

**CITY OF OCEAN CITY  
REPORT OF AUDIT  
FOR THE YEAR ENDED  
DECEMBER 31, 2012**

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**CITY OF OCEAN CITY**  
**PART I**  
**REPORT ON AUDIT OF**  
**FINANCIAL STATEMENTS - REGULATORY BASIS**  
**DECEMBER 31, 2012**



# FORD - SCOTT

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## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of City Council  
City of Ocean City  
County of Cape May, New Jersey

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

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Ocean City, as of December 31, 2012 and 2011, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

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

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

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

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

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

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

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

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of Ocean City as of December 31, 2012 and 2011, or changes in financial position for the years then ended.

### ***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2012 and 2011, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2012 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

### ***Other Matters***

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ocean City’s basic financial statements. The supplementary information listed in the table of contents and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2013 on our consideration of the City of Ocean 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 the City of Ocean City's internal control over financial reporting and compliance.

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

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

**July 19, 2013**



**EXHIBIT - A  
CURRENT FUND**

**CITY OF OCEAN CITY**  
**CURRENT FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**

	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
<u>Assets</u>			
Regular Fund:			
Cash:			
Treasurer	A-4	\$ 11,747,455.34	\$ 8,237,858.03
Collector	A-5	471,672.35	828,754.30
Change and Petty Cash Funds		<u>5,375.00</u>	<u>5,775.00</u>
		<u>12,224,502.69</u>	<u>9,072,387.33</u>
Other Receivables:			
Due from State of New Jersey		-	207.28
		-	<u>207.28</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-7	1,161,734.44	1,003,281.36
Tax Title Liens Receivable	A-8	1,730.51	1,464.09
Demolition Lien Receivable		314,271.00	-
Property Acquired for Taxes at Assessed Valuation		262,576.00	262,576.00
		<u>1,740,311.95</u>	<u>1,267,321.45</u>
Deferred Charges:			
Special Emergency Authorization 5 Years (40A:4-55) - Super Storm Sandy		3,625,000.00	-
		<u>3,625,000.00</u>	<u>-</u>
		<u>17,589,814.64</u>	<u>10,339,916.06</u>
Federal and State Grant Fund:			
Cash	A-4	633,306.52	169,955.08
Grant Receivables	A-11	2,197,393.87	1,088,760.64
		<u>2,830,700.39</u>	<u>1,258,715.72</u>
		<u>\$ 20,420,515.03</u>	<u>\$ 11,598,631.78</u>

**CITY OF OCEAN CITY**  
**CURRENT FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
<b>Regular Fund:</b>			
<b>Liabilities:</b>			
Appropriation Reserves	A-3:A-10	\$ 1,246,516.45	\$ 934,757.86
Reserve for Encumbrances	A-3	988,090.46	664,212.18
Accounts Payable		32,021.65	26,868.27
Due to State of New Jersey		709.65	-
Escrow - Blue Water Marina		33,059.76	33,059.76
Prepaid Taxes		1,857,721.75	1,737,735.17
Tax Overpayments		20,277.62	17,139.66
County Added Tax Payable		69,433.94	64,681.90
Reserve for Revaluation		2,361.00	2,361.00
Reserve for Revaluation - 2006		85,191.68	86,061.68
Reserve for Tax Maps		15,817.50	15,817.50
Prepaid Beach Fees		24,290.00	42,104.00
Reserve for Tax Appeals		100,000.00	150,000.00
Payroll Taxes Payable		259,980.30	241,948.71
Reserve for Health Insurance Claims		62,754.61	23,238.57
Reserve for Special Emergency - Sandy		2,788,115.36	-
Special Emergency Note Payable		3,625,000.00	-
		<u>11,211,341.73</u>	<u>4,039,986.26</u>
Reserve for Receivables and Other Assets		1,740,311.95	1,267,321.45
Fund Balance	A-1	<u>4,638,160.96</u>	<u>5,032,608.35</u>
		<u>17,589,814.64</u>	<u>10,339,916.06</u>
<b>Federal and State Grant Fund:</b>			
Unappropriated Reserves	A-12	29,952.16	32,840.23
Appropriated Reserves	A-13	2,649,185.90	1,145,841.36
Encumbrances Payable		151,562.33	80,034.13
		<u>2,830,700.39</u>	<u>1,258,715.72</u>
		<u>\$ 20,420,515.03</u>	<u>\$ 11,598,631.78</u>

**CITY OF OCEAN CITY**  
**CURRENT FUND**  
**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE**  
**REGULATORY BASIS**

	<u>Ref.</u>	<u>Year 2012</u>	<u>Year 2011</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$	2,500,000.00	\$ 2,550,000.00
Miscellaneous Revenue Anticipated		18,493,031.98	18,199,530.98
Receipts from Delinquent Taxes		987,567.59	1,241,680.85
Receipts from Current Taxes		93,680,434.70	95,107,229.56
Non-Budget Revenue		543,873.71	537,384.60
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		821,048.08	480,268.56
Accounts Payable Cancelled		466.68	-
Cancellation of Reserve for Tax Appeals		150,000.00	150,000.00
Cancellation of Taxes			2.93
Total Income		<u>117,176,422.74</u>	<u>118,266,097.48</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Appropriations Within "CAP"			
Operations:			
Salaries and Wages		27,162,880.00	27,791,619.00
Other Expenses		17,535,403.39	16,299,561.39
Deferred Charges & Statutory Expenditures		5,646,150.07	5,744,380.39
Appropriations Excluded from "CAP"			
Operations:			
Salaries and Wages		214,220.00	205,981.00
Other Expenses		5,983,663.75	4,748,873.40
Capital Improvements		4,535,000.00	1,020,000.00
Municipal Debt Service		9,769,798.30	11,224,983.81
Deferred Charges & Statutory Expenditures		-	227,417.39
County Taxes		23,329,224.54	24,544,778.39
County Added and Omitted Taxes		69,433.94	64,681.90
Local District School Tax		24,263,230.00	24,057,997.00
Special Improvement District Taxes		184,207.00	184,552.28
Prior Year Seniors & Veteran Deductions		2,281.42	-
Reissue Prior Year's Checks		377.72	-
Total Expenditures		<u>118,695,870.13</u>	<u>116,114,825.95</u>

**CITY OF OCEAN CITY**  
**CURRENT FUND**  
**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE**  
**REGULATORY BASIS**

	<u>Ref.</u>	<u>Year 2012</u>	<u>Year 2011</u>
Excess (Deficit) In Revenue		\$ (1,519,447.39)	\$ 2,151,271.53
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by			
Statute Deferred Charges to Budget of			
Succeeding Year		3,625,000.00	-
		<u>3,625,000.00</u>	<u>-</u>
Statutory Excess to Fund Balance		2,105,552.61	2,151,271.53
Fund Balance January 1	A	<u>5,032,608.35</u>	<u>5,431,336.82</u>
		7,138,160.96	7,582,608.35
Decreased by:			
Utilization as Anticipated Revenue		<u>2,500,000.00</u>	<u>2,550,000.00</u>
Fund Balance December 31	A	<u>\$ 4,638,160.96</u>	<u>\$ 5,032,608.35</u>

**CITY OF OCEAN CITY**  
**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated	\$	2,500,000.00	\$	2,500,000.00	\$ -
		<u>2,500,000.00</u>	<u>-</u>	<u>2,500,000.00</u>	<u>-</u>
Miscellaneous Revenues:					
Licenses:					
Other		415,000.00		410,268.64	(4,731.36)
Fees and Permits		865,000.00		906,921.91	41,921.91
Fines and Costs:					
Municipal Court		810,000.00		789,031.56	(20,968.44)
Interest and Costs on Taxes		285,000.00		246,873.51	(38,126.49)
Parking Meters		2,260,000.00		2,524,456.11	264,456.11
Interest on Investments and Deposits		10,000.00		8,287.89	(1,712.11)
Beach Fees		4,000,000.00		3,966,300.81	(33,699.19)
Rental or Sale of City Material and Property		180,000.00		203,443.26	23,443.26
Airport Fees		140,000.00		152,257.43	12,257.43
Boat Ramp Fees		30,000.00		35,431.00	5,431.00
Aquatic and Fitness Center User Fees		900,000.00		1,053,328.25	153,328.25
Smoke Detector Inspection Fees		185,000.00		178,180.00	(6,820.00)
Emergency Medical Services		630,000.00		581,843.06	(48,156.94)
Energy Receipts Tax (P.L. 1997, Ch. 162 & 167)		2,146,048.00		2,146,048.00	-
Uniform Construction Code Fees		600,000.00		792,585.00	192,585.00
Upper Township - Dispatching Services		214,220.00		214,220.00	-

**CITY OF OCEAN CITY  
CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS**

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	N.J.S. 40A:4-87		
Miscellaneous Revenues (Continued):					
Special Items:					
State and Federal Programs Off-Set by Revenues:					
NJ Transportation Trust Fund		\$ 26,312.99	\$ 180,000.00	\$ 180,000.00	\$ -
Recycling Tonnage Grant		8,128.09	30,869.64	57,182.63	-
Drunk Driving Enforcement Fund		309,396.00	272,547.00	8,128.09	-
Community Development Block Grant		4,250.00	4,400.00	581,943.00	-
Drive Sober or Get Pulled Over		12,000.00		8,650.00	-
NJ Department of State - Cooperative Marketing Grant			92,722.00	12,000.00	-
US Homeland Security-Port Security Grant			15,000.00	92,722.00	-
Pedestrian Safety Grant			2,000.00	15,000.00	-
Sustainable Jersey 2012 Grant		1,000.00		2,000.00	-
Over the Limit Under Arrest		5,527.24		1,000.00	-
Bulletproof Vest Partnership		750,000.00		5,527.24	-
DCA Historic Preservation Grant			10,000.00	750,000.00	-
NJ State Police - Emergency Management			71,290.59	10,000.00	-
Clean Communities			7,500.00	71,290.59	-
Sustainable Land Use Planning Grant				7,500.00	-
Other Special Items:					
Reserves for Debt Service, Capital Fund Balance & Arbitrage Reserve		1,450,000.00		1,450,000.00	-
Interlocal - Ocean City Tourism Development - Staffing Costs		25,000.00		25,000.00	-
OC Library - Return to Taxpayers		720,000.00		720,612.00	612.00
OC Library - Contracted Services		285,000.00		285,000.00	-
Total Miscellaneous Revenues	A-1	17,266,882.32	686,329.23	18,493,031.98	539,820.43
Receipts from Delinquent Taxes	A-1:A-2	950,000.00	-	987,567.59	37,567.59
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes		43,225,743.14		43,230,785.22	5,042.08
Minimum Library Tax		4,079,200.00		4,079,200.00	-
Total Amount to be Raised by Taxes for Support of Municipal Budget		47,304,943.14	-	47,309,985.22	5,042.08
Budget Totals		68,021,825.46	686,329.23	69,290,584.79	582,430.10
Non-Budget Revenues				543,873.71	543,873.71
		\$ 68,021,825.46	\$ 686,329.23	\$ 69,834,458.50	\$ 1,126,303.81

**CITY OF OCEAN CITY**  
**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**

Analysis of Realized RevenuesAllocation of Current Tax Collections:

Revenues from Collections	\$	93,780,434.70
Allocated to:		
School, County and Other Taxes		<u>47,855,449.48</u>
Balance for Support of Municipal Budget Appropriations		45,924,985.22
Add: Appropriation		
"Reserve for Uncollected Taxes"		<u>1,485,000.00</u>
Less:		
Reserve for Tax Appeals		100,000.00
Amount for Support of Municipal		
Budget Appropriations	\$	<u><u>47,309,985.22</u></u>

Receipts from Delinquent Taxes:

Delinquent Tax Collections	\$	987,567.59
Tax Title Lien Collections		<u>-</u>
	\$	<u><u>987,567.59</u></u>

Analysis of Non-Budget Revenues:

## Miscellaneous Revenue Not Anticipated:

Storage and Towing Fees	18,767.00
Plans and Specs	8,420.00
Reimbursements from Ocean City Public Library	46,256.81
FEMA Reimbursements	157,500.00
City Clerk	296.00
Tax Collector	11,307.53
200 Foot List	1,880.00
PILOT - United Methodist Homes	70,040.00
PILOT - Housing Authority	18,615.22
Public Defender	8,615.00
Wilhelm Estate	3,945.82
Binocular Fees	968.62
Trademark Fees	475.00
Sidewalk Permits	1,200.00
AT & T Antenna Lease	22,000.00
Bench Donations	1,950.00
Escrow Related	1,815.00
Beach Patrol Clothing Reimbursements	49.00
Restitution	891.00
Administrative Fee - Senior Citizens & Vets	3,270.37
Various Refunds & Reimbursements	13,653.59
S/W Reimbursement: Police	3,116.81
S/W Reimbursement: POPS	21,216.19
First Night/Block Party Clean Up	10,000.00
DMV Inspection Fines	6,200.00
Returned Check Fees	100.00
Other Rebates	109,745.15
Miscellaneous	1,579.60
	\$ <u><u>543,873.71</u></u>



**CITY OF OCEAN CITY  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expended		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification		Encumbered	Reserved	
<b>OPERATIONS WITHIN "CAPS" EXECUTIVE BRANCH:</b>						
Mayors Office	\$ 3,000.00	\$ 3,000.00	\$ 1,499.16	\$ 50.00	\$ 1,450.84	\$
Other Expenses						
<b>ADMINISTRATION DEPARTMENT:</b>						
City Administrator						
Salaries and Wages	242,000.00	242,000.00	240,156.28		1,843.72	
Other Expenses	2,000.00	2,000.00	583.46	50.00	1,366.54	
Information Technology						
Salaries and Wages	289,000.00	299,000.00	297,815.45		1,184.55	
Other Expenses	186,400.00	186,400.00	160,276.16	6,341.14	19,782.70	
Purchasing Division						
Salaries and Wages	263,000.00	263,000.00	262,346.81		653.19	
Other Expenses	7,150.00	7,150.00	6,296.24		853.76	
Emergency Management						
Salaries and Wages	10,000.00	10,000.00	10,000.00		-	
Other Expenses	14,500.00	14,500.00	14,090.52	302.50	106.98	
Human Resources						
Salaries and Wages	498,000.00	480,500.00	471,602.25		8,897.75	
Other Expenses	136,975.00	136,975.00	73,841.78	9,377.17	53,756.05	
Engineering and Project Management						
Salaries and Wages	131,000.00	146,000.00	145,237.07		762.93	
Other Expenses	2,130.00	2,130.00	2,130.00		-	
Economic Development & Environmental						
Salaries and Wages	20,000.00	20,000.00	19,447.98		552.02	
Other Expenses	3,000.00	3,000.00	246.62		2,753.38	
<b>COMMUNITY SERVICE DEPARTMENT:</b>						
Director's Office						
Salaries and Wages	383,000.00	383,000.00	376,025.76		6,974.24	
Other Expenses	1,500.00	1,500.00	1,418.54		81.46	
Public Relations						
Salaries and Wages	188,000.00	188,000.00	186,560.00		1,440.00	
Other Expenses	145,000.00	145,000.00	113,568.52	1,439.88	29,991.60	
Recreation Programs						
Salaries and Wages	658,000.00	658,000.00	657,421.13		578.87	
Other Expenses	22,900.00	22,900.00	22,811.10		88.90	
Recreation Operations						
Salaries and Wages	548,000.00	548,000.00	523,906.48		24,093.52	
Other Expenses	37,050.00	37,050.00	28,910.08	661.12	7,478.80	
Aquatic and Fitness Center						
Salaries and Wages	842,000.00	882,000.00	875,500.95		6,499.05	
Other Expenses	114,600.00	114,600.00	91,804.73	567.58	22,227.69	

