

**CITY OF OCEAN CITY
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2017**

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**CITY OF OCEAN CITY
PART I
REPORT ON AUDIT OF
FINANCIAL STATEMENTS - REGULATORY BASIS
DECEMBER 31, 2017**



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2017 and 2016, 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, 2017 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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 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 basic financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

The accompanying Schedules of Expenditures of Federal Awards and State Assistance are presented for the purpose of additional analysis as required by OMB Uniform Guidance and NJ OMB 15-08 and are not a required part of the financial statements. The schedules of Expenditures of Federal Awards and State Assistance as required by OMB Circular Uniform Guidance and NJ OMB 15-08 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the schedule of Expenditures of Federal Awards and State Assistance as required by OMB Uniform Guidance and NJ OMB 15-08 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 June 29, 2018 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

June 29, 2018

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**EXHIBIT - A
CURRENT FUND**

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

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Regular Fund:		
Cash:		
Cash Treasurer	\$ 12,818,224.03	10,525,851.81
Cash - Collector	7,804,144.37	270,048.70
Cash - Change	2,875.00	2,825.00
Total Cash	<u>20,625,243.40</u>	<u>10,798,725.51</u>
Other Receivables:		
Due from State - Chapter 20 P.L. 1971	-	216.51
Total Other Receivables	<u>-</u>	<u>216.51</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	724,270.39	680,873.91
Tax Title and Other Liens	3,148.22	1,429.93
Property Acquired for Taxes - at Assessed Valuation	262,576.00	262,576.00
Total Receivables and Other Assets	<u>989,994.61</u>	<u>944,879.84</u>
Deferred Charges:		
Emergency Appropriation	-	250,000.00
Total Deferred Charges	<u>-</u>	<u>250,000.00</u>
Total Regular Fund	<u>21,615,238.01</u>	<u>11,993,821.86</u>
Federal and State Grant Fund:		
Cash	22,646.05	25,296.81
Federal and State Grants Receivable	2,453,266.22	2,616,048.37
Total Federal and State Grant Fund	<u>2,475,912.27</u>	<u>2,641,345.18</u>
Total Current Fund	<u>\$ 24,091,150.28</u>	<u>14,635,167.04</u>

See accompanying Notes to Financial Statements - Regulatory Basis

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2017</u>	<u>2016</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 1,336,247.81	812,114.96
Reserve for Encumbrances	1,159,651.83	980,688.13
Accounts Payable	3,675.00	3,675.00
Prepaid Taxes	11,831,164.80	2,548,837.95
Overpaid Taxes	36,178.94	29,621.63
County Added Tax Payable	232,759.33	184,608.13
Escrow - Blue Water Marina	-	33,059.76
Prepaid Beach Fees	88,140.00	70,935.00
Due to State - Chapter 20 P.L. 1971	85.86	-
Payroll Taxes Payable	10,199.38	2,495.00
Reserve for Health Insurance Claims	97,063.61	585.64
Reserve for Special Emergency - Sandy	-	23,243.62
	14,795,166.56	4,689,864.82
Reserve for Receivables and Other Assets	989,994.61	944,879.84
Fund Balance	5,830,076.84	6,359,077.20
Total Regular Fund	21,615,238.01	11,993,821.86
Federal and State Grant Fund:		
Unappropriated Reserves	31,286.82	7,000.00
Appropriated Reserves	1,511,008.45	1,030,166.36
Due to General Capital Fund	350,000.00	700,000.00
Encumbrances Payable	583,617.00	904,178.82
Total Federal and State Grant Fund	2,475,912.27	2,641,345.18
Total Current Fund	\$ 24,091,150.28	14,635,167.04

See accompanying Notes to Financial Statements - Regulatory Basis

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

	2017	2016
Revenue and Other Income Realized		
Fund Balance	\$ 3,380,000.00	3,650,000.00
Miscellaneous Revenue Anticipated	18,912,964.37	19,576,254.81
Receipts from Delinquent Taxes	670,383.51	695,058.98
Receipts from Current Taxes	109,323,414.15	103,883,886.67
Non Budget Revenue	336,798.12	426,811.94
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	835,127.82	1,096,956.25
Cancellation of:		
Prior Year Accounts Payable		14,075.01
Escrow Reserve	33,059.76	-
Special Emergency - Sandy	23,243.62	-
Grant Fund Balances	17,362.88	-
Reserve for Tax Appeals	-	100,000.00
Total Income	133,532,354.23	129,443,043.66
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	29,785,810.00	29,161,383.00
Other Expenses	20,476,358.39	19,207,115.39
Deferred Charges & Statutory Expenditures	6,359,582.13	6,173,208.00
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	231,790.00	256,126.10
Other Expenses	5,973,082.72	4,856,890.65
Capital Improvements	1,600,000.00	1,150,000.00
Debt Service	12,929,134.35	11,237,462.25
Deferred Charges	250,000.00	2,524,500.00
Local District School Tax	24,962,191.00	24,672,784.00
County Tax	27,695,083.67	26,909,536.29
County Share of Added Tax	232,759.33	184,608.13
Other:		
Special Improvement District Taxes	182,313.00	183,447.94
Payroll Deductions Payable	-	69,787.82
Prior Year Seniors & Veterans Deductions	3,250.00	-
Total Expenditures	130,681,354.59	126,586,849.57
Excess/(Deficit) in Revenue	2,850,999.64	2,856,194.09

See accompanying Notes to Financial Statements - Regulatory Basis

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

	2017	2016
Adjustments to Income before Fund Balance:		
Expenditures included above which are by		
Statute Deferred Charges to Budgets of		
Succeeding Year		
Emergency Appropriation	-	250,000.00
Total Adjustments	-	250,000.00
Statutory Excess to Fund Balance	2,850,999.64	3,106,194.09
Fund Balance January 1	6,359,077.20	6,902,883.11
	9,210,076.84	10,009,077.20
Decreased by:		
Utilization as Anticipated Revenue	3,380,000.00	3,650,000.00
Fund Balance December 31	\$ 5,830,076.84	6,359,077.20

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Anticipated		Excess or
	Budget	N.J.S. 40A:4-87	(Deficit)
Fund Balance Anticipated	\$ 3,380,000.00		-
Total Fund Balance Anticipated	<u>3,380,000.00</u>	<u>-</u>	<u>-</u>
Miscellaneous Revenues:			
Section A: Local Revenues			
Licenses:			
Other	410,000.00		15,068.98
Fees and Permits	1,000,000.00		23,555.75
Fines and Costs:			
Municipal Court	400,000.00		(39,067.21)
Interest and Costs on Taxes	180,000.00		17,641.41
Interest Earned on Investments	85,000.00		120,969.45
Parking Meters	3,025,000.00		(4,448.28)
Beach Fees	4,100,000.00		(79,056.92)
Rental or Sale of City Material & Property	145,000.00		38,426.37
Airport Fees	140,000.00		8,593.57
Boat Ramp Fees	32,000.00		(2,645.47)
Aquatic & Fitness Center User Fees	1,060,000.00		34,475.09
Smoke Detector Inspection	190,000.00		(29,424.50)
Emergency Medical Services	660,000.00		(28,406.21)
Total Section A: Local Revenues	<u>11,427,000.00</u>	<u>-</u>	<u>75,682.03</u>
Section B: State Aid Without Offsetting Appropriations			
Energy Receipts Tax	2,146,048.00		-
Total Section B: State Aid Without Offsetting Appropriations	<u>2,146,048.00</u>	<u>-</u>	<u>-</u>

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Anticipated Budget	N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	1,075,000.00		1,007,174.00	(67,826.00)
Total Section C: Uniform Construction Code Fees	<u>1,075,000.00</u>	-	<u>1,007,174.00</u>	<u>(67,826.00)</u>
Section D: Interlocal Municipal Service Agreements				
Offset with Appropriations				
Upper Township - Dispatching Service	231,790.00		231,790.00	-
Total Section D: Interlocal Municipal Service Agreements	<u>231,790.00</u>	-	<u>231,790.00</u>	<u>-</u>
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
Recycling Tonnage Grant		27,652.03	27,652.03	-
Sustainable NJ	30,000.00		30,000.00	-
Emergency Management	7,000.00		7,000.00	-
NJ DOT Dredge Material Management Grant		1,219,935.03	1,219,935.03	-
CDBG		547,976.00	547,976.00	-
NJ DEP - Electric Vehicle Charging Grant		5,000.00	5,000.00	-
Body Armor Grant		5,079.67	5,079.67	-
Bullet Proof Vest Partnership		4,532.00	4,532.00	-
Clean Communities Program		92,666.69	92,666.69	-
Total Section F: Special Items - Public and Private Programs	<u>37,000.00</u>	<u>1,902,841.42</u>	<u>1,939,841.42</u>	<u>-</u>
Off-Set with Appropriations				

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Anticipated Budget	N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Section G: Other Special Items				
Reserves for Debt Service & Capital Fund Balance	950,000.00	-	950,000.00	-
Shared Services - HMGF	30,000.00		24,981.92	(5,018.08)
OC Library - Contracted Services	229,442.00		229,442.00	-
OC Library - Return to Taxpayers	881,005.00		881,005.00	-
Total Section G: Other Special Items	<u>2,090,447.00</u>	<u>-</u>	<u>2,085,428.92</u>	<u>(5,018.08)</u>
Total Miscellaneous Revenues:	17,007,285.00	1,902,841.42	18,912,964.37	2,837.95
Receipts from Delinquent Taxes	665,000.00		670,383.51	5,383.51
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	51,842,971.93		53,238,491.15	1,395,519.22
Library Tax	3,989,112.00		3,989,112.00	-
Total Amount to be Raised by Taxes for Support of Municipal Budget	<u>55,832,083.93</u>	<u>-</u>	<u>57,227,603.15</u>	<u>1,395,519.22</u>
Budget Totals	76,884,368.93	1,902,841.42	80,190,951.03	1,403,740.68
Non-Budget Revenues:				
Other Non-Budget Revenues:			336,798.12	336,798.12
Total	<u>\$ 76,884,368.93</u>	<u>1,902,841.42</u>	<u>80,527,749.15</u>	<u>1,740,538.80</u>

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$ 109,323,414.15
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Less: Reserve for Tax Appeals Pending	
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Net Revenue from Collections	109,323,414.15
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Allocated to:

School, County and Other Taxes	53,245,811.00
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Balance for Support of Municipal Budget Appropriations	56,077,603.15
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Increased by:

Appropriation "Reserved for Uncollected Taxes"	1,150,000.00
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Amount for Support of Municipal Budget Appropriations	57,227,603.15
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	670,383.51
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Tax Title Lien Collections	-
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Total Receipts from Delinquent Taxes	\$ 670,383.51
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See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Storage & Towing Fees	\$	17,774.00
Tax Collector		8,353.67
200 Foot Information		2,490.00
City Clerk		198.50
Public Defender Fees		3,500.00
Vending Machines		2,002.00
Bench Donations		650.00
Trademark Fees		1,175.00
Binocular Fees		867.46
Plans & Specs		1,850.00
Reimbursements from Ocean City Free Public Library		66,216.20
Wilhelm Trust		10,000.00
Various Reimbursements		6,910.50
American Recycling		7,919.15
Other Rebates		10,192.44
PILOT - United Methodist Homes		79,590.00
Renral Licenses & Leases (AT&T Antenna)		15,241.31
Fire Reports		5.00
Reimbursement for Services		1,468.68
Tax Maps		3,000.00
Returned Check Fees		40.00
Boardwalk Entertainers		2,920.00
Police S & W Overtime Reimbursements		8,342.05
Property Sale		24,035.00
DMV Inspection Fines		4,572.00
Senior & Veterans Admin Fee		2,316.18
FEMA Reimbursements		25,005.56
Unclaimed Funds		7,453.57
Miscellaneous		22,709.85

