds in anticipation of which such notes were issued, be paid or retired.

On June 30, 2013 and 2014 there are \$4,000,000 and \$3,000,000 notes outstanding for the General Capital Fund.

On June 30, 2013 and 2014 there are \$12,000,000 and \$22,000,000 notes outstanding for the Sewer Utility Capital Fund.

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2014

(6) Capital Equipment Lease Program

The City entered into a lease agreement with Motorola Solutions effective January 1, 2013 to finance the acquisition and installation of \$4,402,792 of communications equipment. Under the lease agreement the City is required to pay rent due on each January 1 commencing January 1, 2014. Future minimum lease payments under the lease agreement as of June 30, 2014 are:

Fiscal Year	Ending	Amount
	<u>June 30</u>	
	2015	\$ 921,115
	2016	921,116
	2017	921,115
	2018	<u>921,116</u>
		3,684,462
	Less interest	<u>135,864</u>
		\$3,548,598

On October 15, 2004 the City executed a contract with the Union County Improvement Authority (UCIA) to acquire capital equipment through financing leases in an amount not to exceed \$4,175,649. The UCIA is authorized by the County Improvement Authorities Law, Chapter 183 of the Pamphlet Laws of 1960 of the State of New Jersey, as amended and supplemented (N.J.S.A. 40:37A-44 et seq.), to lease capital equipment to the City. The UCIA provides for the financing of the cost of this equipment by the issuance of revenue bonds payable from rentals to be received from the City.

Under the lease the City is required to pay rent due on each December 1 and June 1, commencing December 1, 2005. Future minimum lease payments under the lease program as of June 30, 2014 are:

Fiscal Year	Ending	Amount
	<u>June 30</u>	
	2015	218,775
	2016	56,698
	2017	55,029
	2018	53,275
	2019	51,465
	2020	48,477

(7) Fund Balances Appropriated

Fund balances at June 30, 2014 were utilized as revenue in the 2014-2015 Fiscal Year Budget as follows:

<u>Fund Description</u>	<u>Fund Balance</u>	<u>Amount</u>
	<u>June 30, 2014</u>	<u>Utilized</u>
Current Fund	\$35,687,955	28,000,000
Sewer Utility Operating	8,054,727	4,500,000
Water Utility Operating	850,031	0

CITY OF ELIZABETH

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(8) Retirement Systems

Substantially all of the City's employees participate in one of the following contributory defined benefit public employee retirement systems (retirement systems) which have been established by State statute: the Consolidated Police and Firemen's Pension fund (CPFPPF), the Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS). These systems are sponsored and administered by the State of New Jersey.

Consolidated Police and Firemen's Pension Fund

Consolidated Police and Firemen's Pension Fund (CPFPPF)--is a single-employer contributory defined benefit plan which was established as of January 1, 1952, under the provisions of N.J.S.A. 43:16 to provide retirement, death and disability benefits to county and municipal police and firemen who were appointed prior to July 1, 1944. The fund is a closed system with no active members.

Police and Firemen's Retirement System

Police and Firemen's Retirement Systems (PFRS)--is a cost-sharing multiple-employer contributory defined benefit plan which was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A to provide retirement, death and disability benefits to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

Public Employees' Retirement System

Public Employees' Retirement System (PERS)--is a cost-sharing multiple-employer contributory defined benefit plan which was established as of January 1, 1955, under the provision N.J.S.A. 43:15A to provide retirement, death and disability benefits, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of several State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The State also administers the Pension Adjustment Fund (PAF) which provides cost of living increases, equal to 60 percent of the change in the average consumer price index, to eligible retirees in all State-sponsored pension systems except SACT. In the CPFPPF, the cost of living increases are payable from the State of New Jersey Pension Adjustment Fund which is funded by the State as a benefit allowances become payable. The cost of living increases for PFRS and PERS are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for that system.

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According to State statutes, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Significant Legislation

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

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

- New members of 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 62 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.
- Increase in active member contribution rate. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years. Beginning in fiscal year 2012, the member contribution rates for PERS 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)

Funding Policy

Contribution Requirements:

The contribution policy for CPFPPF, PFRS and PERS is set by New Jersey State statutes and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Contributions by active members of CPFPPF are based on 7% of their salaries. Members of PFRS contribute at a uniform rate of 10% of base salary, as

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defined. Members of PERS contribute at a uniform rate of 6.62% of base salary, as defined. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PFRS and PERS. In the PERS the employer contribution includes funding for post-retirement medical premiums.

During the year ended June 30, 2014, for CPFPPF, which is a cost sharing plan, accumulated pension cost equals annual required contributions. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, the annual pension cost differs from the annual required contribution.