**CITY OF OCEAN CITY  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expended		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification		Encumbered	Reserved	
Public Assistance	\$ 90,000.00	\$ 90,000.00	\$ 87,645.06	\$	2,354.94	\$
Salaries and Wages						
Other Expenses	2,000.00	2,000.00	1,363.81		636.19	
Municipal Code and Licensing						
Salaries and Wages	437,000.00	412,000.00	395,395.20	369.31	16,604.80	
Other Expenses	19,300.00	19,300.00	13,040.10		5,890.59	
<b>LAW DEPARTMENT:</b>						
Legal Division						
Salaries and Wages	147,000.00	147,000.00	146,843.00		157.00	
Other Expenses	332,500.00	332,500.00	296,423.83	23,176.98	12,899.19	
<b>FINANCIAL MANAGEMENT:</b>						
Treasurers Office						
Other Expenses:						
Audit Services	38,000.00	38,000.00	31,980.00	6,020.00	-	-
Miscellaneous Other Expenses	83,500.00	83,500.00	83,500.00			
Accounting Division						
Salaries and Wages	450,000.00	450,000.00	410,074.60	100.00	39,925.40	
Other Expenses	5,100.00	5,100.00	4,985.68		14.32	
Parking Regulation						
Salaries and Wages	198,000.00	198,000.00	198,000.00			
Other Expenses	41,750.00	41,750.00	34,651.70	5,005.00	2,093.30	
Property Assessment Division						
Salaries and Wages	313,000.00	313,000.00	290,472.17		22,527.83	
Other Expenses	125,050.00	125,050.00	11,110.98	49,437.80	64,501.22	
Beach Fee Regulation Division						
Salaries and Wages	335,000.00	320,000.00	315,137.05		4,862.95	
Other Expenses	57,500.00	57,500.00	52,028.83	209.82	5,261.35	
Tax Collection Division						
Salaries and Wages	283,000.00	283,000.00	275,712.96	170.00	7,287.04	
Other Expenses	9,200.00	9,200.00	6,942.55		2,087.45	
Revenue Collection						
Salaries and Wages	334,000.00	334,000.00	325,359.50		8,640.50	
Other Expenses	165,000.00	165,000.00	139,598.20	5,856.48	19,545.32	
<b>LEGISLATIVE:</b>						
City Clerk						
Salaries and Wages	241,000.00	241,000.00	239,839.55		1,160.45	
Other Expenses	76,625.00	76,625.00	47,968.39	227.48	28,429.13	
City Council						
Salaries and Wages	73,600.00	73,600.00	73,599.58		0.42	
Other Expenses	11,535.00	11,535.00	11,287.54	125.00	122.46	

**CITY OF OCEAN CITY  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expended		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification		Encumbered	Reserved	
<b>PUBLIC SAFETY:</b>						
Rescue Services Division						
Salaries and Wages	\$ 282,000.00	\$ 286,000.00	\$ 283,472.91	\$	2,527.09	\$
Other Expenses	83,300.00	83,300.00	38,381.63	10,010.84	34,907.53	
Lifeguards Division						
Salaries and Wages	1,325,000.00	1,325,000.00	1,318,808.67	200.00	6,191.33	
Other Expenses	61,000.00	61,000.00	60,676.13		123.87	
Police Protection Division						
Salaries and Wages	7,168,780.00	7,168,780.00	7,123,936.16	64,808.49	44,843.84	
Other Expenses	239,100.00	239,100.00	147,308.79		26,982.72	
Fire Protection and Prevention						
Salaries and Wages	6,352,000.00	6,352,000.00	6,300,569.39	3,182.34	51,430.61	
Other Expenses	129,100.00	129,100.00	122,117.90		3,799.76	
<b>PUBLIC WORKS DEPARTMENT:</b>						
Public Works Administration						
Salaries and Wages	480,000.00	480,000.00	469,431.64		10,568.36	
Other Expenses	25,505.00	25,505.00	21,000.37	1,115.50	3,389.13	
City Wide Operations						
Other Expenses	692,200.00	692,200.00	611,649.83	35,235.37	45,314.80	
Sanitation and Receiving Operations						
Salaries and Wages	806,000.00	806,000.00	753,953.16		52,046.84	
Other Expenses	2,752,150.00	2,752,150.00	2,393,043.36	339,066.96	20,039.68	
Facility Maintenance						
Salaries and Wages	848,000.00	858,000.00	853,453.53		4,546.47	
Other Expenses	227,900.00	227,900.00	221,994.50	5,898.02	7.48	
Fleet Maintenance						
Salaries and Wages	289,000.00	264,000.00	235,211.39	9,549.94	28,788.61	
Other Expenses	134,400.00	174,400.00	159,727.21		5,122.85	
Field Operations & Engineering						
Salaries and Wages	1,245,000.00	1,245,000.00	1,212,396.61		32,603.39	
Other Expenses	60,600.00	60,600.00	60,222.10		377.90	
Planning and Zoning Division						
Salaries and Wages	249,000.00	249,000.00	245,747.89		3,252.11	
Other Expenses	71,900.00	71,900.00	43,843.63		28,056.37	
Planning Board						
Other Expenses	21,650.00	21,650.00	13,990.11		7,659.89	
Zoning Board of Adjustment						
Other Expense	10,800.00	10,800.00	3,880.65		6,919.35	
Historical Commission						
Other Expenses	2,950.00	2,950.00	1,983.84		966.16	

**CITY OF OCEAN CITY  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expended		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification		Encumbered	Reserved	
Ethics Board	\$ 20,000.00	\$ 20,000.00	\$ 17,302.60	\$ -	\$ 2,697.40	\$ -
Other Expenses						
Health Benefits Waiver	15,000.00	15,000.00			15,000.00	
Salaries and Wages						
Special Improvement District						
Other Expenses	22,000.00	22,000.00	21,383.39		-	616.61
<b>MUNICIPAL COURT:</b>						
Municipal Court						
Salaries and Wages	612,000.00	602,000.00	590,892.24		11,107.76	
Other Expenses	36,000.00	36,000.00	28,955.60	947.04	6,097.36	
Public Defender						
Other Expenses	43,000.00	43,000.00	36,707.47	4,598.12	1,694.41	
<b>UNIFORM CONSTRUCTION CODE:</b>						
State Uniform Construction Code						
Construction Official	531,000.00	531,000.00	513,416.28		17,583.72	
Salaries and Wages	15,400.00	15,400.00	11,441.14	302.30	3,656.56	
Other Expenses						
<b>INSURANCE:</b>						
General Liability	520,111.00	520,111.00	495,792.14		24,318.86	
Workers Compensation	1,568,589.00	1,568,589.00	1,568,589.00		-	
Employee Group Health	6,359,600.00	6,333,100.00	6,322,658.46	10,441.54	0.00	
<b>UTILITY EXPENSES AND BULK PURCHASES:</b>						
Electricity	696,000.00	696,000.00	589,216.20	106,783.80	-	
Street Lighting	312,000.00	312,000.00	268,848.84	43,151.16	-	
Telephone	262,000.00	262,000.00	247,301.27	9,323.98	5,374.75	
Water	864,000.00	864,000.00	733,390.59	75,338.46	55,270.95	
Fuel Oil	240,000.00	240,000.00	133,291.62	106,708.38	-	
Gasoline	408,000.00	408,000.00	370,813.09	29,527.18	7,659.73	
<b>TOTAL OPERATIONS WITHIN "CAPS"</b>	<b>44,698,900.00</b>	<b>44,698,900.00</b>	<b>42,723,258.68</b>	<b>965,676.68</b>	<b>1,009,348.03</b>	<b>616.61</b>
Contingent						
<b>TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"</b>	<b>44,698,900.00</b>	<b>44,698,900.00</b>	<b>42,723,258.68</b>	<b>965,676.68</b>	<b>1,009,348.03</b>	<b>616.61</b>
Detail:						
Salaries and Wages	27,176,380.00	27,162,880.00	26,725,388.70	-	437,491.30	-
Other Expenses	17,522,520.00	17,536,020.00	15,997,869.98	965,676.68	571,856.73	616.61

**CITY OF OCEAN CITY  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expended		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification		Encumbered	Reserved	
<b>DEFERRED CHARGES:</b>						
None						
<b>STATUTORY EXPENDITURES:</b>						
Contributions to:						
Social Security System (O.A.S.I.)	\$ 1,385,000.00	\$ 1,385,000.00	\$ 1,333,213.31	\$	\$ 51,786.69	\$
Consolidated Police and Firemen's Pension	9,645.07	9,645.07	9,645.07	-	-	-
Police and Firemen's Retirement System	2,695,260.00	2,695,260.00	2,695,260.00	-	-	-
Public Employee's Retirement System	1,337,245.00	1,337,245.00	1,337,245.00	-	-	-
Lifeguard Pension Fund	100,000.00	100,000.00	100,000.00	-	-	-
DCRP	10,000.00	10,000.00	10,000.00	-	-	-
Unemployment Compensation Insurance	109,000.00	109,000.00	90,660.16	-	18,339.84	-
<b>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES WITHIN "CAPS"</b>	<u>5,646,150.07</u>	<u>5,646,150.07</u>	<u>5,576,023.54</u>	<u>-</u>	<u>70,126.53</u>	<u>-</u>
<b>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</b>	<u>50,345,050.07</u>	<u>50,345,050.07</u>	<u>48,299,282.22</u>	<u>965,676.68</u>	<u>1,079,474.56</u>	<u>616.61</u>
<b>OPERATIONS EXCLUDED FROM "CAPS"</b>						
Employee Group Health	237,400.00	237,400.00	75,701.11	-	161,698.89	-
Maintenance of Free Public Library						
Other Expenses	4,079,200.00	4,079,200.00	4,079,200.00	-	-	-
<b>TOTAL OTHER OPERATIONS EXCLUDED FROM "CAPS"</b>	<u>4,316,600.00</u>	<u>4,316,600.00</u>	<u>4,154,901.11</u>	<u>-</u>	<u>161,698.89</u>	<u>-</u>

**CITY OF OCEAN CITY  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expended		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification		Encumbered	Reserved	
<b>INTERLOCAL MUNICIPAL SERVICE AGREEMENTS</b>						
Police Protection Division - Dispatching Upper Township	\$ 214,220.00	\$ 214,220.00	\$ 214,220.00	\$ -	\$ -	\$ -
<b>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</b>						
Drunk Driving Enforcement Fund	8,128.09	8,128.09	8,128.09	-	-	-
Municipal Alliance on Alcoholism & Drug Abuse - Local	4,120.20	4,120.20	4,120.20	-	-	-
NJ Department of State Cooperative Marketing Grant - State	12,000.00	12,000.00	12,000.00	-	-	-
NJDHTS - Drive Sober or Get Pulled Over	4,250.00	8,650.00	8,650.00	-	-	-
NJDHTS - Over the Limit Under Arrest	1,000.00	1,000.00	1,000.00	-	-	-
Sustainable Land Use Planning Grant - Grant		7,500.00	7,500.00	-	-	-
Sustainable Land Use Planning Grant - Match		3,750.00	3,750.00	-	-	-
NJ State Police - Emergency Management		10,000.00	10,000.00	-	-	-
Pedestrian Safety Grant		15,000.00	15,000.00	-	-	-
Community Development Block Grant	309,396.00	581,943.00	581,943.00	-	-	-
Recycling Tonnage Grant	26,312.99	57,182.63	57,182.63	-	-	-
Sustainable Jersey 2012 Grant		2,000.00	2,000.00	-	-	-
US Homeland Security-Port Security Grant - Grant		92,722.00	92,722.00	-	-	-
US Homeland Security-Port Security Grant - Match		30,907.00	30,907.00	-	-	-
Clean Communities		71,290.59	71,290.59	-	-	-
Bulletproof Vest Partnership	5,527.24	5,527.24	5,527.24	-	-	-
NJDCA Historic Preservation Trust - Renov. Life Saving Station	750,000.00	750,000.00	750,000.00	-	-	-
Matching Funds for Grants	40,000.00	5,343.00			5,343.00	
<b>TOTAL PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</b>	<u>1,160,734.52</u>	<u>1,667,063.75</u>	<u>1,661,720.75</u>	<u>-</u>	<u>5,343.00</u>	<u>-</u>
<b>TOTAL OPERATIONS EXCLUDED FROM "CAPS"</b>	<u>5,691,554.52</u>	<u>6,197,883.75</u>	<u>6,030,841.86</u>	<u>-</u>	<u>167,041.89</u>	<u>-</u>
Detail:						
Salaries and Wages	214,220.00	214,220.00	214,220.00	-	-	-
Other Expenses	5,477,334.52	5,983,663.75	5,816,621.86	-	167,041.89	-
<b>CAPITAL IMPROVEMENTS</b>						
Capital Improvement Fund	730,000.00	730,000.00	730,000.00	-	-	-
Super Storm Sandy		3,625,000.00	3,625,000.00	-	-	-
NJ Transportation Trust Fund Authority Act		180,000.00	180,000.00	-	-	-
<b>TOTAL CAPITAL IMPROVEMENTS</b>	<u>730,000.00</u>	<u>4,535,000.00</u>	<u>4,535,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>

**CITY OF OCEAN CITY  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Expended			(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
<b>DEBT SERVICE</b>						
Payment of Bond Principal	\$ 5,980,000.00	\$ 5,980,000.00	\$ 5,980,000.00	-	-	-
Payment of Bond Anticipation Notes and Capital Notes	1,450,000.00	1,450,000.00	1,450,000.00	-	-	-
Interest on Bonds	1,942,940.00	1,942,940.00	1,942,940.00	-	-	-
Interest on Notes	332,125.00	332,125.00	331,702.43	-	-	422.57
Green Trust Loan Program:						
Loan Repayments for Principal & Interest	65,155.87	65,155.87	65,155.87	-	-	-
<b>TOTAL DEBT SERVICE</b>	<u>9,770,220.87</u>	<u>9,770,220.87</u>	<u>9,769,798.30</u>	<u>-</u>	<u>-</u>	<u>422.57</u>
<b>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"</b>	<u>16,191,775.39</u>	<u>20,503,104.62</u>	<u>20,335,640.16</u>	<u>-</u>	<u>167,041.89</u>	<u>422.57</u>
<b>SUBTOTAL GENERAL APPROPRIATIONS</b>	<u>66,536,825.46</u>	<u>70,848,154.69</u>	<u>68,634,922.38</u>	<u>965,676.68</u>	<u>1,246,516.45</u>	<u>1,039.18</u>
Reserve for Uncollected Taxes	<u>1,485,000.00</u>	<u>1,485,000.00</u>	<u>1,485,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL GENERAL APPROPRIATIONS</b>	<u>\$ 68,021,825.46</u>	<u>\$ 72,333,154.69</u>	<u>\$ 70,119,922.38</u>	<u>\$ 965,676.68</u>	<u>\$ 1,246,516.45</u>	<u>\$ 1,039.18</u>
Adopted Budget		\$ 68,021,825.46				
Appropriation by N.J.S.A. 40A:4-87		686,329.23				
Special Emergency Authorization 40A:4-54		3,625,000.00				
		<u>72,333,154.69</u>				
Reserve for Uncollected Taxes			\$ 1,485,000.00			
Federal and State Grants			1,841,720.75			
Reserve for Super Storm Sandy			3,625,000.00			
Cash Disbursed			63,168,201.63			
			<u>70,119,922.38</u>			