Total Miscellaneous Revenue Not Anticipated:

\$ 336,798.12

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations			Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Expended			
				Encumbered	Reserved		
OPERATIONS WITHIN "CAPS"							
DEPARTMENT OF ADMINISTRATION							
EXECUTIVE BRANCH							
Mayor's Office							
Other Expenses	\$ 2,400.00	2,400.00	1,625.81	500.00	274.19		
ADMINISTRATION							
City Administrator							
Salaries and Wages	411,000.00	411,500.00	411,407.48		92.52		
Other Expenses	1,900.00	1,900.00	1,152.07	275.00	472.93		
Engineering & Project Management							
Salaries and Wages	438,000.00	445,500.00	445,080.23		419.77		
Other Expenses	35,000.00	35,000.00	33,571.45		1,428.55		
Human Resources							
Salaries and Wages	637,000.00	637,000.00	625,245.93		11,754.07		
Other Expenses	159,800.00	159,800.00	103,363.43	10,355.65	46,080.92		
Purchasing Division							
Salaries and Wages	274,000.00	272,000.00	270,812.36		1,187.64		
Other Expenses	6,890.00	8,890.00	7,140.48	575.60	1,173.92		
Emergency Management							
Salaries and Wages	20,000.00	20,000.00	16,875.00		3,125.00		
Other Expenses	20,000.00	20,000.00	16,190.25		3,809.75		
Planning Board							
Other Expenses	22,450.00	22,450.00	15,538.44		6,911.56		
Zoning Board of Adjustment							
Other Expenses	4,700.00	4,700.00	3,792.40		907.60		

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
COMMUNITY SERVICE DEPARTMENT						
Public Relations & Information						
Salaries and Wages	952,000.00	912,000.00	878,691.37		33,308.63	
Other Expenses	215,000.00	215,500.00	201,037.60	5,634.33	8,828.07	
Aquatic and Fitness Center						
Salaries and Wages	1,015,000.00	1,020,000.00	1,019,025.69		974.31	
Other Expenses	77,550.00	82,550.00	77,637.36	3,413.13	1,499.51	
Recreation & Leisure Programs						
Salaries and Wages	405,000.00	375,000.00	365,632.19		9,367.81	
Other Expenses	20,700.00	20,700.00	20,629.06	14.07	56.87	
Music Pier Operations						
Salaries and Wages	480,000.00	508,000.00	501,588.18		6,411.82	
Other Expenses	28,700.00	33,700.00	30,223.86		3,476.14	
Municipal Code & Licensing						
Salaries and Wages	658,000.00	653,000.00	633,253.89		19,746.11	
Other Expenses	77,250.00	77,250.00	36,403.75	630.50	40,215.75	
Administration						
Salaries and Wages	440,000.00	456,500.00	454,264.04		2,235.96	
Other Expenses	17,000.00	17,000.00	8,680.02	472.75	7,847.23	
Neighborhood & Social Services						
Salaries and Wages	97,000.00	97,000.00	96,973.36		26.64	
Other Expenses	1,450.00	1,450.00	1,290.40		159.60	
Historical Commission						
Other Expenses	2,800.00	2,800.00	425.47		2,374.53	

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
PUBLIC WORKS						
Facility Maintenance						
Salaries and Wages	1,065,000.00	1,065,000.00	959,601.72		105,398.28	
Other Expenses	243,550.00	243,550.00	181,130.55	5,716.49	56,702.96	
Environmental Operations						
Salaries and Wages	1,130,000.00	1,130,000.00	1,106,727.53		23,272.47	
Other Expenses						
Miscellaneous Other Expenses	62,900.00	67,900.00	39,179.68	26,558.05	2,162.27	
Trash & Recycling	2,690,000.00	2,685,000.00	2,296,937.38	346,820.30	41,242.32	
Field Operations						
Salaries and Wages	1,317,000.00	1,317,000.00	1,213,347.56		103,652.44	
Other Expenses:	79,900.00	79,900.00	77,080.50	1,792.43	1,027.07	
Fleet Maintenance						
Salaries and Wages	357,000.00	357,000.00	348,722.44		8,277.56	
Other Expenses	238,000.00	238,000.00	160,701.57	46,730.21	30,568.22	
DEPARTMENT OF LAW						
Legal Division						
Salaries and Wages	152,000.00	152,000.00	150,465.30		1,534.70	
Other Expenses	242,300.00	337,300.00	257,798.02	62,892.16	16,609.82	
Public Defender						
Other Expenses	44,000.00	44,000.00	38,103.75	5,275.75	620.50	
STATUTORY OFFICES						
City Clerk's Office						
Salaries and Wages	217,000.00	217,000.00	209,830.66		7,169.34	
Other Expenses	32,200.00	32,200.00	18,612.47	564.00	13,023.53	
City Council						
Salaries and Wages	73,600.00	73,600.00	73,599.50		0.50	
Other Expenses	12,450.00	12,450.00	9,204.70	1,455.00	1,790.30	
Municipal Court						
Salaries and Wages	583,000.00	583,000.00	559,916.74		23,083.26	
Other Expenses	33,150.00	33,150.00	23,973.51	2,811.34	6,365.15	

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Expended		
				Encumbered	Reserved	
DEPARTMENT OF FINANCIAL MANAGEMENT						
Treasurer's Office						
Other Expenses						
Audit Services	38,000.00	38,000.00	35,100.00	2,900.00	-	
Other Expenses	168,750.00	168,750.00	130,887.39		37,862.61	
Accounting Division						
Salaries and Wages	390,000.00	390,000.00	384,639.89	3,442.50	5,360.11	
Other Expenses	6,250.00	6,250.00	1,950.38		857.12	
Office of Parking Regulation						
Salaries and Wages	230,000.00	222,000.00	216,086.59	7,926.92	5,913.41	
Other Expenses	215,100.00	215,100.00	187,389.76		19,783.32	
Property Assessment Division						
Salaries and Wages	299,000.00	299,000.00	286,309.42	50.00	12,690.58	
Other Expenses	35,900.00	15,900.00	7,677.50		8,172.50	
Beach Fee Regulation Division						
Salaries and Wages	355,000.00	355,000.00	355,000.00			
Other Expenses	61,500.00	61,500.00	59,653.09	108.37	1,738.54	
Tax Collector Division						
Salaries and Wages	176,000.00	176,000.00	172,508.61	267.50	3,491.39	
Other Expenses	11,900.00	11,900.00	10,952.52		679.98	
Revenue Collection						
Salaries and Wages	408,000.00	388,000.00	380,981.73	7,929.07	7,018.27	
Other Expenses	162,000.00	142,000.00	115,799.97		18,270.96	
DEPARTMENT OF POLICE						
Police Protection Division						
Salaries and Wages	7,582,210.00	7,667,210.00	7,657,672.44		9,537.56	
Other Expenses						
Miscellaneous Other Expenses	195,000.00	231,000.00	205,288.78	24,715.82	995.40	
Purchase of Vehicles	90,000.00	85,000.00	2,196.46	82,484.71	318.83	
Information Technology						
Salaries and Wages	275,000.00	265,500.00	261,454.56	65,920.41	4,045.44	
Other Expenses	247,850.00	250,850.00	175,662.99		9,266.60	

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Expended		
				Encumbered	Reserved	
DEPARTMENT OF FIRE						
Rescue Services Division						
Salaries and Wages	304,000.00	319,000.00	317,618.98		1,381.02	
Other Expenses	90,225.00	90,225.00	63,671.95	12,876.58	13,676.47	
Lifeguards Division						
Salaries and Wages	1,470,000.00	1,435,000.00	1,430,550.30		4,449.70	
Other Expenses	63,500.00	63,500.00	48,102.91	12,750.00	2,647.09	
Fire Protection & Prevention						
Salaries and Wages	6,750,000.00	6,750,000.00	6,679,436.34		70,563.66	
Other Expenses	199,200.00	199,200.00	187,625.36	6,024.88	5,549.76	
INSURANCE						
General Liability	575,606.00	575,606.00	575,606.00		-	
Workers Compensation Insurance	1,534,394.00	1,534,394.00	1,522,371.65	2,834.91	9,187.44	
Employee Group Health	8,425,000.00	8,405,000.00	8,261,910.00	4,690.83	138,399.17	
Health Benefits Waiver						
Salaries and Wages	250,000.00	250,000.00	250,000.00		-	
OTHER:						
City Wide Operations						
Finance - Other Expenses	525,800.00	525,800.00	476,696.34	19,281.70	29,821.96	
City Wide Operations						
Public Works - Other Expenses	513,200.00	513,200.00	339,011.32	49,726.00	124,462.68	
Special Improvement District						
Other Expenses	22,000.00	22,000.00	21,383.39		616.61	
UNIFORM CONSTRUCTION CODE						
State Uniform Construction Code						
Construction Official						
Salaries and Wages	687,000.00	567,000.00	552,031.66		14,968.34	
Other Expenses	34,260.00	94,260.00	74,257.51	1,508.35	18,494.14	

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled	
	Budget	Budget After Modifications	Paid or Charged	Encumbered			Reserved
				Encumbered	Reserved		
UNCLASSIFIED							
UTILITY EXPENSES AND BULK PURCHASES							
Electricity	714,000.00	694,000.00	598,767.06	95,232.94	-		
Street Lighting	420,000.00	420,000.00	358,660.65	61,339.35	-		
Telephone	274,000.00	299,000.00	273,848.59	132.17	25,019.24		
Water	948,000.00	933,000.00	842,455.31	90,544.69	-		
Fuel Oil	168,000.00	158,000.00	129,327.29	27,240.27	1,432.44		
Gasoline	264,000.00	244,000.00	197,273.34	26,606.35	20,120.31		
TOTAL OPERATIONS WITHIN "CAPS"	50,273,285.00	50,262,785.00	47,850,303.18	1,129,021.08	1,282,844.13	616.61	
Contingent							
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	50,273,285.00	50,262,785.00	47,850,303.18	1,129,021.08	1,282,844.13	616.61	
Detail:							
Salaries and Wages	29,897,810.00	29,785,810.00	29,285,351.69	-	500,458.31	-	
Other Expenses	20,375,475.00	20,476,975.00	18,564,951.49	1,129,021.08	782,385.82	616.61	
DEFERRED CHARGES AND STATUTORY EXPENDITURES:							
Deferred Charges:							
None							
Statutory Expenditures:							
Contributions to:							
Public Employees' Retirement System	1,542,054.63	1,542,054.63	1,542,054.63	-	-		
Social Security System (O.A.S.I.)	1,445,000.00	1,445,000.00	1,445,000.00	-	-		
Police and Firemen's Retirement System	3,022,027.50	3,022,027.50	3,022,027.50	-	-		
Unemployment Compensation Insurance	125,000.00	125,000.00	95,041.80	24,783.72	5,174.48		
Lifeguard Pension	200,000.00	200,000.00	200,000.00	-	-		
Defined Contribution Retirement Program	15,000.00	25,500.00	11,894.27	5,847.03	7,758.70		
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	6,349,082.13	6,359,582.13	6,316,018.20	30,630.75	12,933.18	-	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	56,622,367.13	56,622,367.13	54,166,321.38	1,159,651.83	1,295,777.31	616.61	