City Contributions:

The City's contributions were as follows:

	For the Year Ended June 30,			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
CPFPPF	\$84,393	\$125,436	\$252,148	\$274,852
PERS	3,379,106	3,313,470	3,283,835	3,102,174
PFRS	12,752,540	12,793,259	13,411,608	14,992,740

(9) Self-Insurance Program

The City established a self-insurance program in 1982 in accordance with New Jersey Statute Chapter 40:10-6. The Chapter enables the governing body of any local unit to create a fund to provide insurance coverage for its exposure to a wide variety of property casualty risks, including:

- Property damage caused to any of the unit's property, motor vehicles, equipment or apparatus.
- Liability resulting from the use or operation of such motor vehicles, equipment or apparatus.
- Liability for the unit's negligence, including that of its officers, employees and servants.
- Workers' compensation obligations.

The City self-insures for its automobile, general liability and workers' compensation exposures. The City has purchased excess workers' compensation coverage for losses in excess of \$1,000,000. Additionally, the City maintains insurance policies covering property, fire, water, utility, boiler and machinery, nurses' professional liability and employee fidelity. Various deductibles, limits, and coinsurance provisions apply to these policies.

(10) Contingent Liabilities

The City is a defendant in various legal proceedings. In the opinion of the City's Corporation Counsel, these matters are adequately covered by the City's insurance program, the City's defense program, or by the City of Elizabeth directly and which may be settled or resolved in a manner satisfactory to the financial stability of the City. Also, there is a jury verdict of \$2.4 million against the City in the case of Jesse Mickens, Jr. V. City of Elizabeth, Superior Court of New Jersey Law Division, Union County, Docket No. UNN-L-4050-10. The City appealed this jury verdict and judgment to the Appellate Division of the Superior Court which the court affirmed the jury verdict and judgment on January 7, 2015. The City has filed a Petition for Certification with the New Jersey Supreme Court requesting that the Supreme Court review this case. It is the opinion of the City Attorney that any judgment in this civil action will not adversely impair the City's ability to pay its bondholders.

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The City is also defendant in various tax appeals that they are defending vigorously. The amount of the potential settlements is not determinable at this time.

The City participates in numerous Federal and State of New Jersey grant programs which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivables at June 30, 2014 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.

In accordance with the NJ Division of Pension and Benefits regulations, the City previously elected to defer the payment of two months health insurance premiums. The June 30, 2013 and 2014 deferrals were approximately \$4,421,000 and \$4,691,000 respectively which becomes payable upon the City leaving the State Health Benefits Program.

There is presently pending a civil action in Superior Court concerning alleged personal injuries of the plaintiff as a result of motor vehicle accident that alleges approximately \$300,000 of medical expenses. The city is vigorously defending this action

(11) Water and Sewer Utility Operations

On June 2, 1998 the City entered into agreement with Liberty Water Company (LWC) for a term of 40 years to provide management, operation and management services associated with the City's water system. The City retains ownership of the Utility infrastructure and is responsible for financing all capital improvements to the system. Capital improvements will be financed principally by the City through payments made by LWC that will exceed \$57,000,000 over the term of the contract. LWC is responsible for the preparation, maintenance, and collection of all bills and invoices to the users of both the Water and Sewer Utility and all costs and expenses associated therewith. LWC has no right to any revenue attributable to the Sewer Utility. The revenues collected by LWC for the Sewer Utility are disbursed to the City on a daily basis. LWC pays all expenses required for the operation, maintenance and management of the water system.

(12) Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary to future years. Individuals are one hundred percent vested. The plan is funded solely from voluntary employee payroll deductions. Distribution is available to employees upon termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely property and rights of the individual contributors and are not subject to the claims of the City's general creditors.

(13) Fixed Assets

The City records assets with a useful life in excess of five years and with a value over \$5,000 as a fixed asset. The accounts are adjusted for dispositions and abandonment's. Depreciation is not recorded.

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Fixed assets used in governmental operation (general fixed assets) are accounted for in the General Fixed Assets. Public domain (“Infrastructure”) general fixed assets consisting of certain improvement other than building, such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems are not capitalized.

The City’s fixed assets are summarized as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2013</u>
General fixed assets:				
Land and buildings	\$ 47,187,156	2,256,915	1,072,524	48,371,547
Equipment	11,621,485	1,220,299	19,273	12,822,511
Vehicles	18,507,425	3,488,389	1,859,825	20,135,989
	<u>\$ 77,316,066</u>	<u>6,965,603</u>	<u>2,951,622</u>	<u>81,330,047</u>
	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2014</u>
General fixed assets:				
Land and buildings	\$ 48,371,547	856,581	—	49,228,128
Equipment	12,822,511	1,008,808	350	13,830,969
Vehicles	20,135,989	3,765,360	1,487,374	22,413,975
	<u>\$ 81,330,047</u>	<u>5,630,749</u>	<u>1,487,724</u>	<u>85,473,072</u>

(14) Cash

Cash and cash equivalents includes amounts on deposit, and short term investments with original maturities of three months or less from the date of acquisition.