**EXHIBIT - B  
TRUST FUND**



**CITY OF OCEAN CITY**  
**TRUST FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**

<u>Assets</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
<u>Animal Control Fund</u>			
Cash and Investments	B-1	\$ 15,380.36	\$ 3,634.62
		<u>15,380.36</u>	<u>3,634.62</u>
<u>Other Funds</u>			
Cash and Investments	B-2	3,145,852.48	3,794,510.78
		<u>3,145,852.48</u>	<u>3,794,510.78</u>
		<u>\$ 3,161,232.84</u>	<u>\$ 3,798,145.40</u>

**CITY OF OCEAN CITY**  
**TRUST FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
<u>Animal Control Fund</u>			
Reserve for Animal Control Expenditures	B-3	\$ 15,380.36	\$ 3,634.62
		<u>15,380.36</u>	<u>3,634.62</u>
<u>Other Funds</u>			
Reserve for Tax Premiums		185,843.33	413,283.22
Reserve for Recreation Dedicated Trust		49,160.12	20,120.75
Reserve for Tourism Development		116,041.37	46,890.27
Reserve for Law Enforcement Trust		16,871.51	19,192.23
Reserve for P.O.A.A.		31,197.08	26,091.80
Reserve for Cash Performance Deposits		217,380.86	351,631.15
Reserve for Dedicated Fire Fees		4.32	926.81
Reserve for Lifeguard Pension		93,485.16	97,539.36
Reserve for Shade Tree		3,865.72	15,578.06
Reserve for COAH		2,328,559.39	2,697,232.50
Reserve for Merchant Fees		12,375.50	6,537.79
Reserve for Planning and Zoning		91,068.12	99,486.84
		<u>3,145,852.48</u>	<u>3,794,510.78</u>
		<u>\$ 3,161,232.84</u>	<u>\$ 3,798,145.40</u>

**EXHIBIT - C**  
**GENERAL CAPITAL FUND**

**CITY OF OCEAN CITY**  
**GENERAL CAPITAL FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**

<u>Assets</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Cash and Investments	C-2,C-3	\$ 15,321,521.69	\$ 3,341,851.86
Due from Cape May County		100,107.00	100,107.00
Deferred Charges to Future Taxation:			
Funded	C-5	56,207,162.07	52,117,643.10
Unfunded	C-6	23,404,825.00	24,722,825.00
		<u>\$ 95,033,615.76</u>	<u>\$ 80,282,426.96</u>
 <u>Liabilities, Reserves and Fund Balance</u>			
Serial Bonds Payable	C-8	\$ 55,585,000.00	\$ 51,665,000.00
Bond Anticipation Notes Payable	C-9	19,100,000.00	12,170,000.00
Green Trust Loan Payable	C-8A	622,162.07	452,643.10
Note Payable	C-7	4,500,000.00	4,500,000.00
Improvement Authorizations:			
Funded	C-7	319,068.22	790,237.24
Unfunded	C-7	8,612,964.39	5,719,190.79
Encumbrances Payable		2,169,252.53	3,306,056.15
Reserve for Debt Service		2,642,456.91	1,465,193.29
Reserve for Preliminary Expenses		17,566.00	17,566.00
Capital Improvement Fund	C-4	211,177.53	9,177.53
Fund Balance	C-1	1,253,968.11	187,362.86
		<u>\$ 95,033,615.76</u>	<u>\$ 80,282,426.96</u>

**CITY OF OCEAN CITY**  
**GENERAL CAPITAL FUND**  
**STATEMENT OF FUND BALANCE - REGULATORY BASIS**

Balance December 31, 2011	<u>Ref.</u> C		\$	187,362.86
Increased By:				
Premiums on Sale of BANS		\$ 1,231,605.25		
				1,231,605.25
				1,418,968.11
Decreased By:				
Improvement Authorizations Funded		165,000.00		
				165,000.00
Balance December 31, 2012	C		\$	1,253,968.11

**EXHIBIT - D**  
**PUBLIC ASSISTANCE FUND**

**CITY OF OCEAN CITY**  
**PUBLIC ASSISTANCE FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**

	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
<u>Assets</u>			
Cash Trust I	D-1	\$ -	\$ -
Cash Trust II	D-1	-	-
		<u>                    </u>	<u>                    </u>
		<u>\$ -</u>	<u>\$ -</u>
 <u>Liabilities and Reserves</u>			
Reserve for Public Assistance		\$ -	\$ -
		<u>                    </u>	<u>                    </u>
		<u>\$ -</u>	<u>\$ -</u>

**EXHIBIT - E**  
**GENERAL FIXED ASSET ACCOUNT GROUP**



**CITY OF OCEAN CITY**  
**GENERAL FIXED ASSET ACCOUNT GROUP**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**

<u>General Fixed Assets</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
Land, Buildings and Improvements	\$	158,628,457.85	\$ 159,449,811.34
Vehicles		7,706,797.41	7,662,537.41
Machinery and Equipment		8,205,327.65	8,112,226.71
		<u>\$ 174,540,582.91</u>	<u>\$ 175,224,575.46</u>
 <u>Investment in General Fixed Assets</u>			
Investment in General Fixed Assets		\$ 174,540,582.91	\$ 175,224,575.46
		<u>\$ 174,540,582.91</u>	<u>\$ 175,224,575.46</u>

**CITY OF OCEAN CITY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

**Basis of Accounting**

The financial statements – regulatory basis of the City of Ocean City have been prepared in conformity with the basis of accounting established by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The more significant of the City's accounting policies are described below.

**Description of Financial Reporting Entity**

The City of Ocean City is an island community located at the northern tip of Cape May County in the State of New Jersey. The population according to the 2010 census is 11,701.

The City is incorporated and operates under a Mayor and Council form of government. The Mayor is the Chief Executive Officer of the City and is elected by the voters. The City Council selects one of its members on an annual basis to hold the Office of Council President. The City Council is the law making body and passes all Resolutions and Ordinances. The City employs a City Administrator who is responsible for the day-to-day operations of the City.

**Component Units**

The financial statements of the component units of the City are not presented in accordance with Governmental Accounting Standards Board Statement (GASB) No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units. If the provisions of GASB 14 and GASB 39 had been complied with, the other entity's financial statements would have to be either blended or discretely presented with the financial statements of the City of Ocean City, the primary government. The City maintains a Special Improvement District and a Free Public Library.

Ocean City Business and Neighborhood Development Association  
Special Improvement District  
854 Asbury Avenue  
Ocean City, NJ 08226

Ocean City Free Public Library  
1735 Simpson Avenue  
Ocean City NJ, 08226

The annual financial report may be inspected directly at the office of the component unit during regular business hours.

**Basis of Presentation, Fund Accounting**

The financial statements – regulatory basis of the City of Ocean City contain all funds and account groups in accordance with the "Requirements of Audit" as promulgated 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. Under this method of accounting, the City of Ocean City accounts for its financial transactions through the following separate funds, which differ from the funds required by GAAP.

**CITY OF OCEAN CITY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Current Fund**

The Current Fund accounts for revenues and expenditures for governmental operations of a general nature, including Federal and State Grant Funds.

**Trust Funds**

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

**General Capital Funds**

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

**Budgets and Budgetary Accounting**

The City of Ocean City must adopt an annual budget in accordance with N.J.S.A. 40A:4 et al. State statutes require the governing body to introduce and approve the annual municipal budget no later than February 10<sup>th</sup> of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the municipality. The public hearing must not be held less than twenty-eight days after the date of introduction. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with N.J.S.A. 40A:4-9.

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

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

**Cash and Investments**

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank approved by the State Department of Banking and Insurance and organized under laws of the United States or the State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey municipal units.

The cash management plan adopted by the City of Ocean City requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

**CITY OF OCEAN CITY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Public funds are defined as the funds of any governmental unit. Public depositories include banks (both state and federal), savings and loan institutions and savings banks, the deposits of which are federally insured. All public depositories pledge collateral, having a market value of five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories in the collateral pool, is available to pay the full amount of their deposits to the governmental units.

Generally, the City considers all investments that mature in one year or less to be cash equivalents.

All certificates of deposit are recorded as cash regardless of date of maturity.

**Interfunds**

Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to Fund Balance. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

**Inventories of Supplies**

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

**General Fixed Assets**

Property and Equipment purchased by the Current and General Capital Funds are recorded as expenditures at the time of purchase.

Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, differs in certain respects from GAAP. The following is a brief description of the provisions of the Directive. Fixed Assets used in governmental operations (“general fixed assets”) are accounted for in the General Fixed Assets Account Group. Public Domain (“Infrastructure”) fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems, are not capitalized.

All fixed assets are valued at historical cost, or estimated historical cost if actual historical cost is not available.

No depreciation on general fixed assets is recorded in the financial statements – regulatory basis.

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

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

**CITY OF OCEAN CITY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Foreclosed Property**

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

**Deferred Charges**

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

**Appropriation Reserves**

Appropriation Reserves covering unexpended appropriation balance are automatically created at year end and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation Reserves are available, until lapsed at the close of the succeeding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriation Reserves are not established under GAAP.

**Fund Balance**

Fund Balances included in the Current Fund represents amounts available for anticipation as revenue in future years' budgets, with certain restrictions.

**Revenues**

Revenues are recorded as received in cash except for certain amounts that are due from other governmental units. Revenue from Federal and State Grants is realized as revenue when anticipated as such in the City's budget. Other amounts that are due the City which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP generally requires that grant revenue be recognized when actual expenditures financed by the grant are made.

**Property Tax Revenues**

Property tax revenues are collected in quarterly installments due February 1<sup>st</sup>, May 1<sup>st</sup>, August 1<sup>st</sup>, and November 1<sup>st</sup>. Property taxes unpaid are subject to tax sale in accordance with statutes. The amount of tax levied includes not only the amount required in support of the City's annual budget, but also the amounts required in support of the entities that follow. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the City's Current Fund; accordingly, such amounts are not recorded as revenue until collected. GAAP requires such revenues to be recognized when they are available and measurable reduced by an allowance for doubtful accounts.

**CITY OF OCEAN CITY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**School Taxes**

The City is responsible for levying, collecting and remitting school taxes for the City of Ocean City School District. Fund Balance is charged for the full amount required to be raised from taxation to operate the school districts from January 1<sup>st</sup> through December 31<sup>st</sup>.

<u>Category</u>	<u>Amount</u>
School Tax Payable	\$ -
School Tax Deferred	12,136,292.00
	<u>\$ 12,136,292.00</u>

**County Taxes**

The City is responsible for levying, collecting and remitting county taxes for the County of Cape May. Fund Balance is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10<sup>th</sup> of the current year. In addition Fund Balance is charged for the County Share of Added and Omitted Taxes certified to the County Board of Taxation by October 10<sup>th</sup> of the current year and due to be paid to the County by February 15<sup>th</sup> of the following year.

**Reserve for Uncollected Taxes**

The inclusion of the “Reserve for Uncollected Taxes” appropriation in the City’s annual budget protects the City from taxes not paid currently. The minimum amount of the reserve, determined by the percentage of collections experienced in the preceding year, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations. A Reserve for Uncollected Taxes is not established under GAAP.

**Expenditures**

Expenditures are recorded on the “budgetary” basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance system. Outstanding encumbrances at December 31<sup>st</sup> are recorded as a cash liability. Appropriations for principal payments on outstanding General Capital Fund bonds and notes are provided on the cash basis; interest on General Capital Fund indebtedness is on the cash basis. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long – term debt, which is recognized when due.

**Compensated Absences and Post – Employment Benefits**

Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a “pay as you go” basis. Likewise, no accrual is made for post employment benefits, if any, which are also funded on a “pay as you go” basis. GAAP requires that the amount that would normally be liquidated with expendable financial resources be recorded as expenditure in the operating funds and the remaining obligations is recorded as long – term obligations.

**CITY OF OCEAN CITY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recent Accounting Pronouncements Not Yet Effective**

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61 “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”. The purpose of the statement is to amend the criteria for reporting and including component units with the primary government. This statement, which is effective for fiscal periods beginning after June 15, 2012, is not anticipated to have any effect on the City’s financial reporting.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65 “Items Previously Reported as Assets and Liabilities”. This statement, which clarifies the reporting requirements related to deferred assets and liabilities, is effective for fiscal periods beginning after December 15, 2012, is not anticipated to have any effect on the City’s financial reporting.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 66 “Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62”. This statement, which resolves conflicts between Statements No. 10 and No. 54 provides more flexibility in fund classifications for risk based activities, is effective for fiscal periods beginning after December 15, 2012, is not anticipated to have any effect on the City’s financial reporting.

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

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68 “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27”. This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the City’s financial reporting.

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

**CITY OF OCEAN CITY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 2: LONG-TERM DEBT (CONTINUED)**

**Summary of Municipal Debt**

	<u>Year</u> <u>2012</u>	<u>Year</u> <u>2011</u>	<u>Year</u> <u>2010</u>
Issued:			
General:			
Bonds and Notes	\$ 79,807,162.07	\$ 68,787,643.10	\$ 71,388,979.78
Total Issued	<u>79,807,162.07</u>	<u>68,787,643.10</u>	<u>71,388,979.78</u>
Less:			
Funds Temporarily Held to Pay			
Bonds and Notes:	<u>13,192,456.91</u>	<u>1,465,193.29</u>	<u>3,585,070.95</u>
Net Debt Issued	<u>66,614,705.16</u>	<u>67,322,449.81</u>	<u>67,803,908.83</u>
Authorized But Not Issued:			
General:			
Bonds and Notes	<u>9,404,825.00</u>	<u>8,052,825.00</u>	<u>5,152,967.39</u>
Total Authorized But Not Issued	<u>9,404,825.00</u>	<u>8,052,825.00</u>	<u>5,152,967.39</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 76,019,530.16</u>	<u>\$ 75,375,274.81</u>	<u>\$ 72,956,876.22</u>

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

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.623%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 89,211,987.07	\$ 13,192,456.91	\$ 76,019,530.16
School Debt	<u>20,274,000.00</u>	<u>20,274,000.00</u>	<u>-</u>
	<u>\$ 109,485,987.07</u>	<u>\$ 33,466,456.91</u>	<u>\$ 76,019,530.16</u>

Net debt \$76,019,530.16 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$12,208,192,651.67 = 0.623%.

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

3-1/2% of Equalized Valuation Basis	\$ 427,286,742.79
Net Debt	<u>76,019,530.16</u>
Remaining Borrowing Power	<u>\$ 351,267,212.63</u>

The Annual Debt Statement filed by the City is in agreement with the foregoing net debt information.



**CITY OF OCEAN CITY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 2: LONG-TERM DEBT (CONTINUED)**

**Description of Bonds and Loans Payable**

At December 31, 2012, bonds payable in the General Capital Fund consisted of the following individual issues:

\$9,325,000.00 General Improvement Bonds dated December 15, 2002, due in annual installments through, 2014, bearing interest at various rates from 3.80 to 4.00% per annum. The balance remaining as of December 31, 2012 is \$1,900,000.00.