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
OPERATIONS - EXCLUDED FROM "CAPS"						
(A) Operations - Excluded from "CAPS"						
Maintenance of Free Public Library						
Other Expenses	3,989,112.00	3,989,112.00	3,989,112.00	-	-	
Interlocal Municipal Service Agreements						
Police Dispatching - Upper Township						
Salaries and Wages	231,790.00	231,790.00	231,790.00	-	-	
	<u>4,220,902.00</u>	<u>4,220,902.00</u>	<u>4,220,902.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
(A) Public and Private Programs Off-Set by Revenues						
Municipal Alliance on Alcoholism and Drug Abuse						
Local Share	3,658.80	3,658.80	3,658.80	-	-	
Sustainable NJ	30,000.00	30,000.00	30,000.00	-	-	
Emergency Management	7,000.00	7,000.00	7,000.00	-	-	
Recycling Tonnage Grant		27,652.03	27,652.03	-	-	
NJ DOT Dredge Material Management Grant		1,219,935.03	1,219,935.03	-	-	
CDBG		547,976.00	547,976.00	-	-	
NJ DEP - Electric Vehicle Charging Grant		5,000.00	5,000.00	-	-	
Body Armor Grant		5,079.67	5,079.67	-	-	
Bullet Proof Vest Partnership		4,532.00	4,532.00	-	-	
Clean Communities Program		92,666.69	92,666.69	-	-	
Matching Funds for Grants	40,470.50	40,470.50			40,470.50	
	<u>81,129.30</u>	<u>1,983,970.72</u>	<u>1,943,500.22</u>	<u>-</u>	<u>40,470.50</u>	<u>-</u>
Total Public and Private Programs Off-Set by Revenues	4,302,031.30	6,204,872.72	6,164,402.22	-	40,470.50	-
Total Operations - Excluded from "CAPS"						
Detail:						
Salaries and Wages	231,790.00	231,790.00	231,790.00	-	-	-
Other Expenses	4,070,241.30	5,973,082.72	5,932,612.22	-	40,470.50	-
(C) Capital Improvements						
Capital Improvement Fund	1,600,000.00	1,600,000.00	1,600,000.00	-	-	-
Total Capital Improvements	<u>1,600,000.00</u>	<u>1,600,000.00</u>	<u>1,600,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
(D) Debt Service					
Payment of Bond Principal	9,640,000.00	9,640,000.00	9,640,000.00		-
Interest on Bonds	2,365,418.06	2,365,418.06	2,336,318.06		29,100.00
Interest on Notes	915,843.40	915,843.40	914,107.25		1,736.15
Green Trust Loan Program:					
Loan Repayments for Principal and Interest	38,709.04	38,709.04	38,709.04		-
Total Debt Service	<u>12,959,970.50</u>	<u>12,959,970.50</u>	<u>12,929,134.35</u>	<u>-</u>	<u>30,836.15</u>
(E) Deferred Charges					
Emergency Authorizations	250,000.00	250,000.00	250,000.00		-
Total Deferred Charges	<u>250,000.00</u>	<u>250,000.00</u>	<u>250,000.00</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	19,112,001.80	21,014,843.22	20,943,536.57	40,470.50	30,836.15
SUBTOTAL GENERAL APPROPRIATIONS	<u>75,734,368.93</u>	<u>77,637,210.35</u>	<u>75,109,857.95</u>	<u>1,159,651.83</u>	<u>31,452.76</u>
(M) Reserve for Uncollected Taxes	1,150,000.00	1,150,000.00	1,150,000.00		-
TOTAL GENERAL APPROPRIATIONS	<u>\$ 76,884,368.93</u>	<u>78,787,210.35</u>	<u>76,259,857.95</u>	<u>1,159,651.83</u>	<u>31,452.76</u>
Budget		76,884,368.93		Cancelled	31,452.76
Appropriations by 40A:4-87		1,902,841.42		Overexpended	-
Emergency Appropriations		<u>78,787,210.35</u>			<u>31,452.76</u>
Reserve for Uncollected Taxes		1,150,000.00			
Federal and State Grants		1,943,500.22			
Deferred Charges		250,000.00			
Disbursements		72,916,357.73			
		<u>76,259,857.95</u>			

See accompanying Notes to Financial Statements - Regulatory Basis

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**EXHIBIT - B
TRUST FUND**

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

	2017	2016
<u>ASSETS</u>		
<u>DOG TRUST FUND</u>		
Cash	\$ 21,052.26	9,594.38
	21,052.26	9,594.38
<u>OTHER TRUST FUND</u>		
Cash and Investments	6,912,097.82	5,946,767.69
	6,912,097.82	5,946,767.69
	6,933,150.08	5,956,362.07
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
<u>DOG TRUST FUND</u>		
Reserve for Dog Fund Expenditures	21,052.26	9,590.78
Due to State of New Jersey	-	3.60
	21,052.26	9,594.38
<u>OTHER TRUST FUND</u>		
Reserve for:		
Tax Premiums	454,797.67	416,781.73
Dedicated Recreation Trust	203,637.97	241,737.44
Tourism Development	149,676.40	172,334.15
Law Enforcement Trust	24,151.87	20,851.87
Parking Offenses Adjudication Act	28,406.41	26,228.62
Cash Performance Deposits	944,989.34	790,109.76
Dedicated Fire Fees	2,586.92	846.12
Lifeguard Pension	24,461.87	7,274.64
Shade Trees	2,250.56	1,642.99
COAH	4,834,582.38	4,065,544.01
Merchant Fees	14,541.18	11,662.68
Planning & Zoning Escrow	228,015.25	191,753.68
	6,912,097.82	5,946,767.69
	\$ 6,933,150.08	5,956,362.07

See accompanying Notes to Financial Statements - Regulatory Basis

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EXHIBIT - C
GENERAL CAPITAL FUND

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

<u>ASSETS</u>	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Cash	\$	25,344,496.02	58,287,883.66
Deferred Charges to Future Taxation -			
Funded		71,367,414.51	81,037,030.28
Unfunded		74,863,735.00	43,977,660.00
Interfunds and Receivables			
Due from Grant Fund		350,000.00	700,000.00
		<u>171,925,645.53</u>	<u>184,002,573.94</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Encumbrances Payable		16,005,458.06	15,943,835.03
Bond Anticipation Notes Payable		54,470,000.00	61,650,000.00
Serial Bonds Payable		70,935,000.00	80,575,000.00
Green Trust Loan Payable		432,414.51	462,030.28
Improvement Authorizations:			
Funded		196,071.73	143,549.52
Unfunded		24,988,057.29	21,079,143.03
Reserve for Debt Service		3,424,760.07	2,737,759.01
Reserve for Preliminary Expenses		-	17,566.00
Capital Improvement Fund		75,112.53	107,537.53
Fund Balance		1,398,771.34	1,286,153.54
	\$	<u>171,925,645.53</u>	<u>184,002,573.94</u>

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

2016	13,377,660.00
2017	20,393,735.00

See accompanying Notes to Financial Statements - Regulatory Basis

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

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Beginning Balance January 1	\$	1,286,153.54	1,312,169.54
Increased by:			
Premium on Sale of Bonds & BANS		570,051.80	553,984.00
Stainton's Parking Lot Contributions		75,000.00	
Cancellation of Reserve for Preliminary Expenses		17,566.00	
Decreased by:			
Cancelled Due from County			
Anticipated as Current Fund Revenue		550,000.00	580,000.00
Ending Balance December 31	\$	<u>1,398,771.34</u>	<u>1,286,153.54</u>

See accompanying Notes to Financial Statements - Regulatory Basis

EXHIBIT - D
PUBLIC ASSISTANCE FUND

**PUBLIC ASSISTANCE TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

	2017	2016
<u>ASSETS</u>		
Cash	\$ -	-
TOTAL ASSETS	-	-
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Reserve for Public Assistance	-	-
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	\$ -	-

See accompanying Notes to Financial Statements - Regulatory Basis

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EXHIBIT - E
GENERAL FIXED ASSET ACCOUNT GROUP

**GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS**

	Balance Dec. 31, 2017	Balance Dec. 31, 2016
General Fixed Assets:		
Land	\$ 159,455,043.65	\$ 159,449,238.65
Vehicles	11,517,955.23	11,022,729.21
Machinery and Equipment	9,171,524.57	9,099,010.87
Total General Fixed Assets	\$ <u>180,144,523.45</u>	\$ <u>179,570,978.73</u>
Investment in General Fixed Assets	\$ <u>180,144,523.45</u>	\$ <u>179,570,978.73</u>

See accompanying Notes to Financial Statements - Regulatory Basis

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements 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, a Free Public Library and a Housing Authority.

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

Ocean City Housing Authority
200 4th Street
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 statement of the City of Ocean City contain all funds and account group 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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

of Ocean City accounts for its financial transactions through the following separate funds, which differ from the funds required by GAAP.

Current Fund

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

Trust Funds

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

General Capital Funds

The General Capital Fund accounts for 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 10th 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.

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 the laws of the United States or of the State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1(a) 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 government units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

Public funds are defined as the funds of any government unit. Public depositories include banks (both state and federal banks), 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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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

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 and are not capitalized.

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. 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.

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.

Foreclosed Property

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Fund Balance

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

Revenues

Revenues are recorded as received in cash, except for certain amounts, which 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 the actual expenditures financed by the grant are made.

Property Tax Revenues

Property tax revenues are collected in quarterly installments due February 1st, May 1st, August 1st, and November 1st. Property taxes unpaid on April 1st of the year following their final due date are subject to tax sale in accordance with the 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 budgets 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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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 1st through December 31st.

	<u>12/31/2017</u>	<u>12/31/2016</u>
Balance of Tax	\$ 12,567,827.50	\$ 12,394,363.50
Deferred	12,567,827.50	12,394,363.50
Tax Payable	<u>\$ -</u>	<u>\$ -</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 10th 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 10th of the current year and due to be paid to the County by February 15th 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 accounting system. Outstanding encumbrances at December 31st are recorded as a cash liability. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis. 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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recent Accounting Pronouncements Not Yet Effective

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the City's financial reporting.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80 "Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14". This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the City's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 81 "Irrevocable Split-Interest Agreements". This statement, which is effective for fiscal periods beginning after December 15, 2016, will not have any effect on the City's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82 "Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73". This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the City's financial reporting.

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83 "Certain Asset Retirement Obligations". This statement, which is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the City's financial reporting.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84 "Fiduciary Activities". This statement, which is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the City's financial reporting.

In March 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 85 "Omnibus 2017". This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the City's financial reporting.

In May 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 86 "Certain Debt Extinguishment Issues". This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the City's financial reporting.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 "Leases". This statement, which is effective for fiscal periods beginning after December 15, 2019, may have an effect on the City's financial reporting.