Deposits

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Municipalities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes Government Unit Deposit Protection Act (GUDPA) require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

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GASB Statement No. 40, Deposit and Investment Risk Disclosures, requires disclosure of bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository institution, the City will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party. As of June 30, 2014 the City's bank deposits are insured or covered by the State's Government Unit Deposit Protection Act or are collateralized with the federal securities held by another institution in the City's name.

(15) Sewer Utility

The City owns a city wide sewer collection system which is managed under a March 13, 2002 Wastewater Service Agreement by E'Town Corporation, a wholly owned subsidiary of New Jersey American Water, a wholly owned subsidiary of American Water, the largest investor-owned water and wastewater utility company in the United States. Sewage treatment is provided under a contractual agreement with the Joint Meeting of Essex and Union Counties (JMEUC) which is owned and operated by eleven other municipalities. The City pays fees for treatment based upon the usage of the system. The City finances its collection system capital requirements as well as its JMEUC capital contributions through a combination of utility bond issues, state grants and State low interest loans.

The Sewer Utility franchised the sewer system to the Union County Improvement Authority and has a \$35,716,736 lease agreement dated March 1, 2002 with the Union County Improvement Authority to lease its franchise of the wastewater system. The City is required to pay rent due on each September 1 and March 1, commencing September 1, 2002 through April 1, 2022. Future minimum lease payments under the lease program as of June 30, 2014 are:

<u>Year</u>	<u>Amount</u>
2015	\$ 1,923,892
2016	1,922,532
2017	1,926,192
2018	1,924,208
2019	1,926,580
2020-2022	5,774,896

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Notes to Financial Statements

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16) Interfund Balances

The City has interfund balances at June 30, 2013 and 2014 as follows:

	<u>2013</u>		<u>2014</u>	
	<u>FROM</u>	<u>TO</u>	<u>FROM</u>	<u>TO</u>
Current Fund:				
CDBG	\$ —	25,347	—	25,347
Federal and State Grant	1,359,498	—	25,093	—
General Capital	211,765	—	281,150	—
Dog License Trust	3,918	—	4005	—
General Trust	57	—	519	—
Federal and State Grant:				
Current	—	1,359,498	—	25,093
Dog License Trust:				
Current Fund	—	3,918	—	4,005
Other Federal Grant:				
UDAG	225,519	—	—	—
General Trust	—	—	225,519	—
UDAG:				
Other Federal Grant	—	225,519	—	—
CDBG:				
Current	25,347	—	25,347	—
UEZ Trust:				
General Trust	6,647,583	—	5,744,208	—
General Trust:				
Current	—	57	—	519
UEZ Trust	—	6,647,583	—	5,744,208
Other Federal Grant	—	—	—	225,512
General Capital:				
Current Fund	—	211,765	—	281,150
Water Operating:				
Water Capital	349	—	420	—
Water Capital:				
Water Operating	—	349	—	420
Sewer Operating:				
Sewer Capital	—	600,000	—	27,222
Sewer Capital:				
Sewer Operating	600,000	—	27,222	—

The Interfunds with the grant fund result from expenditures made prior to reimbursement from the granting agency. The remaining Interfunds are to record the transfer of interest to the operating funds and to record expenditures paid from other funds.

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(17) Post Retirement Medical Benefits

PERS, PFRS and CFPF require post retirement medical benefits to be funded on a pay-as-you-go basis for employees that have 25 years of accumulated service. Benefits include medical and prescription coverage for the participant and family.

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. On September 14th, 1976, the City authorized participation in the SHBP's post-retirement benefit program by resolution. Premiums or periodic charges for the benefits provided to all eligible retired employees and their dependents covered under the program, but not including survivors, if such employees retired from a State or locally – administered retirement system effective after the date the employer adopted the State Health Benefits Program on a benefit based on 25 years or more of service credited in such retirement system, excepting the employees who elected deferred retirement, but including the employees who retired on disability pensions based on fewer years of service credited in such retirement system and also to reimburse such retired employees for their premium charges under Part B of the Federal Medicare Program covering the retired employees and their spouses in accordance to the regulations of the State Health Benefits Commission.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions.gasb-43-sept2088.pdf.