\$21,000,000.00 General Improvement Bonds, dated January 15, 2006, due in annual installments beginning January 15, 2007 through, 2019, bearing interest at various rates from 3.75 to 4.00% per annum. The balance remaining as of December 31, 2012 is \$13,200,000.00.

\$14,500,000.00 General Improvements Bonds dated July 15, 2008, due in annual installments beginning July 15, 2010 through July 15, 2020, bearing interest at various rates from 4.00 to 5.25% per annum. The balance remaining as of December 31, 2012 is \$12,500,000.00.

\$13,800,000.00 General Improvement Bonds dated August 15, 2010, due in annual installments through August 15, 2019, bearing interest at various rates from 3.00% to 4.00% per annum. The balance remaining as of December 31, 2012 is \$11,800,000.00.

\$7,800,000.00 Refunding Bonds, dated November 9, 2010, due in annual installments beginning September 1, 2012 through, 2016, bearing interest at various rates from 3.00% to 4.00% per annum. The balance remaining as of December 31, 2012 is \$6,285,000.00.

\$9,900,000.00 General Improvements Bonds dated December 20, 2012, due in annual installments through December 15, 2024, bearing interest at various rates from 2.00 to 4.00% per annum. The balance remaining as of December 31, 2012 is \$9,900,000.00.

\$277,576 Green Trust Loan dated 1994, due in semi-annual installments bearing an interest rate of 2.00%. The balance remaining as of December 31, 2012 is \$47,390.29.

\$200,000 Green Trust Loan dated 2011, due in semi-annual installments bearing an interest rate of 2.00%. The balance remaining as of December 31, 2012 is \$178,482.33.

\$200,000 Green Trust Loan (A) dated 2011, due in semi-annual installments bearing an interest rate of 2.00%. The balance remaining as of December 31, 2012 is \$178,482.33.

\$222,500 Green Trust Loan dated 2012, due in semi-annual installments bearing an interest rate of 2.00%. The balance remaining as of December 31, 2012 is \$217,807.12.

**Changes in Long-Term Debt**

The following schedule represents the changes in the Long-Term Debt:

	<u>Outstanding 12/31/11</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Outstanding 12/31/12</u>
General Capital Fund:				
Bonds Payable	\$ 51,665,000.00	\$ 9,900,000.00	\$ 5,980,000.00	\$ 55,585,000.00
Loans Payable	452,643.10	222,500.00	52,981.03	622,162.07
Total All Funds	<u>\$ 52,117,643.10</u>	<u>\$ 10,122,500.00</u>	<u>\$ 6,032,981.03</u>	<u>\$ 56,207,162.07</u>

**CITY OF OCEAN CITY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 2: LONG-TERM DEBT (CONTINUED)**

**Schedule of Annual Debt Service for Principal and Interest for Serial Bonds Issued and Outstanding**

Year Ending December 31	Serial Bonds		Green Trust Loans	
	Principal	Interest	Principal	Interest
2013	\$ 6,915,000.00	\$ 2,075,488.89	\$ 58,785.76	\$ 12,150.76
2014	7,525,000.00	1,827,550.00	43,853.62	10,989.16
2015	7,400,000.00	1,550,800.00	28,460.17	10,248.87
2016	7,745,000.00	1,263,300.00	29,032.24	9,676.80
2017	6,400,000.00	974,750.00	29,615.77	9,093.27
2018 - 2022	17,800,000.00	1,623,750.00	135,932.43	36,295.11
2023 - 2027	1,800,000.00	81,000.00	171,472.49	19,163.24
2028 - 2032			125,009.59	3,628.87
	<u>\$ 55,585,000.00</u>	<u>\$ 9,396,638.89</u>	<u>\$ 622,162.07</u>	<u>\$ 111,246.08</u>

**NOTE 3: COMPENSATED ABSENCES**

The City has permitted employees to accrue unused vacation, personal and sick time, which may be taken as time off or paid at a later date at an agreed upon rate. The monetary value of these earned and unused employee benefits has not been accrued by either charges to operations or to budgets of prior years, although in some cases they might be material, since the realization of this liability may be affected by conditions which preclude an employee from receiving full payment of the accrual. At December 31, 2012, the City estimates this liability to approximate \$4,810,506.19 based on 2012 pay rates and compensated absence balances.

**NOTE 4: DEFERRED COMPENSATION ACCOUNT**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan complies with a private letter ruling of the Internal Revenue Service that requires assets of deferred compensation plans be held in Trust under the beneficial ownership of the Trustee, (City of Ocean City) serving as Trustee, for the exclusive benefit of the plan participants and their beneficiaries, and that the assets shall not be diverted to any other purpose. The plan administrators are as follows:

The Hartford Life Insurance Company  
 Nationwide Retirement System (PEBSCO)

**NOTE 5: TAXES COLLECTED IN ADVANCE**

Taxes collected in advance include amounts set forth as cash liabilities in the financial statements as follows:

	Balance December 31, 2012	Balance December 31, 2011
Prepaid Taxes - Cash Liability	\$ 1,857,721.75	\$ 1,737,735.17

**CITY OF OCEAN CITY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 6: RETIREMENT PLANS**

**Plan Descriptions**

All eligible employees participate in the Public Employees' Retirement System (PERS), or the Police and Firemen's Retirement System (PFRS), which have been established by state statute and are administered by the New Jersey Division of Pensions and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Police and Fireman's Retirement System. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625.

*Public Employees' Retirement System (PERS)* - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund.

*Police and Fireman's Retirement System (PFRS)* - The Police and Fireman's Retirement System (PFRS) 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 its members. The PFRS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time county and municipal police or firemen or officer employees with police powers appointed after June 30, 1944.

**Vesting and Benefit Provisions**

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:3B. All benefits vest after eight to ten years of service, except for medical benefits, which vest after 25 years of service. Retirement benefits for age and service are available at age 60 and, under recently enacted legislation are generally determined to be 1/55 of final average salary for each year of service credit. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years service credit, or they may elect deferred retirement after achieving eight to ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

The vesting and benefit provisions for PFRS are set by N.J.S.A. 43:16A and 43:3B. All benefits vest after ten years of service, except for disability benefits, which vest after four years of service. Retirement benefits for age and service are available at age 55 and generally determined to be 2% of final average compensation for each

year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Final average compensation equals the average compensation for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek special retirement after achieving 20 or 25 years of creditable service or they may elect deferred retirement after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final average compensation for each year of service.

**CITY OF OCEAN CITY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 6: RETIREMENT PLANS (CONTINUED)**

**Funding Policy**

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate. PERS provides for employee contributions based on employees' annual compensation, as defined, which was increased to 6.64% in 2012. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. Members contribute at a uniform rate of 10.00% of base salary in 2012.

For the Public Employees' Retirement System, the City's contribution was \$1,337,245.00 for 2012 and \$1,247,564.00 for 2011.

**Three Year Trend Information for PERS**

<b>Funding Year</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
12/31/12	\$ 1,337,245.00	100%	\$ -
12/31/11	\$ 1,247,564.00	100%	-
12/31/10	1,037,909.00	100%	-

For the Police and Firemen's Retirement System, the City's contribution was \$2,695,260.00 for 2012 and \$2,941,637.00 for 2011.

**Three Year Trend Information for PFRS**

<b>Funding Year</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
12/31/12	\$ 2,695,260.00	100%	\$ -
12/31/11	\$ 2,941,637.00	100%	-
12/31/10	2,633,413.00	100%	-

**CITY OF OCEAN CITY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 7: CASH AND INVESTMENTS**

**Cash**

Operating cash, in the form of checking, savings and money market savings accounts, is held in the City's name by several commercial banking institutions. At December 31, 2012, the carrying amount of the City's deposits was \$31,340,563.74 and the bank balance was \$32,393,286.59. Of the bank balance, \$631,758.56 was insured with Federal Deposit Insurance Corporation, the balance of 31,761,528.03 was insured by the Governmental Unit Deposit Protection Act (GUDPA).

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the City's bank accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the City would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2012, all of the City's deposits were insured by either FDIC or the Governmental Unit Deposit Protection Act (GUDPA), and accordingly, not exposed to custodial credit risk. The City does not have a policy for custodial credit risk other than its requirement to only utilize GUDPA institutions.

**NOTE 8: PROPERTY TAXES**

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value.

Upon the filing of certified adopted budgets by the municipality, the local school district, and the county, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof is set forth in N.J.S.A. 54:4 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes, due February 1 and May 1 of the succeeding fiscal year, are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500 of the delinquency and 18% per annum on any amount in excess of \$1,500. Pursuant to P.L. 1991, c. 75, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed 6% of the amount of the delinquency. The interest and penalties are the highest permitted under New Jersey Statutes. Delinquent taxes open for one year or more are annually included in the tax sale in accordance with New Jersey statutes.

**CITY OF OCEAN CITY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 8: PROPERTY TAXES (CONTINUED)**

The New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 of each year, the municipality must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels the County Board of Taxation unsatisfactorily reviewed the petition, appeal may be made to the Tax Court of New Jersey for further hearing. Some Tax Court appeals may take several years prior to settlement and any losses in tax collection from prior years are charged to a reserve set aside for this purpose or directly charged to Fund Balance.

The following is a three-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous two years.

**Comparative Schedule of Tax Rates**

	2012	2011	2010
Tax Rate	\$ 0.783	\$ 0.752	\$ 0.733
Apportionment of Tax Rate:			
Municipal	0.390	0.372	0.359
County	0.193	0.191	0.188
Local School	0.200	0.189	0.186

**Assessed Valuation**

2012	\$ 12,171,789,847
2011	12,852,929,492
2010	12,852,616,046

**Comparison of Tax Levies and Collections**

Year	Tax Levy	Collections	Percentage of Collections
2012	\$ 95,770,897	\$ 93,780,435	97.92%
2011	97,104,511	95,257,230	98.10%
2010	94,558,775	93,140,423	98.50%

**CITY OF OCEAN CITY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 8: PROPERTY TAXES (CONTINUED)**

<b>Delinquent Taxes and Tax Title Liens</b>					
<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>	
2012	\$ 1,730.51	\$ 1,161,734.44	\$ 1,163,464.95	1.21%	
2011	1,464.09	1,003,281.36	1,004,745.45	1.06%	
2010	1,460.34	1,266,835.61	1,268,295.95	1.39%	

**Property Acquired by Tax Title Lien Liquidation**

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 262,576.00
2011	262,576.00
2010	262,576.00

**NOTE 9: ECONOMIC DEPENDENCY**

The City of Ocean City is not economically dependent on any one funding agency within the City or the State of New Jersey.

**NOTE 10: FUND BALANCES APPROPRIATED**

The following schedule details the amount of Fund Balances available at the end of each year and the amounts utilized in the subsequent year's budgets:

<u>Year</u>	<u>Balance December 31st</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percent Utilized</u>
Current Fund	2012 \$ 4,638,160.96	\$ 3,043,750.00	65.62%
	2011 5,032,608.35	2,500,000.00	49.68%
	2010 5,431,336.82	2,550,000.00	46.95%
	2009 5,236,485.58	2,327,075.00	44.44%
	2008 4,803,672.25	2,067,000.00	43.03%

**CITY OF OCEAN CITY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 11: RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY**

Receivables and payables at December 31, 2012 are as follows:

<u>Amount</u>	<u>Due To</u>	<u>Due From</u>
\$	None	None
<u>\$</u>		
<u>-</u>		

**NOTE 12: BUDGETARY DATA**

Annually, City Council adopts the annual appropriation budgets for the Current Fund and the Capital Improvement Plan. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Supplemental appropriations per N.J.S.A. 40A:4-46, 53 and 54, Emergencies and Special Emergencies, become charges against the budget of the following year per N.J.S.A. 40A:4-47 except when financing is provided for by bonding ordinances. During 2012 the City approved a Special Emergency Appropriation in accordance with N.J.S.A. 40A:4-53 in the amount of \$3,625,000.00 to pay the extraordinary expenses related to Hurricane Sandy. This Special Emergency will be raised in the next five subsequent budgets.

Budget transfers between appropriation accounts are prohibited until the last two months of the year. The City Council approves the transfers by Resolution. Budgetary transfers during the year were not significant.

**NOTE 13: FEDERAL AND STATE GRANTS**

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

**NOTE 14: GENERAL FIXED ASSETS**

The following schedule is a summarization of the changes in General Fixed Assets for the year ended December 31, 2012:

	<u>Balance as of December 31, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Estimated Hurricane Sandy Impairments</u>	<u>Balance as of December 31, 2012</u>
Land, Buildings & Improvements	\$ 159,449,811.34	\$ 11,813.51	\$	\$ (833,167.00)	\$ 158,628,457.85
Vehicles	7,662,537.41	286,752.50	178,476.00	(64,016.50)	7,706,797.41
Machinery & Equipments	<u>8,112,226.71</u>	<u>179,418.94</u>	<u>86,318.00</u>		<u>8,205,327.65</u>
Total	<u>\$ 175,224,575.46</u>	<u>\$ 477,984.95</u>	<u>\$ 264,794.00</u>	<u>\$ (897,183.50)</u>	<u>\$ 174,540,582.91</u>



**CITY OF OCEAN CITY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 15: RISK MANAGEMENT**

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

**Property and Liability Insurance**

The City maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2012, the City did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

**NOTE 16: LITIGATION**

The City is a defendant in several legal proceedings that are in various stages of litigation. Some of these cases could be material to the financial statements; as of the date of this report the outcome of this case cannot be determined. In all other cases it is believed that the outcome, or exposure to the City, from such litigation is either unknown or potential losses, if any would not be material to the financial statements.

**NOTE 17: NOTE PAYABLE**

On February 17, 2006 the City issued a Purchase Note in the amount of \$4,500,000 with a stated interest rate of 4%. The issuance of this note financed the purchase of land as authorized by City Bond Ordinance 05-33. The note is held by the seller of the land. The terms of the note require the City to pay interest quarterly until maturity on February 17, 2026. This note is however, subject to extraordinary mandatory redemption prior to maturity within one year of the death of the holder.

**NOTE 18: DEFINED CONTRIBUTION RETIREMENT PROGRAM**

**Plan Description**

The Defined Contribution Retirement Program (DCRP) was established July 1, 2010, under the provisions of Chapter 92, P.L. 2010 and Chapter 103, P.L. 2010, and expanded under the provisions of Chapter 89, P.L. 2011. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

**Vesting and Benefits Provisions**

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP, employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer.

Retirement benefits for members are determined according to the applicable Tier level:

Tier 1 Membership: The retirement age is 60 for a Service or Deferred Retirement. For an Early Retirement, a member must have at least 25 years of service credit; however, if a member is under the age of 55 at the time of retirement, the retirement allowance is reduced 3 percent per year (1/4 of 1 percent per month) for each year the member is under age 55.

**CITY OF OCEAN CITY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 18: DEFINED CONTRIBUTION RETIREMENT PROGRAM (CONTINUED)**

Tier 2 Membership: The retirement age is 60 for a Service or Deferred Retirement. For an Early Retirement a member must have at least 25 years of service credit; however, if a member is under the age of 60 at the time of retirement, the retirement allowance is reduced 1 percent per year (1/12 of 1 percent per month) for each year the member is under age 60 but over age 55, and 3 percent per year (1/4 of 1 percent per month) for each year the member is under age 55.