Note 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2017 and 2016 statutory budgets included a reserve for uncollected taxes in the amount of \$1,150,000.00 and \$1,150,000.00. To balance the budget, the municipality is required to show a budgeted fund balance.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 2: BUDGETARY INFORMATION – Continued

The amount of fund balance budgeted to balance the 2017 and 2016 statutory budgets was \$3,000,000.00 and \$3,380,000.00.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by entity City Council. The following significant budget transfers were approved in the 2017 and 2016 calendar years:

<u>Budget Category</u>	<u>2017</u>	<u>2016</u>
<u>Current Fund:</u>		
Engineering & Project Management		
Salaries and Wages	\$	75,000.00
Public Relations & Information		
Salaries and Wages	(40,000.00)	
Recreation & Leisure Programs		
Salaries and Wages	(30,000.00)	
Legal Division		
Other Expenses	95,000.00	
Planning & Zoning		
Salaries and Wages		32,000.00
Beach Fee Regulation		
Salaries and Wages		(26,000.00)
Facility Maintenance		
Salaries and Wages		(25,000.00)
Field Operations		
Salaries and Wages		(60,000.00)
Tax Collector		
Salaries and Wages		(28,000.00)
Community Development Block Grant		
Police Protection Division		
Salaries and Wages	85,000.00	66,000.00
Other Expenses-Miscellaneous	36,000.00	
Lifeguard		
Salaries and Wages	(35,000.00)	
City Wide Operations		
Finance - Other Expenses		37,000.00
Construction Official		
Salaries and Wages	(120,000.00)	
Other Expenses	(60,000.00)	
Down Payment on Improvement		250,000.00

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 2: BUDGETARY INFORMATION - Continued

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2017 and 2016, the following budget insertions were approved:

<u>Budget Category</u>	<u>2017</u>	<u>2016</u>
Body Worn Camera Assistance Program		\$ 9,500.00
Clean Communities Program	92,666.69	109,075.74
Body Armor Grant	5,079.67	5,151.52
Airport Obstruction Removal Grant		69,480.00
CDBG- DR: Prepare Area Plan		50,000.00
CDBG-DR: Prepare Codes & Ordinances		20,000.00
CDBG- DR: Design Development		50,000.00
CDBG- DR: Develop Floodplain		50,000.00
CDBG- DR: Permit & Application Fee		25,000.00
Recycling Tonnage Grant	27,652.03	
NJDOT Dredge Material Management Grant	1,219,935.03	
NJDEP Electric Vehicle Charging Grant	5,000.00	
Bulletproof Vest Partnership	4,532.00	
CDBG	547,976.00	
	<u>\$ 1,902,841.42</u>	<u>\$ 388,207.26</u>

The entity may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years.

Note 3: CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or fund that may pass to the municipality relative to the happening of a future condition. As of December 31, 2017 and 2016, \$0 of the municipality's bank balance of \$49,059,338.58 and \$76,148,188.15 was exposed to custodial credit risk.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 4: FIXED ASSETS

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2016 and 2017:

	Balance 12/31/2015	Additions	Adjustments/ Deletions	Balance 12/31/2016
Land & Improvements	\$ 159,426,171.25	23,067.40		159,449,238.65
Vehicles	10,105,191.46	1,290,422.03	372,884.28	11,022,729.21
Machinery & Equipment	8,809,408.52	293,393.35	3,791.00	9,099,010.87
	<u>\$ 178,340,771.23</u>	<u>1,606,882.78</u>	<u>376,675.28</u>	<u>179,570,978.73</u>

	Balance 12/31/2016	Additions	Adjustments/ Deletions	Balance 12/31/2017
Land & Improvements	\$ 159,449,238.65	5,805.00		159,455,043.65
Vehicles	11,022,729.21	896,839.02	401,613.00	11,517,955.23
Machinery & Equipment	9,099,010.87	199,827.80	127,314.10	9,171,524.57
	<u>\$ 179,570,978.73</u>	<u>1,102,471.82</u>	<u>528,927.10</u>	<u>180,144,523.45</u>

Note 5: SHORT-TERM FINANCING

Short-term debt provides for financing of governmental activities and capital projects. The following is a summary of changes in short-term debt for the years ended December 31, 2017 and 2016:

	Current Fund	General Capital Fund	Total
Balance December 31, 2015	\$ 450,000.00	\$ 40,150,000.00	\$ 40,600,000.00
Increases		61,650,000.00	61,650,000.00
Decreases	(450,000.00)	(40,150,000.00)	(40,600,000.00)
Balance December 31, 2016	<u>\$ -</u>	<u>\$ 61,650,000.00</u>	<u>\$ 61,650,000.00</u>

On June 16, 2016, the City issued a Bond Anticipation Note in the Amount of \$31,050,000.00, bearing interest at a rate of 1.50% per annum to fund various General Capital Ordinances. The Note will mature January 16, 2017.

On June 16, 2016, the City issued a Bond Anticipation Note in the Amount of \$15,000,000.00 bearing interest at a rate of 2.00% per annum to fund various General Capital Ordinances. The Note will mature June 15, 2017.

On December 1, 2016, the City issued a Bond Anticipation Note in the Amount of \$15,600,000.00 bearing interest at a rate of 2.50% per annum to fund various General Capital Ordinances. The Note will mature November 30, 2017.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 5: SHORT-TERM FINANCING - Continued

	Current Fund	General Capital Fund	Total
Balance December 31, 2016	\$ -	\$ 61,650,000.00	\$ 61,650,000.00
Increases		54,470,000.00	54,470,000.00
Decreases		(61,650,000.00)	(61,650,000.00)
Balance December 31, 2017	\$ -	\$ 54,470,000.00	\$ 54,470,000.00

On June 14, 2017, the City issued a Bond Anticipation Note in the Amount of \$25,000,000.00, bearing interest at a rate of 2.00% per annum to fund various General Capital Ordinances. The Note will mature June 14, 2018.

On November 29, 2017, the City issued a Bond Anticipation Note in the Amount of \$29,470,000.00 bearing interest at a rate of 2.50% per annum to fund various General Capital Ordinances. The Note will mature November 28, 2018.

Note 6: LONG-TERM DEBT

Summary of Municipal Debt

	Year 2017	Year 2016	Year 2015
Issued:			
General:			
Bonds and Notes	\$ 125,837,414.51	\$ 142,687,030.28	\$ 91,161,062.52
Total Issued	125,837,414.51	142,687,030.28	91,161,062.52
Less:			
Funds Held Temporarily to pay Bonds and Notes	3,424,760.07	2,737,759.01	4,318,858.71
Net Debt	122,412,654.44	139,949,271.27	86,842,203.81
Authorized But Not Issued:			
General:			
Bonds and Notes	20,393,735.00	13,377,660.00	9,936,135.00
Total Authorized But Not Issued	20,393,735.00	13,377,660.00	9,936,135.00
Net Bonds and Notes Issued and Authorized But Not Issued	\$ 142,806,389.44	\$ 153,326,931.27	\$ 96,778,338.81

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 6: LONG-TERM DEBT - Continued

Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.197%.

	Gross Debt	Deductions	Net Debt
Local School Debt	\$ 11,776,000.00	\$ 11,776,000.00	\$ -
General Debt	146,231,149.51	3,424,760.07	142,806,389.44
	\$ 158,007,149.51	\$ 15,200,760.07	\$ 142,806,389.44

Net debt \$142,806,389.55 divided by Equalized Valuation Basis per N.J.S.A. 40A: 2-2 as amended, \$11,927,593,388.33= 1.197%.

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

3-1/2% of Equalized Valuation Basis	\$	417,465,768.59
Net Debt		142,806,389.44
Remaining Borrowing Power	\$	274,659,379.15

Description of Bonds and Loans Payable

At December 31, 2017, bonds and loans payable in the General Capital Fund consisted of the following individual issues:

\$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, 2017 is \$5,500,000.00.

\$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, 2017 is \$3,800,000.00.

\$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, 2017 is \$6,300,000.00.

\$17,900,000.00 General Improvements Bonds dated August 12, 2014, due in annual installments through September 1, 2026, bearing interest at various rates from 2.00% to 3.00% per annum. The balance remaining as of December 31, 2017 is \$14,800,000.00.

\$5,885,000.00 Refunding Bonds, dated December 16, 2014, due in annual installments January 15, 2019, bearing interest at various rates from 2.00% to 5.00% per annum. The balance remaining as of December 31, 2017 is \$3,835,000.00.

\$38,800,000.00 General Improvement Bonds dated December 1, 2016, due in annual installments through November 15, 2018, bearing interest at various rates from 1.00% to 4.00% per annum. The balance remaining as of December 31, 2017 is \$36,700,000.00.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 6: LONG-TERM DEBT – Continued

\$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, 2017 is \$132,098.14.

\$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, 2016 is \$132,098.14.

\$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, 2016 is \$168,218.23.

The following schedules represents the changes in the Long-term Debt:

	<u>Outstanding</u> <u>12/31/15</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Outstanding</u> <u>12/31/16</u>	<u>Amounts Due</u> <u>Within One Year</u>
General Capital Fund:					
Bonds Payable	\$ 50,520,000.00	38,800,000.00	8,745,000.00	80,575,000.00	9,640,000.00
Loans Payable	491,062.52		29,032.24	462,030.28	29,615.77
Compensated Absences Pay.	4,812,065.64		117,819.56	4,694,246.08	
Total General Capital Fund	<u>55,823,128.16</u>	<u>38,800,000.00</u>	<u>8,891,851.80</u>	<u>85,731,276.36</u>	<u>9,669,615.77</u>
Total All Funds	<u>\$ 55,823,128.16</u>	<u>38,800,000.00</u>	<u>8,891,851.80</u>	<u>85,731,276.36</u>	<u>9,669,615.77</u>

	<u>Outstanding</u> <u>12/31/16</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Outstanding</u> <u>12/31/17</u>	<u>Amounts Due</u> <u>Within One Year</u>
General Capital Fund:					
Bonds Payable	\$ 80,575,000.00		9,640,000.00	70,935,000.00	10,120,000.00
Loans Payable	462,030.28		29,615.77	432,414.51	30,211.05
Compensated Absences Pay.	4,694,246.08		83,488.88	4,610,757.20	
Total General Capital Fund	<u>85,731,276.36</u>	<u>-</u>	<u>9,753,104.65</u>	<u>75,978,171.71</u>	<u>10,150,211.05</u>
Total All Funds	<u>\$ 85,731,276.36</u>	<u>-</u>	<u>9,753,104.65</u>	<u>75,978,171.71</u>	<u>10,150,211.05</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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

Year Ending December 31	General Capital Fund		Green Trust Loans	
	Principal	Interest	Principal	Interest
2018	10,120,000.00	2,032,837.50	30,211.05	8,497.99
2019	10,515,000.00	1,642,312.50	30,818.28	7,890.76
2020	7,100,000.00	1,280,437.50	31,437.74	7,271.30
2021	5,200,000.00	1,025,937.50	32,069.64	6,639.40
2022	5,200,000.00	858,937.50	32,714.24	5,994.78
2023-2027	28,600,000.00	2,151,312.50	173,702.89	19,842.29
2028-2032	4,200,000.00	42,000.00	101,460.67	3,628.87
	-	-		
	<u>\$ 70,935,000.00</u>	<u>9,033,775.00</u>	<u>432,414.51</u>	<u>\$ 59,765.39</u>

Note 7: 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 fund balance 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. The City estimates this liability to approximate \$4,610,757.20 and \$4,694,246.08, as of December 31, 2017 and 2016 respectively, based on current pay rates and compensated absence balances.

NOTE 8: 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:

Mass Mutual Financial Group
 Nationwide Retirement System (PEBSCO)

Note 9: SCHOOL TAXES

Local District School Tax in the amounts of \$25,135,655.00 and \$24,672,784.00 have been raised for the 2017 and 2016 calendar years and remitted to the school district.

Note 10: TAXES COLLECTED IN ADVANCE

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

	Balance December 31, 2017	Balance December 31, 2016
Prepaid Taxes - Cash Liability	\$ <u>11,831,164.80</u>	\$ <u>2,548,837.95</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 11: PENSION 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.

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and expanded under the provisions of Chapter 89, P.L. 2008. 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 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 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 compensation equals the compensation for the final year of service prior to retirement. Members may seek special retirement after achieving 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 compensation for each year of service.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 11: PENSION PLANS - Continued

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.

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. Currently the member contribution rate is 7.34% of base salary. 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. Currently, Members contribute at a rate of 10.0% of base salary.

For the Public Employees' Retirement System, the City's contribution was \$1,542,054.63 for 2017, \$1,464,685.00 for 2016 and \$1,355,417.00 for 2015.

Three-Year Trend Information for PERS			
Funding Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/17	\$ 1,542,054.63	100%	-
12/31/16	1,464,685.00	100%	-
12/31/15	1,355,417.00	100%	-

For the Police and Firemen's Retirement System, the City's contribution was \$3,022,027.50 for 2017, \$2,973,523.00 for 2016 and \$2,797,917 for 2015.