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the City on a monthly basis.

The City contributions to the SHBP for the years ended June 30, 2014, 2013, 2012, 2011 and 2010 were \$10,557,821, \$9,959,340, \$9,346,304, \$7,205,133 and \$7,289,143.93 respectively,

CITY OF ELIZABETH

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which equaled the required contributions for each year. There were approximately 770, 753, 764, 727 and 712, retired participants eligible at June 30, 2014, 2013, 2012, 2011 and 2010 respectively.

(18) City Bond Guaranty

The City on December 21, 2006 entered into a deficiency agreement with the Parking Authority of the City of Elizabeth on behalf of the \$3,500,000 City Guaranteed Parking Revenue Bonds, Series 2006.

The Authority and the City have entered into the Guaranty Agreement in order to, among other things, provide security to the holders of obligations of the Authority. The Series 2006 Bonds, while outstanding, are entitled to the benefits of the Guaranty Agreement. Pursuant to its terms, the Guaranty Agreement will remain in full force and effect as long as any obligations of the Authority which are entitled to benefits thereof remain outstanding.

Pursuant to the terms of the Guaranty Agreement, if, sixty (60) days prior to any date established for the payment of the principal of and interest on the Series 2006 Bonds, the amount which is on deposit in the applicable account in the Bond Service Fund established under the Resolution (the "Applicable Debt Service Account(s)"), after giving effect to any required transfers from the applicable account (if any) within the Bond Reserve Fund, is insufficient to provide for the payment of the interest and/or principal due and payable on such payment date, the Trustee shall notify the Authority, the Mayor and the City Clerk in writing by certified mail (return receipt request) of the amounts which are necessary to provide for the payment of the principal of and interest on the Series 2006 Bonds. The City shall be obligated to make payment to the Trustee of the amount referred to above no later than said payment date except to the extent the Applicable Debt Service Account(s) otherwise has sufficient funds on hand on the date or dates required for the payment of such principal and/or interest. In such event, such sum shall be applied by the Trustee for deposit into the Applicable Debt Service Account(s). Forty-five (45) days prior to said payment date the City must notify the Trustee in writing as to the source of funds to provide for such payment. Notwithstanding any other provision in the Guaranty Agreement, failure by the Trustee to give the City notice as provided therein shall not relieve the City of its obligation to make payment under the terms of the City Guaranty. There are bonds outstanding at June 30, 2013 and 2014 of \$2,710,000 and \$2,560,000, respectively.

Deficiency Agreements

On February 1, 2007 the City entered into a deficiency agreement with the Elizabeth Development Company whereby the City will provide funding for payment of \$7,195,000 for the Parking Revenue Refunding Bonds Series 2007A and B in the event there is not sufficient funds to pay the debt service on these bonds. The City has authorized bonding in an amount equal to the refunding bonds to fund such payments if necessary. The agreement will terminate upon mutual consent of the parties thereto; or upon final payment of the bonds. There are bonds outstanding at June 30, 2013 and 2014 of \$5,890,000 and \$5,580,000, respectively..

In connection with the construction and operation of a parking facility within the Midtown Elizabeth Redevelopment Area the City has entered into a Subsidy Agreement with PACE QALICB, Inc., a nonprofit corporation organized and existing under the laws of the State of New Jersey providing for payment by the City to or on behalf of the Corporation, if necessary, to assume the timely payment of principal and interest on the \$16,520,000 Series 2010 Bonds. The outstanding balances at June 30,

CITY OF ELIZABETH

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2013 and 2014 are \$16,420,000 and \$16,200,000, respectively.

In connection with the acquisition and renovation by CIS Oakwood, LLC of an affordable residential development in the City of Elizabeth, including the demolition of existing facilities and their replacement with new, affordable housing for seniors and families, the City has entered into a Deficiency Agreement with the County of Union and the UCIA. The UCIA issued not to exceed \$20,000,000 Guaranteed Mortgage Revenue Notes, Series 2010 in order to restructure the debt service under the \$16,870,000 Union County Guaranteed Revenue Bonds, Series 2009. The Series 2010 refunding was necessary to allow the project a longer term to be self-supporting and to allow for the receipt of New Jersey Department of Community Affairs funds and other grants over a longer period of time. Pursuant to the Deficiency Agreement, the City will make payment to the County for one-half, not to exceed \$10,000,000 of the principal and interest on the Series 2010 Bonds that may be paid by the County of Union under their Guaranty with UCIA.

(19) Other Loans

1998 New Jersey Department of Transportation Loan

Future payments for this \$5,000,000 loan as of June 30, 2013 are estimated to be \$500,000 per year after the initial payment date is established.