Tier 3 Membership: The retirement age is 62 for a Service or Deferred Retirement. For an Early Retirement a member must have at least 25 years of service credit; however, if a member is under the age of 62 at the time of retirement, the retirement allowance is reduced 1 percent per year (1/12 of 1 percent per month) for each year the member is under age 62 but over age 55, and 3 percent per year (1/4 of 1 percent per month) for each year the member is under age 55.

**Funding Policy**

Members contribute at a uniform rate of 5.5% of their base salary. Employers are required to contribute at a set rate of 3.0% of base salary.

**NOTE 19: POST- RETIREMENT BENEFITS**

The City offers medical, prescription drug, dental and vision coverage to eligible retirees and their dependants.

Effective April 1, 2010, the City participates New Jersey State Health Benefits Program (“the SHBP”), which qualifies as a cost-sharing, multiple –employer plan in accordance with GASB Statement 45 “Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions” (“OPEB”). The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pension and Benefits.

Under the SHBP, retirees may continue the health benefits programs in which they are enrolled at the time of retirement, provided the retiree pays the costs of the benefits (at group rates) for themselves and their eligible dependents.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the SHBP. 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.

The SHBP is established under the authority of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. The required contribution rate is determined on an annual pay as you go basis. The following were the required contributions:

2012 - \$6,529,584.78  
2011 - \$5,901,892.05  
2010 - \$5,529,300.74

**CITY OF OCEAN CITY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 20: SHORT-TERM FINANCING**

Short-term debt provides for financing of governmental activities and capital projects.

On March 8, 2012 the City issued a Bond Anticipation Note in the Amount of \$9,750,000.00, bearing interest at a rate of 2.00% per annum to fund various General Capital Ordinances. The Note is due March 8, 2013 and was refunded with the proceeds of the December 2012 Bond Issue.

On June 21, 2012 the City issued a Bond Anticipation Note in the Amount of \$9,350,000.00, bearing interest at a rate of 1.50% per annum to fund various General Capital Ordinances. It is anticipated that this note will be funded in a future Bond Sale.

On December 29, 2012 the City issued an Emergency Note in the Amount of \$3,625,000.00, bearing interest at a rate of 1.25% per annum to fund extraordinary expenses related to Hurricane Sandy. The Note is due December 29, 2013 and it is anticipated that the City will reissue the note at that date, less the \$725,000.00 pay down budgeted in the 2013 Current Fund Budget. The remaining \$2,900,000.00 will be retired in annual budgeted pay downs.

The following is a summary of changes in short-term debt for the year ended December 31, 2012:

	<u>Current Fund</u>	<u>General Capital Fund</u>	<u>Total</u>
Balance December 31, 2011	\$ -	\$ 12,170,000.00	\$ 12,170,000.00
Increases	3,625,000.00	19,100,000.00	22,725,000.00
Decreases		(12,170,000.00)	(12,170,000.00)
Balance December 31, 2012	<u>\$ 3,625,000.00</u>	<u>\$ 19,100,000.00</u>	<u>\$ 22,725,000.00</u>

**NOTE 21: SUBSEQUENT EVENTS**

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2012 through July 19, 2013 the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to attention of the City that would require disclosure.

## **SUPPLEMENTARY INFORMATION**

**CITY OF OCEAN CITY**  
**CURRENT FUND**  
**SCHEDULE OF CASH - TREASURER**

Ref.	Current Fund	Federal and State Grant Fund
Balance December 31, 2011	\$ 8,237,858.03	\$ 169,955.08
Increased By Receipts:		
Collector	\$ 95,385,335.25	\$
Due from State - Seniors and Veterans	163,518.38	
Homestead Rebates	529,034.93	
Federal and State Grants Receivable		622,472.36
Federal and State Grants Unappropriated		68,949.89
Miscellaneous Revenue Anticipated	16,401,110.92	
Miscellaneous Revenue Not Anticipated	532,566.18	
Matching Funds for Grants		38,777.20
Reserve for Health Insurance Claims	6,845,747.52	
Special Emergency Note Payable	3,625,000.00	
Prepaid Beach Fees	24,290.00	
Change Funds	32,050.00	
Payroll Payable	47,618,122.58	
	171,156,775.76	730,199.45
	179,394,633.79	900,154.53

**CITY OF OCEAN CITY**  
**CURRENT FUND**  
**SCHEDULE OF CASH - TREASURER**

Ref.	Current Fund	Federal and State Grant Fund
Decreased By Disbursements:		
2012 Appropriations	\$ 63,168,201.63	\$
2011 Appropriation Reserves	95,763.13	
Reserve for Encumbrances	664,212.18	80,034.13
Accounts Payable	12,326.59	
County Taxes	23,329,224.54	
County Added and Omitted Taxes	64,681.90	
Local District School Tax	24,263,230.00	
Special Improvement District Levy	184,207.00	
Payroll Payable	47,600,090.99	
Reserve for Revaluation	870.00	
Reserve for Special Emergency - Sandy	814,470.86	186,813.88
Federal and State Grant Fund Expenditures		
Reissue Prior Year's Checks	377.72	
Matching Funds for Grants	38,777.20	
Tax Overpayments	74,144.23	
Premiums Transferred to Trust	147,700.00	
Residential Development Fees	351,019.00	
Change Fund	31,650.00	
Reserve for Health Insurance Claims	6,806,231.48	
	<u>167,647,178.45</u>	<u>266,848.01</u>
Balance December 31, 2012	\$ <u>11,747,455.34</u>	\$ <u>633,306.52</u>

**CITY OF OCEAN CITY**  
**CURRENT FUND**  
**SCHEDULE OF CURRENT CASH - COLLECTOR**

Balance December 31, 2011	<u>Ref.</u> A		\$ 828,754.30
Increased By Receipts:			
Taxes Receivable		\$ 92,319,209.66	
Interest and Cost on Taxes		246,873.51	
Miscellaneous Revenue Not Anticipated		11,307.53	
Residential Development Fees		351,019.00	
Tax Overpayments		94,421.85	
Prepaid Taxes		1,857,721.75	
Tax Premium		<u>147,700.00</u>	
			<u>95,028,253.30</u>
			95,857,007.60
Decreased By Disbursements:			
Payment to Treasurer		<u>95,385,335.25</u>	
			<u>95,385,335.25</u>
Balance December 31, 2012	A		\$ <u><u>471,672.35</u></u>

CITY OF OCEAN CITY  
CURRENT FUND  
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2011	2012 Levy	Added Taxes	2011	2012	Adjustments	Transferred To Tax Title Liens	Balance Dec. 31, 2012
Arrears	\$ 6,790.40	\$	1.37	\$	7,321.92	\$ (6,868.01)	\$ 23.03	\$ 6,314.83
2011	996,490.96		2,280.05		980,245.67	18,422.88	102.46	-
	1,003,281.36		2,281.42		987,567.59	11,554.87	125.49	6,314.83
2012		95,489,331.24	281,565.60	1,737,735.17	92,042,699.53	834,901.60	140.93	1,155,419.61
	\$ 1,003,281.36	\$ 95,489,331.24	\$ 283,847.02	\$ 1,737,735.17	\$ 93,030,267.12	\$ 846,456.47	\$ 266.42	\$ 1,161,734.44
Ref.	A							A

\$ 92,319,209.66 Cash Receipts  
164,882.87 Senior Citizens and Veterans  
529,034.93 Homestead Rebates  
17,139.66 Overpayments Applied  
\$ 93,030,267.12

\$ 95,305,124.24  
184,207.00  
281,565.60  
\$ 95,770,896.84

Analysis of 2011 Property Tax Levy

Tax Yield:

General Property Tax  
SID Levy  
Added Taxes (54:4-63.1 et seq.)

Tax Levy:

Local District School Tax:  
Levy  
Addition to Local District School Tax

County Taxes  
County Taxes Added and Omitted  
SID Levy  
Local Tax for Municipal Purposes  
Add: Additional Tax Levied

\$ 24,272,584.00  
\$ 24,272,584.00  
23,329,224.54  
69,433.94  
184,207.00  
47,304,943.14  
610,504.22  
\$ 47,915,447.36  
\$ 95,770,896.84



**CITY OF OCEAN CITY**  
**CURRENT FUND**  
**SCHEDULE OF TAX TITLE LIENS**

Balance December 31, 2011	<u>Ref.</u> A	\$ 1,464.09
Increased By Receipts:		
Transfers from Taxes Receivable	\$ <u>266.42</u>	<u>266.42</u>
		1,730.51
Decreased By:		
None	<u>                    </u>	<u>-</u>
Balance December 31, 2012	A	\$ <u><u>1,730.51</u></u>

CITY OF OCEAN CITY  
CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2011	Accrued In 2012	Collected	Balance Dec. 31, 2012
<u>Miscellaneous Revenue Anticipated:</u>				
Licenses:				
Other	\$	410,268.64	410,268.64	\$ -
Fees and Permits		906,921.91	906,921.91	-
Fines and Costs:				
Municipal Court		789,031.56	789,031.56	-
Interest and Costs on Taxes		246,873.51	246,873.51	-
Parking Meters		2,524,456.11	2,524,456.11	-
Interest on Investments and Deposits		8,287.89	8,287.89	-
Beach Fees		3,966,300.81	3,966,300.81	-
Rental or Sale of City Material and Property		203,443.26	203,443.26	-
Airport Fees		152,257.43	152,257.43	-
Boat Ramp Fees		35,431.00	35,431.00	-
Aquatic and Fitness Center User Fees		1,053,328.25	1,053,328.25	-
Smoke Detector Inspection Fees		178,180.00	178,180.00	-
Emergency Medical Services		581,843.06	581,843.06	-
Energy Receipts Tax (P.L. 1997, Ch. 162 & 167)		2,146,048.00	2,146,048.00	-
Uniform Construction Code Fees		792,585.00	792,585.00	-
Upper Township - Dispatching Services		214,220.00	214,220.00	-
Reserves for Debt Service, Capital Fund Balance & Arbitrage Reserve		1,450,000.00	1,450,000.00	-
Interlocal - Ocean City Tourism Development - Staffing Costs		25,000.00	25,000.00	-
OC Library - Contribution for Community Events		720,612.00	720,612.00	-
OC Library - Contracted Services		285,000.00	285,000.00	-
<u>Miscellaneous Revenue Not Anticipated:</u>				
Miscellaneous Non-budgeted Revenue		543,873.71	543,873.71	-
<b>TOTALS</b>	<b>\$ -</b>	<b>\$ 17,233,962.14</b>	<b>\$ 17,233,962.14</b>	<b>\$ -</b>
	A			A
	Treasurer Cash	A-4	16,933,677.10	
	Deferred Revenue	A	42,104.00	
	Collector Cash	A-5	258,181.04	
			<u>\$ 17,233,962.14</u>	

Ref.

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

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Balance</u> <u>After</u> <u>Transfers</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
<b><u>OPERATIONS - Within "CAPS"</u></b>				
<b>Salaries and Wages</b>				
City Administrator	\$ 2,945.92	\$ 2,945.92	\$	\$ 2,945.92
Management of Information Systems	240.67	240.67	240.67	-
Purchasing Division	3,091.02	3,091.02	1,100.00	1,991.02
Personnel and Risk Management	254.00	254.00	254.00	-
Engineering & Project Management	46,336.23	46,336.23		46,336.23
Economic Development	552.02	552.02		552.02
Director's Office - Community Service	4,952.59	4,952.59	4,952.59	-
Public Relations	14,703.50	14,703.50		14,703.50
Recreation Programs	2,688.18	2,688.18	2,286.83	401.35
Recreation Operations	15,459.35	15,459.35		15,459.35
Aquatic and Fitness Center	288.40	288.40	288.40	-
Legal	157.00	157.00		157.00
Accounting	31,691.89	31,691.89		31,691.89
Parking Regulation	9,742.95	9,742.95		9,742.95
Property Assessment	3,767.64	3,767.64	1,914.62	1,853.02
Beach Fee Regulation	10,302.99	10,302.99		10,302.99
Tax Collection	3,318.96	3,318.96	3,121.14	197.82
Revenue Collection	30,212.86	30,212.86	6,600.00	23,612.86
City Clerk	10,700.44	10,700.44	4,100.00	6,600.44
City Council	356.63	356.63		356.63
Rescue Services	1,614.39	1,614.39		1,614.39
Lifeguards	946.98	946.98		946.98
Police Protection	35,875.53	35,875.53	5,500.00	30,375.53
Fire Protection and Prevention	11,116.76	11,116.76		11,116.76
Public Works	74,438.59	74,438.59		74,438.59
Sanitation and Receiving	16,890.02	16,890.02	3,300.00	13,590.02
Facility Maintenance	14,246.91	14,246.91		14,246.91
Fleet Maintenance	35,732.47	35,732.47		35,732.47
Field Operations & Engineering	1,657.46	1,657.46		1,657.46
Planning Division	11,171.44	11,171.44	1,650.00	9,521.44
Municipal Court	10,038.36	10,038.36	1,439.20	8,599.16
Construction Code	24,317.63	24,317.63	345.27	23,972.36
Municipal Code & Licensing	20,153.23	20,153.23	4,950.00	15,203.23
Neighborhood & Social Services	605.27	605.27	513.26	92.01

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

	Balance Dec. 31, 2011	Balance After Transfers	Paid or Charged	Balance Lapsed
Other Expenses:				
Mayors Office	\$ 1,373.14	\$ 1,373.14	\$ 774.97	\$ 598.17
City Administrator	928.46	928.46	285.00	643.46
Management of Information Systems	18,693.87	18,693.87	17,200.27	1,493.60
Purchasing Division	2,109.58	2,109.58	289.09	1,820.49
Emergency Management	15.36	15.36		15.36
Personnel and Risk Management	81,453.26	81,453.26	78,242.53	3,210.73
Engineering & Project Management	9,941.91	9,941.91		9,941.91
Economic Development	2,866.00	2,866.00		2,866.00
Community Service-Director's Office	685.12	685.12	460.00	225.12
Recreation Programs	1,356.39	1,356.39	2.34	1,354.05
Recreation Operations	4,565.06	4,565.06	1,600.22	2,964.84
Aquatic and Fitness Center	26,831.08	26,831.08	2,963.30	23,867.78
Public Assistance	27.19	27.19		27.19
Legal	28,402.61	28,402.61	22,162.25	6,240.36
Audit	6,065.00	6,065.00		6,065.00
Parking Regulation	4,138.15	4,138.15	2,675.00	1,463.15
Beach Fee Regulation	5,202.64	5,202.64	1,085.00	4,117.64
Tax Collection	1,792.17	1,792.17	23.12	1,769.05
Revenue Collection	25,413.59	25,413.59	6,235.51	19,178.08
City Clerk	15,984.31	15,984.31	10,663.38	5,320.93
Accounting	1,675.34	1,675.34	893.20	782.14
Property Assessment	13,820.85	13,820.85	247.95	13,572.90
City Council	2,635.91	2,635.91		2,635.91
Rescue Services	13,391.49	13,391.49	11,679.49	1,712.00
Lifeguards	6,802.91	6,802.91	1,969.85	4,833.06
Police Protection	51,586.43	51,586.43	50,163.70	1,422.73
Fire Protection and Prevention	12,161.57	12,161.57	12,161.57	-
Public Works Administration	5,034.94	5,034.94	4,624.63	410.31
Public Works - City Wide Operations	97,072.83	97,072.83	29,402.13	67,670.70
Sanitation and Receiving	204,694.86	204,694.86	200,849.69	3,845.17
Facility Maintenance	47,961.16	47,961.16	47,961.16	-
Fleet Maintenance	3,765.82	3,765.82	3,755.93	9.89
Planning Division	62,632.78	62,632.78	25,496.25	37,136.53
Planning Board	2,052.03	2,052.03	1,443.74	608.29
Zoning Board	7,829.35	7,829.35	85.84	7,743.51
Historical Commission	804.94	804.94	4.42	800.52
Public Defender	596.25	596.25	300.00	296.25
Municipal Court	10,428.41	10,428.41	1,991.42	8,436.99
Construction Code	5,570.07	5,570.07	80.00	5,490.07
Workers Compensation	676.75	676.75		676.75
Employee Group Health	12,244.00	12,244.00	2,075.36	10,168.64
Municipal Code & Licensing	6,534.06	6,534.06	33.27	6,500.79
Public Relations	1,008.52	1,008.52	598.11	410.41
Field Operations	2,263.53	2,263.53	1,193.50	1,070.03