Three-Year Trend Information for PFRS			
Funding Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/17	\$ 3,022,027.50	100%	-
12/31/16	2,973,523.00	100%	-
12/31/15	2,797,917.00	100%	-

For the DCRP, 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. For the Deferred Contribution Retirement Program, the City's contribution was \$19,019.88 for 2017 and \$12,981.48 for 2016.

The Lifeguard Pension provides for employee contributions of 4.00% of employees' annual compensation. The City's contributions to the Lifeguard Pension for the year ended December 31, 2017, 2016 and 2015 was \$200,000.00, \$150,000.00 and \$135,000.00. The City's trust for the Lifeguard Pension at December 31, 2017 was \$24,461.87. The benefits paid by the trust for the year ended December 31, 2017, 2016 and 2015 were \$239,893.74, \$206,454.45 and \$203,024.73.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 11: PENSION PLANS - Continued

Significant Legislation

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

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

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.78% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2013, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

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

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to $\frac{1}{60}$ th from $\frac{1}{55}$ th, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a $\frac{1}{7}$ th of the required amount, beginning in fiscal years 2012.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 11: PENSION PLANS - Continued

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

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

Note 12: PENSION LIABILITIES

In 2012, the Governmental Accounting Standards Board issued GASB statement 68. This statement is effective for fiscal years beginning after June 15, 2014. This statement changes the method of reporting the municipality's pension liabilities. However, due to the fact that the municipality reports on the regulatory basis of accounting, no financial statement impact will be recognized.

The following represents the municipality's pension liabilities as June 30, 2017:

Public Employees' Retirement System

The Municipality has a liability of \$39,297,090.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Municipality's proportion would be 0.16881352310%, which would be a decrease of 2.07% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Municipality would have recognized pension expense of \$3,191,138.00. At December 31, 2017, the Municipality would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected & actual experience	\$ 925,311.00	
Changes of assumptions	7,917,009.00	(7,887,984.00)
Changes in proportion	1,354,938.00	(637,108.00)
Net difference between projected and actual earnings on pension plan investments	267,587.00	
Total	<u>\$ 10,464,845.00</u>	<u>(8,525,092.00)</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 12: PENSION LIABILITIES - Continued

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

<u>Year ended June 30,</u>		
2018	\$	1,543,216.70
2019		2,242,064.01
2020		1,331,777.04
2021		(1,780,509.29)
2022		(1,396,795.46)
Total	<u>\$</u>	<u>1,939,753.00</u>

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	2.25%
Salary increases:	
Through 2026	1.65% - 4.15% (based on age)
Thereafter	2.65% - 5.15% (based on age)
Investment rate of return:	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more experience deviates, the larger the impact on future financial statements.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 12: PENSION LIABILITIES – Continued

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflations. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 12: PENSION LIABILITIES – Continued

The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate of 5.00%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.00%) or 1-percentage point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Municipality's proportionate share of the net pension liability	\$ 47,147,021.49	39,297,090.00	32,765,596.41

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Police and Firemen's Retirement System

The Municipality has a liability of \$56,898,433.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Municipality's proportion would be 0.36855931880%, which would be an increase of 0.05% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Municipality would have recognized pension expense of \$5,312,111.00. At December 31, 2017, the Municipality would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 369,124.00	(333,946.00)
Changes of assumptions	7,016,211.00	(9,318,300.00)
Changes in proportion	445,974.00	
Net difference between projected and actual earnings on pension plan investments	1,085,755.00	
Total	\$ 8,917,064.00	(9,652,246.00)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 12: PENSION LIABILITIES - Continued

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

Year ended June 30,	
2018	\$ 388,167.18
2019	1,006,151.86
2020	(31,835.64)
2021	(1,442,254.63)
2022	(655,410.77)
Total	\$ (735,182.00)

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	2.25%
Salary increases:	
Through 2026	2.10% - 8.98% (based on age)
Thereafter	3.10% - 9.98% (based on age)
Investment rate of return:	7.00%

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and three years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then three years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 12: PENSION LIABILITIES - Continued

inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 12: PENSION LIABILITIES – Continued

The following presents the collective net pension liability of the participating employers as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (5.14%)	Current Discount Rate (6.14%)	1% Increase (7.14%)
District's proportionate share of the net pension liability	\$ 73,413,104.96	56,898,433.00	43,333,804.75

In addition to the PFRS liabilities listed above, a special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The June 30, 2017 State special funding situation net pension liability amount of \$1,729,193,507.00 is the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2017 State special funding situation pension expense of \$211,519,420.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2017. The pension expense is deemed to be a State administrative expense due to the special funding situation.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and required contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2016, the State contributed an amount less than the actuarially determined amount.

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the Municipality was 0.36855931880% for 2017. The net pension liability amount allocated to the Municipality was \$6,373,104.00. For the fiscal year ending June 30, 2017 State special funding situation pension expense of \$779,575.00 is allocated to the Municipality.

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued PFRS financial report.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 13: 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, fire districts, regional school district and the county, the rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provisions for the assessment of property, levying of taxes and the collection thereof are 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 February 1st, May 1st, August 1st, and November 1st, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes, due February 1st and May 1st of the fiscal year, are based upon one-half of the prior 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 a tax sale in accordance with New Jersey statutes.

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 on or before April 1 for review. Due to errors or delinquencies in notices sent to property owners, the April 1 deadline to file an appeal petition may be extended. 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 petition was unsatisfactorily reviewed by the County Board of Taxation, 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 collections from prior years are charged to a reserve set aside for this purpose or directly to operations.

Note 14: ECONOMIC DEPENDENCY

The City of Ocean City is economically dependent on tourism as a major source of revenue for the entity.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 15: 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	2017	\$ 5,830,076.84	\$ 3,000,000.00	51.46%
	2016	6,359,077.20	3,380,000.00	53.15%
	2015	6,902,883.11	3,650,000.00	52.88%
	2014	6,279,816.01	3,350,000.00	53.35%
	2013	5,811,666.28	2,886,000.00	49.66%

Note 16: FEDERAL AND STATE GRANTS

In the normal course of operations, the City participates in a number of federal and state grant programs. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions relevant 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 17: RISK MANAGEMENT

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

Property and Liability Insurance

The City maintains commercial insurance coverage for property, liability and surety bonds. During the years ended December 31, 2017 and 2016, the City did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

Note 18: 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 19: POST- RETIREMENT BENEFITS

The City offers medical, prescription drug, dental and vision coverage to eligible retirees and their dependents. This Benefit is administered directly by the City.

The actuarial valuation report was based on 286 active employees and 169 retirees. The actuarial determined valuation of these benefits has been reviewed for the purpose of estimating the present value of future benefits for active and retired employees and their dependents as required by GASB 45.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 19: POST- RETIREMENT BENEFITS - Continued

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost represents the accrued cost for post-employment benefits under GASB 45. The cumulative difference between the annual OPEB cost and the benefits paid during a year will result in a net OPEB obligation. The annual OPEB cost is equal to the annual required contribution (ARC) less adjustment if a net OPEB obligation exists. The ARC is equal to the normal cost and amortization of the Unfunded Actuarial Accrued Liability (UAAL) plus interest.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrences of events far into the future, including future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the January 1, 2017 actuarial valuation, the projected unit credit cost method was used for all participants. The discount rate utilized is 4.5%.

Other Post-Employment Benefit Costs and Obligations

In the January 1, 2017 actuarial valuation, the Annual Required Contribution (ARC) for the year ending December 31, 2017 was projected as follows:

	<u>12/31/2017</u>
Normal Cost	\$ 2,580,000
Amortization of Unfunded Liability	8,690,000
Interest & Amortization on Normal Cost	510,000
Total ARC	\$ <u><u>11,780,000</u></u>

The following reflects the components of the 2017 annual OPEB Costs, amounts paid, and changes to the net accrued OPEB obligation based on the January 1, 2017 actuarial valuation and actual OPEB payments made or accrued during 2017:

	<u>12/31/2017</u>
Net OPEB Obligation - Beginning of Year	\$ 20,390,000
Interest on net OPEB	920,000
Adjustment to ARC	(1,200,000)
Annual OPEB Cost	11,780,000
OPEB Payments	4,120,000
Increase in Net OPEB Obligation	<u>7,380,000</u>
Net OPEB Obligation - End of Year	\$ <u><u>27,770,000</u></u>
Percentage of OPEB Cost Contributed	<u><u>35.0%</u></u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 19: POST- RETIREMENT BENEFITS - Continued

Required Supplementary Information:

	<u>12/31/2017</u>
Actuarial Value of Plan Assets	\$ -
Actuarial Accrued Liability (AAL)	147,920,000
Total Unfunded AAL (UAAL)	<u>147,920,000</u>
Funded ratio	0.00%
Covered payroll	<u>\$ 24,630,000</u>
UAAL as a % of Covered Payroll	<u>601%</u>

Note 20: SUBSEQUENT EVENTS

On June 6, 2018, the City went to bid for a \$35,500,000 Bond Anticipation with a net interest cost of 2.75% for a previously issued note to fund various General Capital Ordinances.

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2017 and June 29, 2018 the date the financial statements were available for issuance for possible disclosure and recognition in the financial statement and no additional items, except as noted above, were noted for disclosure.

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SUPPLEMENTARY INFORMATION

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	Current Fund	Grant Fund
Balance December 31, 2016	\$ 10,525,851.81	25,296.81
Increased by Receipts:		
Tax Collector	111,526,695.63	
Homestead Rebates	310,379.07	
Senior & Vets Deductions	114,558.90	
Revenue Accounts Receivable	17,032,990.99	
Reserve for Payroll Taxes Payable	55,340,154.82	
Reserve for Health Insurance Claims	10,098,134.53	
Prepaid Beach Tags	88,140.00	
Due to Current Fund - Cancelled Grant Balances	17,362.88	
Change Funds Returned	32,300.00	
Due to General Capital Fund		350,000.00
Matching Funds for Grants		3,658.80
Federal and State Unappropriated		31,286.82
Federal and State Receivables		1,842,057.03
	194,560,716.82	2,227,002.65
Decreased by Disbursements:		
Current Year Appropriation	72,916,357.73	
Prior Year Appropriations	957,675.27	
County Taxes	27,695,083.67	
County Added Taxes	184,608.13	
Local District School Taxes	24,962,191.00	
Special Improvement District Taxes	182,313.00	
Payroll Taxes Payable	55,332,450.44	
Reserve for Health Insurance Claims	10,001,656.56	
Change Funds Created	32,350.00	
Due to General Capital Fund		700,000.00
Due to Current Fund - Cancelled Grant Balances	3,658.80	17,362.88
Matching Funds Due to Grant Fund		1,512,290.53
Federal and State Disbursements		
	192,268,344.60	2,229,653.41
Balance December 31, 2017	\$ 12,818,224.03	22,646.05

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

Balance December 31, 2016		\$	270,048.70
Increased by Receipts:			
Prepaid Taxes	11,831,164.80		
Taxes Receivable	106,987,452.48		
Revenue Accounts Receivable	205,995.08		
Tax Overpayments	36,178.94		
			119,060,791.30
			119,330,840.00
Payments to Treasurer			111,526,695.63
Balance December 31, 2017		\$	7,804,144.37

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

Year	Balance Dec. 31, 2016	Current Year Levy	Added Taxes	Collections by Cash		Adjustments	Transferred To Tax Title Lien	Arrears	Balance Dec. 31, 2017
				2016	2017				
2015	5.22				5.22				-
2016	680,868.69		2,000.00	670,378.29	670,378.29	11,314.48	670.62		505.30
	680,873.91	-	2,000.00	670,383.51	670,383.51	11,314.48	670.62	-	505.30
2017		109,163,110.21	907,062.07	2,548,837.95	106,774,576.20	22,166.99	826.05		723,765.09
\$	680,873.91	109,163,110.21	909,062.07	2,548,837.95	107,444,959.71	33,481.47	1,496.67	-	724,270.39

106,987,452.48	Cash Receipts
310,379.07	Homestead Rebates
29,621.63	Overpayments Applied
117,506.53	Senior Citizens and Veterans
<u>107,444,959.71</u>	

Analysis of Current Year Tax Levy

Tax Yield:

General Property Tax	109,163,110.21
Added Taxes (54:4-63.1 et. Seq.)	<u>907,062.07</u>
	<u>110,070,172.28</u>

Tax Levy:

General County Taxes	26,482,354.32
County Open Space Taxes	1,212,729.35
County Added and Omitted Taxes	<u>232,759.33</u>
Total County Taxes	27,927,843.00

Local School District Tax

25,135,655.00

Special Improvement District Tax

182,313.00

Local Tax for Municipal Purposes

55,832,083.93

Add: Additional Tax Levied

992,277.35

56,824,361.28

110,070,172.28

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

Balance December 31, 2016	\$	1,429.93
Increased by:		
Transfers from Taxes Receivable	1,496.67	
None		
Other	-	
	_____	1,718.29
		3,148.22
Decreased by:		
None	_____	-
Balance December 31, 2017	\$	3,148.22

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2016	Accrued in 2017	Collected by		Balance Dec. 31, 2017
			Collector	Treasurer	
Licenses:					
Other	\$ -	425,068.98		425,068.98	-
Fees and Permits		1,023,555.75		1,023,555.75	-
Fines and Costs:					
Municipal Court		360,932.79		360,932.79	-
Interest and Costs on Taxes		197,641.41	197,641.41		-
Interest Earned on Investments		205,969.45		205,969.45	-
Parking Meters		3,020,551.72		3,020,551.72	-
Beach Fees		4,020,943.08		4,020,943.08	-
Rental or Sale of City Material and Property		183,426.37		183,426.37	-
Airport Fees		148,593.57		148,593.57	-
Boat Ramp Fees		29,354.53		29,354.53	-
Aquatic and Fitness Center User Fees		1,094,475.09		1,094,475.09	-
Smoke Detector Inspection Fees		160,575.50		160,575.50	-
Emergency Medical Services		631,593.79		631,593.79	-
Energy Receipts Tax		2,146,048.00		2,146,048.00	-
Uniform Construction Code Fees		1,007,174.00		1,007,174.00	-
Upper Township - Dispatching Services		231,790.00		231,790.00	-
Shared Services - HMGF		24,981.92		24,981.92	-
Reserves for Debt Service, Capital Fund Balance & Arbitrage Reserve		950,000.00		950,000.00	-
OC Library - Contracted Services		229,442.00		229,442.00	-
OC Library - Return to Taxpayers		881,005.00		881,005.00	-
Miscellaneous Revenue Not Anticipated		336,798.12	8,353.67	328,444.45	-
	\$ -	17,309,921.07	205,995.08	17,103,925.99	-
			Cash Received	17,032,990.99	
			Prepaid Applied	70,935.00	
				<u>17,103,925.99</u>	

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed
OPERATIONS WITHIN "CAPS"				
EXECUTIVE BRANCH				
Mayor's Office	\$	922.22		922.22
Other Expenses				
ADMINISTRATION DEPARTMENT				
City Administrator				
Salaries and Wages	3,860.49	3,860.49		3,860.49
Other Expenses	825.93	825.93	205.00	620.93
Information Technology				
Salaries and Wages	2,176.02	2,176.02		2,176.02
Other Expenses	54,128.25	40,128.25	37,328.25	2,800.00
Purchasing Division				
Salaries and Wages	613.91	613.91	100.00	513.91
Other Expenses	3,553.31	3,553.31	518.65	3,034.66
Emergency Management				
Other Expenses	465.97	465.97	265.90	200.07
Human Resources				
Salaries and Wages	71,497.46	71,497.46	71,497.46	-
Other Expenses	18,281.28	23,281.28	17,163.69	6,117.59
Neighborhood & Social Services				
Salaries and Wages	869.38	869.38	869.38	-
Other Expenses	32.99	32.99	7.65	25.34
Public Relations				
Salaries and Wages	24,551.05	38,551.05	35,652.89	2,898.16
Other Expenses	3,166.11	3,166.11	2,554.94	611.17

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed
COMMUNITY SERVICE DEPARTMENT				
Administration				
Salaries and Wages	194.59	194.59	194.59	-
Other Expenses	4,139.97	4,139.97	198.65	3,941.32
Engineering and Project Management				
Salaries and Wages	8,914.24	8,914.24	3,642.66	5,271.58
Other Expenses	17,997.02	14,997.02	1,107.00	13,890.02
Recreation & Leisure Programs				
Salaries and Wages	7,008.23	7,008.23	3,873.86	3,134.37
Other Expenses	36.75	36.75	6.99	29.76
Planning & Zoning				
Salaries and Wages	2,365.11	2,365.11	2,365.11	-
Other Expenses	2,774.16	2,774.16	2,769.50	4.66
Planning Board				
Other Expenses	2,900.38	10,900.38	7,665.90	3,234.48
Zoning Board of Adjustment				
Other Expenses	7,169.60	7,169.60	152.66	7,016.94
Historical Commission				
Other Expenses	2,199.26	2,199.26	85.00	2,114.26
Music Pier Operations				
Salaries and Wages	4,340.88	4,340.88		4,340.88
Other Expenses	1,963.10	1,963.10	1,714.04	249.06
Aquatic and Fitness Center				
Salaries and Wages	20,012.60	12,812.60	10,221.97	2,590.63
Other Expenses	5,824.71	5,824.71	4,933.19	891.52
Facility Maintenance				
Salaries and Wages	16,447.42	16,447.42	1,842.18	14,605.24
Other Expenses	62,250.53	62,250.53	5,842.48	56,408.05
Environmental Operations				
Salaries and Wages	2,252.57	2,252.57	1,205.47	1,047.10
Other Expenses				
Miscellaneous Other Expenses	33,465.73	33,465.73	5,956.05	27,509.68
Trash & Recycling	362,632.37	362,632.37	190,281.32	172,351.05

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed
Field Operations				
Salaries and Wages	25,263.81	25,263.81		25,263.81
Other Expenses	8,151.28	8,151.28	6,160.32	1,990.96
Fleet Maintenance				
Salaries and Wages	14,716.61	4,971.39		4,971.39
Other Expenses	4,501.32	14,246.54	13,011.94	1,234.60
Municipal Code and licensing				
Salaries and Wages	6,713.04	6,713.04		6,713.04
Other Expenses	4,714.86	4,714.86	1,867.76	2,847.10
LAW DEPARTMENT				
Legal Division				
Salaries and Wages	159.72	159.72		159.72
Other Expenses	42,129.66	42,129.66	37,351.86	4,777.80
Public Defender				
Other Expenses	5,126.94	5,126.94	3,162.50	1,964.44
FINANCIAL MANAGEMENT				
Treasurer's Office				
Audit Services	2,352.00	2,352.00		2,352.00
Other Expenses	25,250.14	25,250.14	6,500.00	18,750.14
Accounting Division				
Salaries and Wages	847.93	847.93		847.93
Other Expenses	1,532.63	1,532.63	1,073.26	459.37
Parking Regulation				
Salaries and Wages	415.18	415.18		415.18
Other Expenses	28,295.83	24,295.83	10,505.79	13,790.04
Property Assessment Division				
Salaries and Wages	3,042.00	3,042.00	1,685.81	1,356.19
Other Expenses	13,435.29	13,435.29	25.16	13,410.13
Beach Fee Regulation Division				
Salaries and Wages	251.52	251.52		251.52
Other Expenses	4,777.59	4,777.59	1,151.80	3,625.79

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed
Tax Collection Division				
Salaries and Wages	2,122.85	2,122.85	1,100.00	1,022.85
Other Expenses	2,289.14	2,289.14	356.45	1,932.69
Revenue Collection				
Salaries and Wages	11,140.88	11,140.88	11,140.88	-
Other Expenses	43,297.01	39,297.01	24,169.17	15,127.84
STATUTORY OFFICES				
City Clerk				
Salaries and Wages	1,366.85	1,366.85	550.00	816.85
Other Expenses	7,722.61	7,722.61	7,722.61	-
City Council				
Salaries and Wages	21.56	21.56		21.56
Other Expenses	999.38	999.38	816.22	183.16
Municipal Court				
Salaries and Wages	15,648.61	15,648.61	1,764.82	13,883.79
Other Expenses	7,984.50	7,984.50	1,055.25	6,929.25
DEPARTMENT OF FIRE				
Rescue Services Division				
Salaries and Wages	1,998.95	1,998.95		1,998.95
Other Expenses	26,449.00	26,449.00	20,628.15	5,820.85
Lifeguards Division				
Salaries and Wages	35.13	35.13		35.13
Other Expenses	1,286.18	1,286.18	300.00	986.18
Fire Protection and Prevention				
Salaries and Wages	25,162.70	25,162.70		25,162.70
Other Expenses	23,732.49	40,732.49	40,573.16	159.33

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed
DEPARTMENT OF POLICE				
Police Protection Division				
Salaries and Wages	6,779.11	6,779.11	6,779.11	-
Miscellaneous Other Expenses	13,395.42	13,395.42	13,395.42	-
Purchase of Vehicles	200.00	200.00	200.00	-
OTHER				
City Wide Operations				
Finance - Other Expenses	91,384.58	91,384.58	49,303.10	42,081.48
City Wide Operations				
Public Works - Other Expenses	71,716.63	71,716.63	58,689.98	13,026.65
UNIFORM CONSTRUCTION CODE				
State Uniform Construction Code				
Construction Official				
Salaries and Wages	531.54	531.54	531.54	-
Other Expenses	20,089.41	21,289.41	17,699.35	3,590.06
INSURANCE				
General Liability	15,390.00	15,390.00		15,390.00
Employee Group Health	1,980.78	1,980.78	543.33	1,437.45
UTILITY EXPENSES AND BULK PURCHASES				
Electricity	58,207.45	58,207.45	55,264.03	2,943.42
Street Lighting	18,051.64	40,051.64	38,090.29	1,961.35
Telephone	8,354.28	8,354.28	8,003.34	350.94
Water	102,315.73	102,315.73	57,536.13	44,779.60
Fuel Oil	67,336.35	67,336.35	23,371.34	43,965.01
Gasoline	131,881.87	96,881.87	11,667.44	85,214.43

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed
STATUTORY EXPENDITURES				
Contributions to				
Social Security System (O.A.S.I.)	14,325.05	14,325.05		14,325.05
Unemployment Compensation Insurance	35,758.83	34,008.83	6,830.85	27,177.98
Defined Contribution Retirement Program	2,018.52	3,768.52	3,312.56	455.96
OPERATIONS EXCLUDED FROM "CAPS" INSURANCE				
Employee Group Health	3,562.12	3,562.12		-
Matching Funds for Grants	16,755.00	16,755.00	3,562.12	16,755.00
	\$ 1,792,803.09	1,792,803.09	957,675.27	835,127.82
		Cash Disbursed	957,675.27	
		Accounts Payable	957,675.27	