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

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Balance</u> <u>After</u> <u>Transfers</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
<b><u>UTILITY AND BULK PURCHASES:</u></b>				
Electricity	\$ 75,765.40	\$ 75,765.40	\$ 49,025.60	\$ 26,739.80
Street Lighting	28,072.56	28,072.56	28,072.56	-
Telephone	24,811.82	24,811.82	22,387.85	2,423.97
Water	66,210.56	66,210.56	56,362.10	9,848.46
Fuel Oil	26,149.21	26,149.21	13,129.31	13,019.90
Gasoline	57,684.42	57,684.42	24,715.37	32,969.05
<b><u>STATUTORY EXPENDITURES:</u></b>				
DCRP	109.51	109.51		109.51
Social Security	18,264.95	18,264.95		18,264.95
Unemployment Compensation	6,613.84	6,613.84		6,613.84
<b><u>OPERATIONS - Outside "CAPS"</u></b>				
Matching Funds for Grants	33,629.80	33,629.80		33,629.80
<b>TOTALS</b>	<b>\$ <u>1,598,970.04</u></b>	<b>\$ <u>1,598,970.04</u></b>	<b>\$ <u>777,921.96</u></b>	<b>\$ <u>821,048.08</u></b>
	Ref. A			A-1
Appropriation Reserves	\$ 934,757.86		\$ 759,975.31	Cash Disbursed
Encumbrances Payable	664,212.18		17,946.65	Accounts Payable
	<b>\$ <u>1,598,970.04</u></b>		<b>\$ <u>777,921.96</u></b>	

**CITY OF OCEAN CITY**  
**FEDERAL AND STATE GRANT FUND**  
**SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

<u>Purpose</u>	<u>Balance</u> Dec. 31, 2011	<u>Anticipated</u> <u>Revenues</u>	<u>Received</u>	<u>Cancelled</u>	<u>Balance</u> Dec. 31, 2012
State:					
Beach Acquisition Grant	\$ 94,975.50				\$ 94,975.50
Clean Communities	-	71,290.59	71,290.59		-
Hang Up Just Drive Cell Phone Grant	400.00				400.00
Pedestrian Safety Mobilization 2009	3,850.00				3,850.00
Shared Services - Regional Dispatch	1,866.00				1,866.00
Speed Management Program	8,164.79				8,164.79
Transportation Trust Fund					
Year 2012-Simpson Avenue		180,000.00			180,000.00
Year 2011 - Simpson Avenue	210,000.00		157,500.00		52,500.00
Year 2009 Grant - Asbury Ave 5th-North	7,398.69				7,398.69
NJ DOT - Airport Security Cameras	139,850.00		126,439.85		13,410.15
NJ - DOT - Airport Fuel System	195,736.83		3,299.66		192,437.17
Digwix/Awos	48.30				48.30
Aggressive Driving Program	15,180.04				15,180.04
NJ Council of the Arts - POPS	15,000.00				15,000.00
NJ Forest Service Grant	3,434.00				3,434.00
I Boat Grant	221,263.56				77,737.43
Cooperative Marking Grant	1,800.00		143,526.13		2,400.00
NJ State Police - Emergency Management		12,000.00	11,400.00		-
Pedestrian Safety Grant	-	10,000.00	10,000.00		-
DCA Historic Preservation Grant		15,000.00			15,000.00
Sustainable Land Use Planning Grant		750,000.00	33,257.13		716,742.87
Drive Sober or Get Arrested 2011		7,500.00			7,500.00
Drive Sober or Get Pulled Over		4,250.00	4,250.00		-
Sustainable Jersey 2012 Grant		4,400.00			4,400.00
		2,000.00	2,000.00		-

**CITY OF OCEAN CITY**  
**FEDERAL AND STATE GRANT FUND**  
**SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

<u>Purpose</u>	<u>Balance</u> Dec. 31, 2011	<u>Anticipated</u> <u>Revenues</u>	<u>Received</u>	<u>Cancelled</u>	<u>Balance</u> Dec. 31, 2012
Federal:					
Federal Aviation Administration:					
Snow Removal Building	\$ 6,270.96	\$			\$ 6,270.96
Snow Removal Building - 2007	4,085.60				4,085.60
Fuel Farm Expansion	6,271.30				6,271.30
Airport Seal Coat & Marking	28,660.41				28,660.41
Airport Drainage - Phase II	6,809.00				6,809.00
Airport Layout	37,460.00				37,460.00
Runway Signage & Lighting	1,579.00				1,579.00
Airport Drainage	1,277.00				1,277.00
Artificial Turf Design	9,135.00				9,135.00
Taxiway Signage & Lighting - Phase II	57,789.00				57,789.00
FEMA:					
Flood Mitigation	4,256.66				4,256.66
Pavement & Evaluation Study	1,199.00				1,199.00
CDBG	-	581,943.00	54,509.00		527,434.00
US Homeland Security-Port Security Grant		92,722.00			92,722.00
Other:					
NJLM Educational Foundation, Inc	5,000.00		5,000.00		-
<b>TOTALS</b>	<b>\$ 1,088,760.64</b>	<b>\$ 1,731,105.59</b>	<b>\$ 622,472.36</b>	<b>\$ -</b>	<b>\$ 2,197,393.87</b>
	A				A

Ref.

CITY OF OCEAN CITY  
FEDERAL AND STATE GRANT FUND  
SCHEDULE OF RESERVES FOR FEDERAL AND STATE GRANTS - UNAPPROPRIATED

<u>Purpose</u>	<u>Balance Dec. 31, 2011</u>	<u>Received</u>	<u>Anticipated Revenues</u>	<u>Balance Dec. 31, 2012</u>
State:				
Drunk Driving Enforcement Fund	\$ -	\$ 14,586.22	\$ 8,128.09	\$ 6,458.13
Body Armor Fund	5,527.24	10,820.06	5,527.24	10,820.06
Recycling Tonnage Grant	26,312.99	33,543.61	57,182.63	2,673.97
Over the Limit Under Arrest	1,000.00		1,000.00	-
EMS		10,000.00		10,000.00
Federal:				
None				
<b>TOTALS</b>	<u>\$ 32,840.23</u>	<u>\$ 68,949.89</u>	<u>\$ 71,837.96</u>	<u>\$ 29,952.16</u>
Ref.	A			A



**CITY OF OCEAN CITY  
FEDERAL AND STATE GRANT FUND  
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS**

Purpose	Balance		Budget		Balance	
	Dec. 31, 2011	Dec. 31, 2012	Appropriations	Expended	Cancelled	Dec. 31, 2012
State:						
Department of Transportation						
Airport Safety	\$ 51.00	\$ 51.00				\$ 51.00
NJTF - Asbury Ave. 5th Street-North 2009	166.75	166.75				166.75
NJTF - Bike Path: Haven Ave. 2009	5,974.39	5,974.39				5,974.39
Municipal Alliance	10,815.97	10,815.97	4,120.20	4,120.20		10,815.97
Clean Communities	49,573.56	49,573.56	71,290.59	62,632.61		58,231.54
Beach Acquisition Grant	78,326.00	78,326.00				78,326.00
NJ Council on the Arts - Ocean City POPS	15,000.00	15,000.00				15,000.00
Shared Services - Regional Dispatch	1,866.00	1,866.00				1,866.00
NJ Share Grant	418.22	418.22				418.22
Just Hang Up and Drive Cell Phone Grant	400.00	400.00				400.00
Aggressive Driving Program	14,740.47	14,740.47		200.00		14,540.47
Drunk Driving Enforcement	9,412.95	9,412.95	8,128.09	12,021.74		5,519.30
Shade Tree Grant	6,980.11	6,980.11				6,980.11
Recycling Tonnage Grant	30,263.49	30,263.49	57,182.63	25,763.29		61,682.83
NJ Forest Service Grant	3,434.00	3,434.00				3,434.00
Speed Management Program	5,594.91	5,594.91				5,594.91
Over the Limit Under Arrest	2,200.00	2,200.00				2,200.00
Alcohol Education and Rehabilitation	90.91	90.91				90.91
DEP - Statewide Livable Communities	514.99	514.99				514.99
Cool Cities Community	4,720.00	4,720.00				4,720.00
DMV Inspection Fines	4,424.17	4,424.17				4,424.17
I Boat	118,593.69	118,593.69		17,494.49		101,099.20
Pedestrian Safety Grant	3,782.83	3,782.83				3,782.83
NJ DOT - Airport Security Cameras	13,410.15	13,410.15				13,410.15
NJ DOT - Airport Fuel System	202,565.45	202,565.45				202,565.45
NJ DOT - Simpson Avenue	210,000.00	210,000.00				210,000.00
NJ DOT - Simpson Avenue 2012			180,000.00			180,000.00
Cooperative Marking Grant			12,000.00	5,640.90		14,428.66
NJ State Police - EMS	1,304.29	1,304.29	10,000.00	8,114.24		3,190.05
NJDOTHS-Over the Limit Under Arrest 2011			1,000.00	1,000.00		-
NJDOTHS-Drive Sober or Get Pulled Over 2011 & 2012			8,650.00	4,250.00		4,400.00
Historic Preservation	750,000.00	750,000.00				750,000.00
Sustainable Jersey 2012	2,000.00	2,000.00				2,000.00
ANJEC Sustainable Land Use Planning Project	11,250.00	11,250.00				11,250.00

**CITY OF OCEAN CITY  
FEDERAL AND STATE GRANT FUND  
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS**

Purpose	Balance		Budget		Cancelled	Balance
	Dec. 31, 2011		Appropriations	Expended		
Federal:						
FAA Drainage	\$	2,275.96	\$		\$	2,275.96
FAA Block Grant		1,247.00				1,247.00
US Department of Transportation						
FAA - Snow Removal Building		6,600.01				6,600.01
FAA - Snow Removal Building - 2007		15,871.65				15,871.65
FAA - Fuel Farm Expansion		6,599.97				6,599.97
FAA - Airport Seal Coat & Marking		34,668.85				34,668.85
FAA - Airport Drainage - Phase II		13,921.58				13,921.58
FAA - Airport Layout		4,750.00				4,750.00
FAA - Artificial Turf Design		8,622.50				8,622.50
FAA Runway, Taxiway & Signage & Lighting - Phase II		7,000.00				7,000.00
FEMA		7,467.00				7,467.00
FEMA - Flood Mitigation		7,237.32				7,237.32
FEMA - Fire Equipment		344.79				344.79
FEMA - Fire & Safety Equipment		1,117.00				1,117.00
US DOJ - JAG Edward Byrne Memorial		5,712.79		3,793.25		1,919.54
US DOJ - Bulletproof Vest Partnership		6,726.52		10,530.00		1,723.76
Community Development Block Grant		185,112.03		68,482.99		698,572.04
CDBG - American Recovery Act		1,808.32		1,285.00		523.32
US Homeland Security-Port Security Grant				85,905.41		37,723.59
Other:						
Ocean City Free Public Library - Police Grant		18,164.21		11,666.42		6,497.79
NJLJM Educational Foundation, Inc		7,900.00		5,670.91		2,229.09
Ocean City Pedestrian Safety Grant 2012				9,804.76		5,195.24
TOTALS	\$	1,145,841.36	\$	1,841,720.75	\$	2,649,185.90
		A		A-4		A

Ref.

Cash Disbursed	\$	186,813.88
Encumbrances Payable	\$	151,562.33
	\$	338,376.21

**CITY OF OCEAN CITY**  
**TRUST FUND**  
**SCHEDULE OF ANIMAL CONTROL CASH**

Balance December 31, 2011	<u>Ref.</u> B		\$ 3,634.62
Increased By Receipts:			
Dog Licenses Fees		\$ 17,419.25	
State License Fees		801.00	
		<hr/>	<hr/>
			18,220.25
			21,854.87
Decreased By Disbursements:			
State of New Jersey			
Animal Control Expenditures		5,673.51	
		801.00	
		<hr/>	<hr/>
			6,474.51
Balance December 31, 2012	B		\$ <u><u>15,380.36</u></u>

**CITY OF OCEAN CITY**  
**TRUST FUND**  
**SCHEDULE OF OTHER TRUST CASH - TREASURER**

Balance December 31, 2011	<u>Ref.</u> B		\$ 3,794,510.78
Increased By Receipts:			
Reserve for Tax Premiums & Liens		\$ 1,004,731.79	
Recreation Dedicated Trust		674,201.82	
P.O.A.A. Fees		5,086.00	
P.O.A.A. Interest		19.28	
Cash Performance Deposits		107,376.35	
Lifeguard Pension Contributions		152,476.71	
Shade Tree Commission		6,662.95	
Planning and Zoning		162,202.33	
Special Law Enforcement Trust		9,338.00	
COAH Interest		229.99	
COAH Fees		351,019.00	
Reserve for Merchant Fees		97,987.74	
Ocean City Tourism Development Commission		720,273.65	
Fire Dedicated Penalties		2,730.00	
		<hr/>	
			<u>3,294,335.61</u>
			7,088,846.39
Decreased By Disbursements:			
Reserve for Tax Premiums & Liens		1,232,171.68	
Recreation Dedicated Trust		645,162.45	
Cash Performance Deposits		241,626.64	
Lifeguard Pension		156,530.91	
Shade Tree Commission		18,375.29	
Planning and Zoning		170,621.05	
Special Law Enforcement Trust		11,658.72	
Merchant Fees		92,150.03	
Reserve for COAH		719,922.10	
Ocean City Tourism Development Commission		651,122.55	
Fire Dedicated Penalties		3,652.49	
		<hr/>	
			<u>3,942,993.91</u>
Balance December 31, 2012	B		\$ <u><u>3,145,852.48</u></u>

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

Balance December 31, 2011	<u>Ref.</u> B		\$	3,634.62
Increased By:				
Dog Licenses Fees Collected		\$		2,269.50
Miscellaneous Fees Collected				15,149.75
				17,419.25
				21,053.87
Decreased By:				
Animal Control Expenditures				5,673.51
				5,673.51
Balance December 31, 2012	B		\$	15,380.36

License Fees Collected	<u>Year</u>			
	2010	\$		17,367.50
	2011			15,959.79
		\$		33,327.29