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

Balance December 31, 2016			
School Tax Payable	\$	-	
School Tax Deferred		<u>12,394,363.50</u>	
			\$ 12,394,363.50
Increased by:			
Levy - School Year July 1, 2017 to June 30, 2018			<u>25,135,655.00</u>
			37,530,018.50
Decreased by:			
Payments			<u>24,962,191.00</u>
Balance December 31, 2017			
School Tax Payable		-	
School Tax Deferred		<u>12,567,827.50</u>	
			<u>12,567,827.50</u>
Current Year Liability for Local School District School Tax:			
Tax Paid			24,962,191.00
Tax Payable Ending			<u>-</u>
			24,962,191.00
Less: Tax Payable Beginning			<u>-</u>
Amount charged to Current Year Operations			<u><u>\$ 24,962,191.00</u></u>

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

<u>Purpose</u>	Balance Dec. 31, 2016	Transferred From 2017 Revenues	Received	Adjustments	Balance Dec. 31, 2017
FEDERAL GRANTS:					
Airport Layout	\$ 4,512.00			4,512.00	-
CDBG	1,355.00		1,355.00		-
Community Development Block Grant 14/15	153,811.59		153,811.59		-
Community Development Block Grant 15/16	283,074.00		283,074.00		-
CDBG		547,976.00	32,203.31		515,772.69
CDBG - DR: Prepare Area Plan	50,000.00		50,000.00		-
CDBG - DR: Prepare Codes & Ordinances	20,000.00		19,789.00		211.00
CDBG - DR: Design Development	50,000.00		49,598.00		402.00
CDBG - DR: Develop Floodplain	50,000.00		50,000.00		-
CDBG - DR: Permit & Application Fee	25,000.00		25,000.00		-
Body Armor Replacement Fund	-	5,079.67	5,079.67		-
Bullet Prof Vest Partnership		4,532.00	4,532.00		-
US Homeland Security - Port Security Grant	8,107.76			8,107.76	-
Total Federal	645,860.35	557,587.67	674,442.57	12,619.76	516,385.69
STATE GRANTS:					
NJ Department of State - Cooperative Marketing Grant	0.50			0.50	-
Recycling Tonnage Grant		27,652.03	27,652.03		-
NJDHTS - Holiday Crackdown				5,000.00	-
NJ Solid Waste Administration - Bonus Grant	5,000.00			0.50	-
Drive Sober or get Pulled Over	1,336.23		1,336.23		-
City Wide Pedestrian Grant	4,717.75		4,717.75		-
Drive Sober or get Pulled Over - 2013 Holiday Crackdown	1,532.30		1,532.30		-
Distracted Driver Crackdown - 2014	2,613.15		2,613.15		-
Drive Sober Crackdown - 2014	1,309.85		1,309.85		-
Drive Sober Holiday Crackdown - 2014	2,017.50		2,017.50		-
Sustainable NJ		30,000.00	15,000.00		15,000.00
NJ DOT - Dredge Material Management Grant		1,219,935.03			1,219,935.03
NJ DEP - Electric Vehicle Charging Grant		5,000.00			5,000.00

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

<u>Purpose</u>	Balance Dec. 31, 2016	Transferred From 2017 Revenues	Received	Adjustments	Balance Dec. 31, 2017
STATE GRANTS: (CONTINUED)					
Pedestrian Education & Enforcement	919.00			919.00	-
Post Sandy Grant	26,500.00			26,500.00	-
NJ Historic Trust Sandy Relief - City Hall Renovations	230,000.00		230,000.00		-
NJ Historic Trust Sandy Relief - Life Saving Station	143,031.00				143,031.00
NJ Historic Trust Sandy Relief - Transportation Center	501,000.00		501,000.00		-
DCA - Disabled Recreation - Grant	13,659.19				13,659.19
Clean Communities Program		92,666.69			-
Airport Obstruction Removal Grant	69,480.00		23,328.96		46,151.04
Transportation Trust Fund				180,000.00	-
Year 2012 - Simpson Avenue	180,000.00				172,000.00
Year 2014 - Bay to West 31st - 33rd	172,000.00				-
Year - 2016 - Pleasure - West - 16th	43,750.00		43,750.00		-
NJ Council of the Arts - POPS	15,000.00			15,000.00	-
DCA Historic Preservation Grant - Life Saving Station	356,321.05		234,216.78		122,104.27
Total State	<u>1,770,188.02</u>	<u>1,375,253.75</u>	<u>1,167,614.46</u>	<u>240,946.78</u>	<u>1,736,880.53</u>
OTHER GRANTS:					
Cape May County Open Space Grant	200,000.00				200,000.00
Total Other	<u>200,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000.00</u>
\$	<u><u>2,616,048.37</u></u>	<u><u>1,932,841.42</u></u>	<u><u>1,842,057.03</u></u>	<u><u>253,566.54</u></u>	<u><u>2,453,266.22</u></u>

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

	Balance December 31, 2016		2017 Appropriations	Disbursed	Encumbrances	Canceled	Balance Dec. 31, 2017
	Appropriated	Reserve for Encumbrances					
FEDERAL GRANTS:	\$						
FAA - Airport Layout	4,750.00				4,750.00		-
US DOJ - JAG Edward Byrne Memorial Community Development Block Grant 14/15	507.54	5,250.00		5,250.00	507.54		-
Community Development Block Grant 15/16		170,570.85		170,570.85			-
Community Development Block Grant	7,600.00						-
Community Development Block Grant			547,976.00	263,886.30	4,682.50		7,600.00
CDBG - DR: Prepare Area Plan		50,000.00		50,000.00			-
CDBG - DR: Prepare Codes & Ordinances		20,000.00		19,789.00			211.00
CDBG - DR: Design Development		50,000.00		49,598.00			402.00
CDBG - DR: Develop Floodplain		50,000.00		50,000.00			-
CDBG - DR: Permit & Application Fee		25,000.00		25,000.00			-
Body Armor Grant		677.84		677.84			-
Body Armor Replacement Fund			5,079.67				5,079.67
Bullet Proof Vest Partnership			4,532.00				4,532.00
FEMA - OEM Grant			7,000.00				7,000.00
FEMA - NJ State Police - EMS	13,073.71						13,073.71
US Homeland Security - Port Security Grant	8,107.76				8,107.76		-
Total Federal	34,039.01	371,498.69	564,587.67	634,771.99	4,682.50	13,365.30	317,305.58
STATE GRANTS:							
Clean Communities	52,153.43						82,894.61
NJ Council on the Arts - Ocean City POPS	15,000.00	40,593.30	92,666.69	99,535.31	2,983.50	15,000.00	-
Drunk Driving Enforcement	8,861.26			4,578.81			4,282.45
City Wide Pedestrian Grant	616.01					616.01	-
Recycling Tonnage Grant	1,121.82	23,804.55	27,652.03	29,079.64			23,498.76
Alcohol Education and Rehabilitation	90.91						90.91
Pedestrian Education & Enforcement	1,772.85					1,772.85	-
NJ DOT - Bay to West:31st-33rd	172,000.00				172,000.00		-
NJ DOT - Simpson Avenue 2012	180,000.00					180,000.00	-
NJ DOT - Dredge Material Management Grant			1,219,935.03	166,878.38	382,507.50		670,549.15
Body Worn Camera Assistance Program	9,500.00			8,838.00			662.00
Airport Obstruction Removal Grant	69,480.00			29,347.62			40,132.38
Airport Obstruction Removal Grant - Match	23,245.00			23,245.00			-
Cooperative Marketing Grant	17,021.16					17,021.16	-
Drive Sober Holiday Crackdown - 2013	4,400.00					4,400.00	-
Drive Sober Holiday Crackdown - 2013	1,064.65					1,064.65	-
Drive Sober Holiday Crackdown - 2014	2,611.20					2,611.20	-
Drive Sober Holiday Crackdown - 2014	2,141.90					2,141.90	-
NJDHTS - Holiday Crackdown	5,000.00					5,000.00	-
DCA Historic Preservation Grant - Life Saving Station	-	402,582.93		402,582.93			-

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

	Balance December 31, 2016		2017 Appropriations	Disbursed	Encumbrances	Canceled	Balance Dec. 31, 2017
	Appropriated	Reserve for Encumbrances					
STATE GRANTS: (CONTINUED)							
Sustainable Jersey 2012	0.10					0.10	-
Sustainable Jersey 2017			30,000.00	28,947.00			1,053.00
Sustainable Land Use Planning Project	25.00					25.00	-
Ocean City Free Public Library - Police Grant	0.57					0.57	-
NJ DEP - Electric Vehicle Charging Grant			5,000.00	4,000.00			1,000.00
NJ Historic Trust Sandy Relief - Life Saving Station	143,031.00			15,422.50	17,348.50		110,260.00
NJ Historic Trust Sandy Relief - Transportation Center	(0.00)	65,099.35		44,463.35	4,095.00		16,541.00
Post Sandy Planning Grant	18,432.50						18,432.50
Post Sandy Planning Grant	27,000.00					27,000.00	-
DCA - Disabled Recreation - Grant	16,997.00			600.00			16,997.00
DCA - Disabled Recreation - Match	3,650.31	600.00					3,650.31
Ocean City Pedestrian Safety Grant 2012	910.68					910.68	-
Total State	<u>776,127.35</u>	<u>532,680.13</u>	<u>1,375,253.75</u>	<u>857,518.54</u>	<u>578,934.50</u>	<u>257,564.12</u>	<u>990,044.07</u>
OTHER GRANTS:							
Municipal Alliance			3,658.80				3,658.80
Cape May County Open Space Grant	200,000.00			20,000.00			200,000.00
USTA - Hurricane Sandy Relief Program	20,000.00						-
Total Other	<u>220,000.00</u>	<u>-</u>	<u>3,658.80</u>	<u>20,000.00</u>	<u>-</u>	<u>-</u>	<u>203,658.80</u>
	<u>\$ 1,030,166.36</u>	<u>904,178.82</u>	<u>1,943,500.22</u>	<u>1,512,290.53</u>	<u>583,617.00</u>	<u>270,929.42</u>	<u>1,511,008.45</u>

CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES

<u>Purpose</u>	<u>Balance Dec. 31, 2016</u>	<u>Transferred To 2017 Appropriations</u>	<u>Received</u>	<u>Balance Dec. 31, 2017</u>
FEDERAL GRANTS:				
FEMA - OEM Grant	\$ 7,000.00	7,000.00		-
Total Federal	<u>7,000.00</u>	<u>7,000.00</u>	<u>-</u>	<u>-</u>
STATE GRANTS:				
Drunk Driving Enforcement Fund			5,287.44	5,287.44
Body Armor Fund				-
Recycling Tonnage Grant			25,999.38	25,999.38
Total State	<u>-</u>	<u>-</u>	<u>31,286.82</u>	<u>31,286.82</u>
	<u>\$ 7,000.00</u>	<u>7,000.00</u>	<u>31,286.82</u>	<u>31,286.82</u>

**TRUST FUND
SCHEDULE OF DOG TRUST CASH - TREASURER**

Balance December 31, 2016	\$	9,594.38
Increased by:		
Cash Receipts for;		
Dog Licenses Collected	2,965.30	
Dog Park	14,806.73	
Donation	24,000.00	
Due to State of NJ	748.80	
Interest on Investments	0.53	
	42,521.36	42,521.36
		52,115.74
Decreased by:		
Cash Disbursed for:		
Dog Fund Expenditures	217.08	
Dog Park	30,094.00	
Due to State of New Jersey	752.40	
	31,063.48	31,063.48
Balance December 31, 2017	\$	21,052.26