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

Balance December 31, 2011	<u>Ref.</u> C	\$ 3,341,851.86
Increased By Receipts:		
Budget Appropriation:		
Capital Improvement Fund	\$ 730,000.00	
Pay down on Bond Anticipation Notes	1,450,000.00	
Due From COAH Trust	550,000.00	
Reserve for Debt Service:		
Library Contributions	1,000,000.00	
Reimbursements	1,168,077.21	
Green Trust Grant	214,086.25	
Miscellaneous Receipts	22,600.16	
Premiums on Sale of BANS and Bonds	1,231,605.25	
Serial Bonds Issued	9,900,000.00	
Green Trust Loan Issued	222,500.00	
Bond Anticipation Notes Issued	<u>19,100,000.00</u>	
		<u>35,588,868.87</u>
		38,930,720.73
Decreased By Disbursements:		
Improvement Authorizations	6,683,142.89	
Encumbrances Payable	3,306,056.15	
Payment of Notes	12,170,000.00	
Anticipated as Current Fund Revenue:		
Reserve for Debt Service	<u>1,450,000.00</u>	
		<u>23,609,199.04</u>
Balance December 31, 2012	C	<u>\$ 15,321,521.69</u>

**CITY OF OCEAN CITY  
GENERAL CAPITAL FUND  
ANALYSIS OF CASH**

Fund Balance	Receipts		Disbursements		Transfers		Balance Dec. 31, 2012
	Dec. 31, 2011	Bonds & Loans Issued	BANS Issued	Improvement Authorizations	Misc.	From	
\$ 187,362.86	\$	\$	\$	\$	\$	\$	\$
Capital Improvement Fund	9,177.53					165,000.00	222,500.00
Reserve for Debt Service	1,465,193.29					528,000.00	9,600,000.00
Cash Reserved to Pay Bond Anticipation Notes					1,450,000.00		2,169,252.53
Encumbrances	3,306,056.15				3,306,056.15		(100,107.00)
Due from County of Cape May	(100,107.00)						17,566.00
Reserve for Preliminary Expenses	17,566.00						
<u>Improvement Authorizations</u>							
Ord. Number							
92-9	5,209.10			5,209.10			
01-03: 03-29	21,567.35			5,000.00			16,567.35
04-16	-			(17,500.00)		17,500.00	-
06-32	8,398.09			8,398.09			0.00
07-04	4,367.40			(37,996.53)		41,666.83	697.10
07-36	110,000.00			963.05		109,036.95	-
07-52	79,671.58			26,391.07		46,404.26	6,876.25
08-03	638.38	1,420,000.00	(1,000,000.00)	(46,403.89)		1,439,255.37	27,786.90
08-06	-			(1,300.10)		1,300.10	-
08-16	16,157.72			(6,300.28)		7,818.70	14,639.30
08-18	11,183.00			4,090.18		960.00	6,132.82
08-24	25,855.68			3,190.89		22,007.50	657.29
09-03	862.71			(4,067.96)		4,930.67	(0.00)
09-12	4,983.74	100,000.00		92,861.76		100,000.00	4,983.74
09-32	150,592.44			341,171.83		57,730.68	(0.00)
10-07	49,346.83	250,000.00		(910.66)		253,500.00	(295,325.00)
10-13	10,332.41	672,500.00	(450,000.00)	341,171.83		673,410.66	10,332.41
10-15	59,918.26			59,497.44			420.82
10-16:11-26	(226,829.00)	1,430,000.00	430,000.00	159,203.47		1,437,801.02	36,166.51
10-27	(64,880.30)	1,000,000.00	100,000.00	369,904.29		700,281.03	(35,065.62)
10-29	(632,670.34)	1,850,000.00	850,000.00	1,799.33		2,014,265.81	51,264.52
11-06	(1,516,939.27)	3,400,000.00	3,000,000.00	1,307,453.54		3,511,443.70	64,163.49
11-07	158,999.46			96,242.81		11,449.98	51,306.67
11-15	42,383.34						42,383.34
11-25	137,454.45		2,000,000.00	1,952,312.76		471,229.06	(286,087.37)
12-02			2,000,000.00	1,014,430.75		998,098.13	289,971.12
12-08				181,598.88		9,646.00	(119,244.88)
12-09				544,783.92		5,216.08	(0.00)
12-13				466,475.00	550,000.00	56,800.00	(490,775.00)
12-15				156,644.15			8,355.85
12-21							121,000.00
	\$ 3,341,851.86	\$ 10,122,500.00	\$ 6,930,000.00	\$ 6,683,142.89	\$ 4,756,056.15	\$ 12,684,752.53	\$ 15,321,521.69

Ref.

**CITY OF OCEAN CITY**  
**GENERAL CAPITAL FUND**  
**SCHEDULE OF CAPITAL IMPROVEMENT FUND**

Balance December 31, 2011	<u>Ref.</u> C	\$	9,177.53
Increased By:			
Current Fund Budget Appropriation		\$	730,000.00
			<u>730,000.00</u>
			739,177.53
Decreased By:			
Improvement Authorizations Funded			<u>528,000.00</u>
			528,000.00
Balance December 31, 2012	C	\$	<u><u>211,177.53</u></u>

**SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED**

Balance December 31, 2011	<u>Ref.</u> C	\$	52,117,643.10
Increased By:			
Serial Bonds Issued		\$	9,900,000.00
Green Trust Loans Issued			222,500.00
			<u>10,122,500.00</u>
			62,240,143.10
Decreased By:			
Serial Bonds Paid			5,980,000.00
Green Trust Loan Principal Paid			<u>52,981.03</u>
			6,032,981.03
Balance December 31, 2012	C	\$	<u><u>56,207,162.07</u></u>







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

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding				Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
			Date	Amount	Interest Rate	Balance Dec. 31, 2011				
General Improvements	12/15/2002	9,325,000	12/15/2013	\$ 950,000	3.800%	2,820,000.00		920,000.00	1,900,000.00	
			12/15/2014	950,000	4.000%					
General Improvements	1/15/2006	21,000,000	1/15/2013	1,600,000	3.75%	14,800,000.00		1,600,000.00	13,200,000.00	
			1/15/2014	1,800,000	4.00%					
			1/15/2015	1,900,000	4.00%					
			1/15/2016	1,900,000	4.00%					
			1/15/2017	2,000,000	4.00%					
	1/15/2018	2,000,000	4.00%							
	1/15/2019	2,000,000	4.00%							

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

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding				Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
			Date	Amount	Interest Rate	Balance Dec. 31, 2011				
General Improvements	7/15/2008	\$ 14,500,000	7/15/2013	\$ 1,200,000	4.000%	\$ 13,450,000.00	\$	\$ 950,000.00	\$ 12,500,000.00	
			7/15/2014	1,300,000	4.000%					
			7/15/2015	1,400,000	4.000%					
			7/15/2016	1,500,000	4.250%					
			7/15/2017	1,600,000	5.000%					
			7/15/2018	1,700,000	5.250%					
			7/15/2019	1,800,000	4.000%					
General Improvements	8/15/2010	13,800,000	8/15/2013	1,200,000	4.000%	12,850,000.00		1,050,000.00	11,800,000.00	
			8/15/2014	1,400,000	4.000%					
			8/15/2015	1,650,000	4.000%					
			8/15/2016	1,850,000	3.000%					
			8/15/2017	1,900,000	3.000%					
			8/15/2018	1,900,000	3.000%					
			8/15/2019	1,900,000	4.000%					
Refunding Bonds	11/9/2010	7,800,000	9/1/2013	1,515,000	3.000%	7,745,000.00		1,460,000.00	6,285,000.00	
			9/1/2014	1,525,000	3.000%					
			9/1/2015	1,600,000	4.000%					
			9/1/2016	1,645,000	4.000%					
General Improvements	12/20/2012	9,900,000.00	12/15/2013	450,000	2.000%		9,900,000.00		9,900,000.00	
			12/15/2014	550,000	2.000%					
			12/15/2015	850,000	3.000%					
			12/15/2016	850,000	3.000%					
			12/15/2017	900,000	4.000%					
			12/15/2018	900,000	4.000%					
			12/15/2019	900,000	4.000%					
			12/15/2020	900,000	4.000%					
			12/15/2021	900,000	3.000%					
			12/15/2022	900,000	4.000%					
		12/15/2023	900,000	3.000%						
		12/15/2024	900,000	3.000%						

	Ref. \$	51,665,000.00	\$	9,900,000.00	\$	5,980,000.00	\$	55,585,000.00
		C				C		C

CITY OF OCEAN CITY  
GENERAL CAPITAL FUND  
SCHEDULE OF GREEN TRUST LOANS PAYABLE

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Loans		Interest Rate	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
			Outstanding December 31, 2012	Amount					
Beach Area Acquisition	1994	\$ 277,576	2013	\$ 31,436.08	2.000%	\$ 78,206.96	\$	\$ 30,816.67	\$ 47,390.29
			2014	15,954.21					
Multi Park - ADA 0508-07-056	3/19/2010	200,000	2013	8,911.33	2.000%	187,218.07		8,735.74	178,482.33
			2014	9,090.45					
			2015	9,273.16					
			2016	9,459.56					
			2017	9,649.69					
			2018	9,843.65					
			2019	10,041.50					
			2020	10,243.34					
			2021	10,449.23					
			2022	10,659.26					
			2023	10,873.51					
		2024	11,092.07						
		2025	11,315.02						
		2026	11,542.45						
		2027	11,774.46						
		2028	12,011.11						
		2029	12,252.54						

CITY OF OCEAN CITY  
GENERAL CAPITAL FUND  
SCHEDULE OF GREEN TRUST LOANS PAYABLE

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Loans				
			Outstanding December 31, 2012	Interest Rate	Balance Dec. 31, 2011	Balance Dec. 31, 2012	
Multi Park - ADA 0508-07-056 (A)	3/19/2010	\$ 200,000	\$ 8,911.33	2.000%	\$ 187,218.07	\$ 178,482.33	
	2014		9,090.45				
	2015		9,273.16				
	2016		9,459.56				
	2017		9,649.69				
	2018		9,843.65				
	2019		10,041.50				
	2020		10,243.34				
	2021		10,449.23				
	2022		10,659.26				
	2023		10,873.51				
	2024		11,092.07				
	2025		11,315.02				
	2026		11,542.45				
	2027		11,774.46				
	2028		12,011.11				
	2029		12,252.54				
	4th Street Life Saving Station	3/23/2012	222,500	9,527.02	2.000%		217,807.12
		2014		9,718.51			
		2015		9,913.85			
		2016		10,113.12			
		2017		10,316.39			
		2018		10,523.75			
		2019		10,735.28			
		2020		10,951.06			
		2021		11,171.18			
		2022		11,395.72			
		2023		11,624.77			
		2024		11,858.43			
2025		12,096.78					
2026		12,339.93					
2027		12,587.96					
2028		12,840.98					
2029		13,099.09					
2030		13,362.38					
2031		13,630.92					
					\$ 8,735.74		
					\$ 222,500.00	4,692.88	
					\$ 452,643.10	\$ 52,981.03	
					\$ 222,500.00	\$ 622,162.07	

Ref. C

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

Ord. Number	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
08-03	Community Center Improvements	3/11/2010	3/10/2011	3/9/2012	1.250%	4,370,000.00	3,370,000.00	4,370,000.00	-
08-03	Community Center Improvements	3/8/2012	3/8/2012	3/8/2013	2.000%				3,370,000.00
09-12	Acquisition of Real Property	6/25/2010	6/23/2011	6/22/2012	1.250%	100,000.00	100,000.00	100,000.00	-
09-12	Acquisition of Real Property	6/25/2010	6/23/2011	6/22/2013	1.250%				100,000.00
10-07	Various Capital Improvements	6/25/2010	6/23/2011	6/22/2012	1.250%	1,039,425.00	1,039,425.00	1,039,425.00	-
10-07	Various Capital Improvements	6/25/2010	6/23/2011	6/22/2013	1.250%				1,039,425.00
10-13	Acquisition of Property	6/25/2010	6/23/2011	6/22/2012	1.250%	910,575.00	460,575.00	910,575.00	-
10-13	Acquisition of Property	6/25/2010	6/23/2011	6/22/2013	1.250%				460,575.00
10-16	Various Capital Improvements	6/23/2011	6/23/2011	6/22/2012	1.250%	1,000,000.00	1,000,000.00	1,000,000.00	-
10-16	Various Capital Improvements	6/23/2011	6/21/2012	6/21/2013	1.500%				1,000,000.00
10-16	Various Capital Improvements	3/8/2012	3/8/2012	3/8/2013	2.000%				430,000.00
10-27	Various Capital Improvements	6/23/2011	6/23/2011	6/22/2012	1.250%	600,000.00	600,000.00	600,000.00	-
10-27	Various Capital Improvements	6/23/2011	6/21/2012	6/21/2013	1.500%				600,000.00
10-27	Various Capital Improvements	3/8/2012	3/8/2012	3/8/2013	2.000%				100,000.00
10-29	Various Capital Improvements	6/23/2011	6/23/2011	6/22/2012	1.250%	1,000,000.00	1,000,000.00	1,000,000.00	-
10-29	Various Capital Improvements	6/23/2011	6/21/2012	6/22/2013	1.500%				1,000,000.00
10-29	Various Capital Improvements	3/8/2012	3/8/2012	3/8/2013	2.000%				850,000.00
11-06	Various Capital Improvements	6/23/2011	6/23/2011	6/22/2012	1.250%	1,000,000.00	1,000,000.00	1,000,000.00	-
11-06	Various Capital Improvements	6/23/2011	6/21/2012	6/22/2013	1.500%				1,000,000.00
11-06	Various Capital Improvements	3/8/2012	3/8/2012	3/8/2013	2.000%				3,000,000.00
11-15	Land Acquisition	6/23/2011	6/23/2011	6/22/2012	1.250%	2,150,000.00	2,150,000.00	2,150,000.00	-
11-15	Land Acquisition	6/23/2011	6/23/2011	6/22/2013	1.250%				2,150,000.00
11-25	Various Capital Improvements	3/8/2012	3/8/2012	3/8/2013	2.000%				2,000,000.00
12-02	Various Capital Improvements	6/23/2011	6/21/2012	6/21/2013	1.500%				2,000,000.00
						\$ 12,170,000.00	\$ 19,100,000.00	\$ 12,170,000.00	\$ 19,100,000.00
						C			C

Ref.

Budget Appropriation	\$	1,450,000.00
Notes Renewed	\$	10,720,000.00
	\$	<u>12,170,000.00</u>

A-3

**CITY OF OCEAN CITY**  
**GENERAL CAPITAL FUND**  
**SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

Ord. Number	Improvement Description	Balance Dec. 31, 2011	2012 Authorizations	Bonds, Notes or Grants Issued	Balance Dec. 31, 2012
10-07	Various Capital Improvements	\$ 295,325.00	\$	\$	295,325.00
10-16:11-26	Various Capital Improvements	437,750.00		430,000.00	7,750.00
10-27	Various Capital Improvements	445,000.00		400,000.00	45,000.00
10-29	Various Capital Improvements	876,250.00		850,000.00	26,250.00
11-06	Various Capital Improvements	3,135,350.00		3,000,000.00	135,350.00
11-15	Land Acquisition	11,250.00			11,250.00
11-25	Various Capital Improvements	2,851,900.00		2,000,000.00	851,900.00
12-02	Various Capital Improvements		5,747,500.00	2,000,000.00	3,747,500.00
12-08	Various Capital Improvements		1,368,000.00		1,368,000.00
12-13	Beach Fill		617,500.00		617,500.00
12-21	Hurricane Sandy Repairs		2,299,000.00		2,299,000.00
		\$ 8,052,825.00	\$ 10,032,000.00	\$ 8,680,000.00	\$ 9,404,825.00
		C			C

Ref.



CITY OF OCEAN CITY  
PUBLIC ASSISTANCE FUND  
SCHEDULE OF CASH - TREASURER

	Ref.	Trust Fund I	Trust Fund II
Balance December 31, 2011	D	\$ -	\$ -
Increased By Receipts:			
State Aid for Public Assistance		\$ 382,324.68	
Other Receipts		<u>56,547.89</u>	<u>438,872.57</u>
		-	<u>438,872.57</u>
Decreased By Disbursements:			
Public Assistance		-	438,872.57
SSI Payments		<u>-</u>	<u>-</u>
Balance December 31, 2012	D	\$ -	\$ <u>438,872.57</u>
		<u>-</u>	<u>-</u>

CITY OF OCEAN CITY  
PUBLIC ASSISTANCE FUND  
SCHEDULE OF PUBLIC ASSISTANCE CASH AND RECONCILIATION  
PER N.J.S. 40A:5-5

	Ref.	Trust Fund I	Trust Fund II
Balance December 31, 2012	D-1	\$ -	\$ -
Increased By Receipts:			
Cash Receipts Record		\$ 162,109.80	162,109.80
		-	162,109.80
		-	162,109.80
Decreased By Disbursements:			
Cash Disbursement Record		162,109.80	162,109.80
Balance June 30, 2013	D-2	\$ -	\$ -
Reconciliation June 30, 2013			
Balance on Deposit per Statement:		-	-
PNC #80-0287-4517		-	-
Book Balance		\$ -	\$ -

**CITY OF OCEAN CITY**  
**PUBLIC ASSISTANCE FUND**  
**SCHEDULE OF REVENUES**

	<u>Ref.</u>	<u>Trust Fund I</u>	<u>Trust Fund II</u>
State Aid Payments		\$	\$ 382,324.68
Supplemental Security Income: Client Refund			56,547.89
		<u>                    </u>	<u>                    </u>
Total Revenues (PATF)		-	438,872.57
Due to Current Fund			-
		<u>                    </u>	<u>                    </u>
Total Receipts (PATF)		\$ -	\$ 438,872.57

**SCHEDULE OF EXPENDITURES**

	<u>Ref.</u>	<u>Trust Fund I</u>	<u>Trust Fund II</u>
Current Year Assistance (State Matching):			
Maintenance Payments		\$	\$ 120,203.40
Temporary Rent			279,476.00
Transportation			1,229.10
Shelter / Motel Housing			1,800.00
Rent			24,141.08
Security Deposits			10,608.00
Other			1,414.99
Total Reported		<u>                    </u>	<u>                    </u>
		-	438,872.57
Due to Current Fund			
		<u>                    </u>	<u>                    </u>
Total Disbursements (PATF)		\$ -	\$ 438,872.57

**CITY OF OCEAN CITY  
PART II  
GENERAL COMMENTS AND RECOMMENDATIONS  
FOR THE YEAR ENDED  
DECEMBER 31, 2012**



# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

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

To the Honorable Mayor and  
Members of the City Council  
City of Ocean City  
County of Cape May, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements – regulatory basis, as listed in the accompanying table of contents, of the City of Ocean City, State of New Jersey, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 19, 2013, which was adverse due to being presented in accordance with the New Jersey Regulatory Basis of Accounting. Our report disclosed that, as described in Note 1 to the financial statements, the City of Ocean City prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey.

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

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

**July 19, 2013**

## CITY OF OCEAN CITY

### GENERAL COMMENTS

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

N.J.S.A. 40A:11-4 states, "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law." Effective July 1, 2010 the bid threshold is \$36,000.

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

Our examination of expenditures did not reveal any payments in excess of the bid threshold for the provision or performance of any goods or services, other than those where bids had been previously sought by public advertisement, awarded under state or county cooperative purchasing agreements, or awarded in compliance with other provisions of the "Local Public Contracts Law," N.J.S.A. 40A:11.

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

- Fall Road Program Phase III
- Printing Services
- Concession Licenses for the Sale of Food, Ice Cream & Beverage Related Products
- Furnishing, Installation and Maintenance of Leased Coin-Operated Binocular Viewing Machines
- Lease of City Owned Beach Parcels
- Maintenance of City Owned Grounds Garden Plots
- Acquisition of Single Axle Dump Trunk
- Replacement parts for H. Barker & Sons Surf Rake
- Acquisition of 4WD Turf Tractor
- Irrigation Improvements at Various Locations
- Music Pier Restroom Renovations
- Recreational Field Hockey Camp Program
- Recreational Girls' Lacrosse Camp Program
- Traffic Light Installation at 5<sup>th</sup> & West
- Fall Road Program- Phase 3
- Recreational Basketball Camp Program
- Recreational Soccer Camp Program
- Recreational Boys' Lacrosse Camp Program
- Supply & Delivery of Joists for the Boardwalk 5<sup>th</sup> to 6<sup>th</sup> Street Reconstruction
- Supply of Portable Boardwalk Restroom Facilities
- Supply & Delivery of Screws for the Boardwalk Reconstruction
- Manufacture of Various City Signage
- Supply & Install Netting at Various Locations
- 2012 Back Bay Dredging
- Replacement of Sports Lighting at 5<sup>th</sup> Street Ballfield
- Sand Hauling Services
- Digital Recording Productions Production Services
- Equipment Rentals for the Department of Public Works
- Supply of Turf and Related Items
- Supply & Service of the Halon Fire Suppression Systems
- HVAC Music Pier Improvements
- OC Housing Authority Roof Replacement-Peck's Beach Village

**CITY OF OCEAN CITY**

**GENERAL COMMENTS (CONTINUED)**

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

Supply & Service of Paint, Associated Products, & Related Equipment  
Repair & Resurfacing of Carey Field Track & Various City Athletic Surfaces  
Acquisition of Articulated Front-End Wheel Loader with 3-1/2 Cubic Yard Bucket  
Software Maintenance  
2012 Irrigation Improvements at various locations – Phase II  
Supply, Installation, Removal & Storage of Holiday Decorations  
Solid Waste Collection Services  
Supply & Delivery of Sand Fence, Posts & Wooden Post & Rail Fence Materials  
Collection & Disposal Service of Recycling Materials & Solid Waste Containers  
Collection & Disposal of Recycling Materials  
Supply & Delivery of Lumber and Piling  
Fireworks Shows for 2013 & 2014  
Collection & Disposal of Recycling Materials  
Manufacture & Supply Beach Tags  
Repair & Restoration of the Music Pier

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

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

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

**BE IT RESOLVED** by the City Council of the City of Ocean City, in accordance with Chapter 75, New Jersey Laws of 1991, and N.J.S.A. 54:4-67, 54:5-32, 54:5-34 and 54:5-35, which authorizes the Governing Body inter alia to fix the rate of interest to be charged, in the City of Ocean City, for the nonpayment of taxes, assessments and municipal charges, said rate of interest shall be and is hereby fixed at 8 per cent per annum on the first \$1,500 of delinquency and 18 per cent per annum on any amount in excess of \$1,500 to be calculated from the date when the taxes, assessments and charges become delinquent.

**BE IT FURTHER RESOLVED** by the City Council of the City of Ocean City, in accordance with N.J.S.A. 54:4-67, Chapter 75, New Jersey Laws of 1991, and Chapter 32, New Jersey Laws of 1994, which permits a 6 per cent penalty on taxes and municipal charges greater than \$10,000 as of the close of the fiscal year, that said end-of-year penalty shall be fixed for the Year 2012.

This Resolution shall take effect January 1, 2012.

It appears from an examination of the Collector's records that interest was charged in accordance with the foregoing resolution.



**CITY OF OCEAN CITY**

**GENERAL COMMENTS (CONTINUED)**

**Delinquent Taxes and Tax Title Liens**

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

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

<u>Year</u>	<u>Number</u>
2012	7
2011	5
2010	6

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

**Verification of Delinquent Taxes and Other Charges**

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

<u>Type</u>	<u>Number Mailed</u>
Payments of 2012 and 2013 Taxes	5
Delinquent Taxes	5
Total	<u>10</u>

**Deposit of Municipal Funds**

N.J.S.A. 40A:5-15 states:

“All moneys, including moneys collected by taxation, received from any source by or on behalf of any local unit or any board or department thereof shall, within 48 hours after the receipt thereof, either

- a. be paid to the officer charged with the custody of the general funds of the local unit, who shall deposit all such funds within 48 hours after the receipt thereof to the credit of the local unit in its designated legal depository, or
- b. be deposited to the credit of the local unit in its designated legal depository.”

Our examination revealed that municipal funds were deposited within the mandated time.

CITY OF OCEAN CITY

FINDINGS AND RECOMMENDATIONS

None

*Ford, Scott & Associates, L.L.C.*  
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July 19, 2013

**CITY OF OCEAN CITY**  
**PART III**  
**STATE FINANCIAL ASSISTANCE PROGRAMS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2012**

**CITY OF OCEAN CITY  
SCHEDULE OF STATE ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

State Funding Department	Program	State Account Number	Grant Period From	Grant Period To	Program Receipts	Program Expenditures	Cumulative Expenditures
<b>Department of State</b>	Cooperative Marketing Grant Cooperative Marketing Grant	N/A N/A	01/01/12 Open	12/31/12	\$ 9,600.00 1,800.00	\$ 5,640.90	\$ - 9,833.10
<b>Department of Environmental Protection</b>	Recycling Tonnage Grant Clean Communities Clean Communities	4900-752-042-4900-001-V42Y-602C 4900-765-042-4900-004-V42Y-602C 4900-765-042-4900-004-V42Y-602C	Open 01/01/11 01/01/12	Open 12/31/11 12/31/12	33,543.61	25,763.29 49,573.56 13,059.05	40,662.58 127,648.14 13,059.05
<b>Department of Treasury</b>	Municipal Alliance Program	475-995120-60	Open	Open		4,120.20	8,240.40
<b>Department of Transportation</b>	I Boat	N/A	Open	Open	143,526.13	17,494.49	144,749.20
<b>Department of Law and Public Safety</b>	NJSP Emergency Management Aggressive Driver Program State Police EMS Over the Limit Under Arrest Drive Sober or Get Pulled Over Drunk Driving Enforcement Fund	1200-100-066-1200-726-YEMR-612C N/A N/A N/A N/A	Open Open 01/01/12 01/01/12 Open Open	Open Open 12/31/12 12/31/12	10,000.00 4,250.00 14,586.22	200.00 8,114.24 1,000.00 4,250.00 12,021.74	8,695.71 484.00 8,114.24 1,000.00 4,250.00 22,401.06
<b>Department of Economic Assistance</b>	Public Assistance	7550-150-158010-60	01/01/12	12/31/12	438,872.57	438,872.57	438,872.57
<b>Total State Assistance</b>					\$ 656,178.53	\$ 580,110.04	\$ 828,010.05

**CITY OF OCEAN CITY**  
**NOTES TO SCHEDULE OF FEDERAL AND STATE AWARDS**  
**YEAR ENDED DECEMBER 31, 2012**

**Note 1: General**

The accompanying schedule of financial assistance present the activity of all state financial assistance programs of the City of Ocean City. The City is defined in Note 1 to the City's financial statements – regulatory basis.

**Note 2: Basis of Accounting**

The accompanying schedule of financial assistance are presented using the modified accrual basis of accounting in accordance with the "Requirements of Audit" as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. 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. Under this method of accounting, the City accounts for its financial transactions through separate funds, which differ from the funds required by accounting principles generally accepted in the United States of America (GAAP).

**Note 3: Relationship to General-Purpose Financial Statements**

Amounts reported in the accompanying schedules agree with amounts reported in the City's financial statements – regulatory basis. The financial statements – regulatory basis present the Grant Fund on a budgetary basis. The Grant Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Grant Fund	\$ 197,138.74	\$ 141,237.47	\$ 338,376.21
Public Assistance Fund		<u>438,872.57</u>	<u>438,872.57</u>
Total Financial Assistance	<u>\$ 197,138.74</u>	<u>\$ 580,110.04</u>	<u>\$ 777,248.78</u>

**Note 4: Relationship to State Financial Reports**

Amounts reported in the accompanying schedules agree with the amounts reported in the related state financial reports.



# FORD - SCOTT

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**INDEPENDENT AUDITOR'S REPORT**  
**ON COMPLIANCE WITH REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON**  
**EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE**  
**IN ACCORDANCE WITH OMB CIRCULAR A-133**  
**AND NEW JERSEY OMB CIRCULAR 04-04**

The Honorable Mayor and  
Members of City Council  
City of Ocean City  
County of Cape May, New Jersey

### ***Report on Compliance for Each Major State Program***

We have audited Ocean City's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey OMB State Grant Compliance Supplement* that could have a direct and material effect on each of Ocean City's major state programs for the year ended December 31, 2012. Ocean City's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

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

Our responsibility is to express an opinion on compliance for each of Ocean City's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB 04-04. Those standards, OMB Circular A-133 and NJ OMB 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Ocean City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Ocean City's compliance.

### ***Opinion on Each Major State Program***

In our opinion, Ocean City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2012.

### ***Report on Internal Control Over Compliance***

Management of Ocean City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ocean City's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJ OMB 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ocean City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### ***Report on Schedule of Expenditures of State Financial Assistance as Required by NJ OMB 04-04***

We have audited the financial statements of the various funds and account group of Ocean City as of and for the year ended December 31, 2012, and have issued our report thereon dated July 19, 2013, which was adverse due to being presented in accordance with the New Jersey Regulatory Basis of Accounting. Our report disclosed that, as described in Note 1 to the financial statements, the City of Ocean City prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of state financial assistance are presented for purposes of additional analysis as required by OMB Circular A-133 and NJ Circular 04-04 and are not a required part of the financial statements. Such information 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 schedule of expenditures of state assistance is fairly stated in all material respects in relation to the financial statements as a whole.

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

*Leon P. Costello*  
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**No. 393**

**July 19, 2013**



**CITY OF OCEAN CITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2012**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	<b>Adverse GAAP Opinion Unqualified Regulatory Basis Opinion</b>
Internal control over financial reporting:	
1) Material Weakness identified?	<b>NO</b>
2) Significant Deficiencies?	<b>NONE REPORTED</b>
Non-Compliance material to Financial Statements – Regulatory Basis noted?	<b>NO</b>

**Federal Awards**

NOT APPLICABLE

**State Awards**

Internal control over major programs:	
1) Material Weakness identified?	<b>NO</b>
2) Significant Deficiencies identified?	<b>NONE REPORTED</b>
Type of auditor's report issued on compliance for major programs:	<b>Unqualified Opinion</b>
Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 04-04?	<b>NO</b>
Identification of major programs: <b>7550-150-158010-60</b>	<b>Public Assistance</b>
Dollar threshold used to distinguish between Type A and Type B Programs:	<b>\$300,000</b>
Auditee qualified as low-risk Auditee?	<b>YES</b>

**CITY OF OCEAN CITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2012**  
**(CONTINUED)**

**II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS – REGULATORY BASIS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

In accordance with Government Auditing Standards, our audit disclosed no finding relating to the financial statements – regulatory basis that is required to be reported under this section.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AND STATE AWARDS**

**Federal:** NOT APPLICABLE

**State:** Our audit disclosed no material Findings or Questioned Costs.

**STATUS OF PRIOR YEAR FINDINGS**

There were no prior year findings.