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

Balance December 31, 2016		\$ 5,946,767.69
Increased by:		
Cash Receipts for Other Reserves:		
Interest on Investments	22,586.89	
Employee Withholdings	57,080.97	
Budget Appropriations	200,000.00	
Other Receipts	4,003,880.02	
	<hr/>	<hr/> 4,283,547.88
		10,230,315.57
Decreased by:		
Cash Disbursed for Other Reserves	3,318,217.75	
	<hr/>	<hr/> 3,318,217.75
Balance December 31, 2017		\$ <u><u>6,912,097.82</u></u>

**TRUST FUND
ANIMAL CONTROL FUND - RESERVE FOR DOG FUND EXPENDITURES**

Balance December 31, 2016	\$	9,590.78
Increased by:		
Dog Park Fees	14,806.73	
Dog License Fees Collected	2,965.30	
Donation	24,000.00	
Interest on Investments	0.53	
		41,772.56
		51,363.34
Decreased by:		
Dog Park	30,094.00	
Dog Licensing Supplies	217.08	
		30,311.08
Balance December 31, 2017	\$	21,052.26

Fess Collected		2016	15,826.92
		2015	16,795.00
			32,621.92
			32,621.92

**TRUST FUND
ANIMAL CONTROL FUND - DUE TO STATE OF NEW JERSEY**

Balance December 31, 2016	\$	3.60
Increased by:		
Cash Receipts	748.80	
	748.80	748.80
Decreased by:		
Cash Disbursed	752.40	
	752.40	752.40
Balance December 31, 2017	\$	-

**TRUST FUND
SCHEDULE OF OTHER RESERVES**

Title	Balance Dec. 31, 2016	Interest on Investments	Employee Withholdings	Budget Appropriation	Other Cash Receipts	Cash Disbursed	Balance Dec. 31, 2017
Tax Premiums	\$ 416,781.73				629,916.55	591,900.61	454,797.67
Dedicated Recreation Trust	241,737.44	214.18			1,106,439.23	1,144,752.88	203,637.97
Tourism Development	172,334.15				683,100.37	705,758.12	149,676.40
Law Enforcement Trust	20,851.87				3,300.00		24,151.87
Parking Offenses Adjudication Act	26,228.62	10.68			2,167.11		28,406.41
Cash Performance Deposits	790,109.76	851.98			492,098.88	338,071.28	944,989.34
Dedicated Fire Fees	846.12				3,380.00	1,639.20	2,586.92
Lifeguard Pension	7,274.64		57,080.97	200,000.00		239,893.74	24,461.87
Shade Trees	1,642.99	1.28				2,543.71	2,250.56
COAH	4,065,544.01	21,508.77			770,523.00	22,993.40	4,834,582.38
Merchant Fees	11,662.68				21,682.25	18,803.75	14,541.18
Planning & Zoning Escrow	191,753.68				288,122.63	251,861.06	228,015.25
	<u>\$ 5,946,767.69</u>	<u>22,586.89</u>	<u>57,080.97</u>	<u>200,000.00</u>	<u>4,003,880.02</u>	<u>3,318,217.75</u>	<u>6,912,097.82</u>

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

Balance December 31, 2016		\$ 58,287,883.66
Increased by:		
Bond Anticipation Notes	54,470,000.00	
Current Fund Appropriations:		
Capital Improvement Fund	1,600,000.00	
Due from Grant Fund	700,000.00	
Premium on Sales of Bonds & Notes	570,051.80	
Stainton's Parking Lot Contributions	75,000.00	
Reserve for Debt Service:		
Flood Insurance Reimbursements	9,114.24	
FEMA - Sandy	1,007,929.03	
FEMA - Jonas	23,204.17	
NJAW Paving Costs	14,660.22	
Marina Note Interest	32,093.40	
	<hr/>	<u>58,502,052.86</u>
		116,789,936.52
Decreased by:		
Improvement Authorizations	12,681,605.47	
Encumbrances	15,943,835.03	
Bond Anticipation Notes	61,520,000.00	
Due from Grant Fund	350,000.00	
Anticipated as Current Revenue:		
Fund Balance	550,000.00	
Reserve for Debt Service	400,000.00	
	<hr/>	<u>91,445,440.50</u>
Balance December 31, 2017		\$ <u><u>25,344,496.02</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance		Receipts		Disbursements		Transfers		Balance Dec. 31, 2017
	Dec. 31, 2016		Debt Issued		Improvement Authorizations		Miscellaneous		
	Miscellaneous		Miscellaneous		Miscellaneous		From	To	
Fund Balance	\$ 1,286,153.54		645,051.80		550,000.00			17,566.00	1,398,771.34
Capital Improvement Fund	107,537.53		1,600,000.00				1,632,425.00		75,112.53
Reserve for Debt Service	2,737,759.01		1,087,001.06		400,000.00				3,424,760.07
Cash Reserved to Pay BAN's	31,050,000.00				31,050,000.00				-
Encumbrances Payable	15,943,835.03				15,943,835.03			16,005,458.06	16,005,458.06
Due from Grant Fund	(700,000.00)		700,000.00		350,000.00				(350,000.00)
Reserve for Preliminary Expenses	17,566.00						17,566.00		-
Improvement Authorizations:									
10-13 Acquisition of Property	2,062.94				2,062.94				-
11-15 Land Acquisition	13,054.00				13,054.00				(0.00)
11-25 Various Capital Improvements	9,123.80				9,123.80				(0.00)
12-08 Various Capital Improvements	80,351.95				12,173.00				68,178.95
12-15 Bellevue Demolition	8,355.85				2,178.06		500.00		5,677.79
12-21 Hurricane Sandy Repairs	6,021.75				6,021.75				-
13-02 Various Improvements	15,219.23				(17,512.40)		4,537.13		28,194.50
13-04 Various Improvements	(89,711.21)				(26,638.14)		35,048.38		(98,121.45)
13-20 Various Improvements	(22,500.00)								(22,500.00)
14-05 Various Improvements	182,649.47				107,219.52		17,849.63		57,580.32
14-13 Various Improvements	(5,940.25)				(4,003.70)		7,439.00		(9,375.55)
14-33 Various Improvements	(21,602.86)				32,691.14				(54,294.00)
14-35 Refunding Bond Ordinance	(12,500.00)				20,000.00				(20,000.00)
14-42 Skateboard Park	(12,500.00)						31,388.09		(12,500.00)
15-04 Lagoon & Back Bay Dredging	9,360.00				(22,028.09)				-
15-09 Various Improvements	(16,811.04)		800,000.00		260,442.41		413,044.15		109,702.40
15-17 Various Improvements	332,535.26				(104,011.34)		444,896.60		(8,350.00)
15-29 Roads & Drainage	(72,735.00)				(5,429.15)		27,694.15		(95,000.00)
16-01 Various Improvements	(678,795.11)		2,600,000.00		1,076,130.03		392,958.82		452,116.04
16-10 Acquisition of Property	(8,381.12)				16,526.58		92.30		(25,000.00)
16-19 Various Improvements	8,115,274.89		5,000,000.00		3,203,534.96		5,377,711.14		4,534,028.79
17-01 Various Improvements			8,600,000.00		5,524,254.12		3,801,450.89	609,125.00	(116,580.01)
17-05 Acquisition of Property			600,000.00		3,498.54		2,480.97	32,500.00	626,520.49
17-09 Various Improvements			5,900,000.00		2,572,317.44		5,448,366.81	923,300.00	(1,197,384.25)
17-18 Acquisition of Property			500,000.00					35,000.00	535,000.00
17-19 Acquisition of Property								32,500.00	32,500.00
	\$ 58,287,883.66		4,032,052.86		12,681,605.47		17,655,449.06	17,655,449.06	25,344,496.02
					48,293,835.03				

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

Balance December 31, 2016		\$ 107,537.53
Increased by:		
Budget Appropriation	1,600,000.00	
	1,600,000.00	1,600,000.00
		1,707,537.53
Decreased by:		
Improvement Authorizations	1,632,425.00	
	1,632,425.00	1,632,425.00
Balance December 31, 2017		\$ <u><u>75,112.53</u></u>

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

Balance December 31, 2016		\$ 81,037,030.28
Increased by:		
None		-
		81,037,030.28
Decreased by:		
Serial Bonds Paid & Refunded	9,640,000.00	
Greet Trust Loans Paid	29,615.77	
		9,669,615.77
Balance December 31, 2017		\$ 71,367,414.51

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

Ord #	Improvement Description	Balance Dec. 31, 2016	2017 Authorizations	BAN Principal Reduction Payment	Balance Dec. 31, 2017	Analysis of Balance		
						Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
		\$						
13-04	Various Improvements	98,600.00			98,600.00		98,121.45	478.55
13-20	Various Improvements	322,500.00			322,500.00	300,000.00	22,500.00	-
14-05	Various Improvements	353,050.00			353,050.00	300,000.00		53,050.00
14-13	Various Improvements	9,750.00			9,750.00		9,375.55	374.45
14-15	10th Street Marina	2,600,000.00		130,000.00	2,470,000.00	2,470,000.00		-
14-33	Various Improvements	63,250.00			63,250.00		54,294.00	8,956.00
14-35	Refunding Bond Ordinance	20,000.00			20,000.00		20,000.00	-
14-42	Skateboard Park	12,500.00			12,500.00		12,500.00	(0.00)
15-09	Various Improvements	1,878,635.00			1,878,635.00	1,800,000.00	78,635.00	-
15-17	Various Improvements	1,058,350.00			1,058,350.00	1,050,000.00	8,350.00	-
15-29	Roads & Drainage	1,995,000.00			1,995,000.00	1,900,000.00	95,000.00	-
16-01	Various Improvements	16,629,275.00			16,629,275.00	16,600,000.00	29,275.00	(0.00)
16-10	Acquisition of Property	475,000.00			475,000.00	450,000.00	25,000.00	-
16-19	Various Improvements	18,461,750.00			18,461,750.00	14,000,000.00	4,461,750.00	-
17-01	Various Improvements		11,573,375.00		11,573,375.00	8,600,000.00	2,973,375.00	-
17-05	Acquisition of Property		617,500.00		617,500.00	600,000.00		17,500.00
17-09	Various Improvements		17,542,700.00		17,542,700.00	5,900,000.00	7,097,384.25	4,545,315.75
17-18	Acquisition of Property		665,000.00		665,000.00	500,000.00		165,000.00
17-19	Acquisition of Property		617,500.00		617,500.00			617,500.00
		\$	31,016,075.00	130,000.00	74,863,735.00	54,470,000.00	14,985,560.25	5,408,174.75

Improvement Authorizations Unfunded
Less:

Unexpended Proceeds of Bond
Anticipation Notes Issued:

Ord. Number

14-05	57,580.32
15-09	188,337.40
16-01	481,391.04
16-19	8,995,778.79
17-01	2,856,794.99
17-05	600,000.00
17-03	5,900,000.00
17-18	500,000.00

19,579,882.54
5,408,174.75

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2016	Decreased	Balance Dec. 31, 2017
			Date	Amount				
General Improvements	7/15/2008	14,500,000	7/15/2018	1,700,000.00	5.250%	7,100,000.00	1,600,000.00	5,500,000.00
			7/15/2019	1,800,000.00	4.000%			
			7/15/2020	2,000,000.00	4.125%			
General Improvements	8/15/2010	13,800,000	8/15/2018	1,900,000.00	3.000%	5,700,000.00	1,900,000.00	3,800,000.00
			8/15/2019	1,900,000.00	4.000%			
General Improvements	12/20/2012	9,900,000	12/15/2018	900,000.00	4.000%	7,200,000.00	900,000.00	6,300,000.00
			12/15/2019	900,000.00	4.000%			
			12/15/2020	900,000.00	4.000%			
			12/15/2021	900,000.00	3.000%			
			12/15/2022	900,000.00	4.000%			
			12/15/2023	900,000.00	3.000%			
			12/15/2024	900,000.00	3.000%			
General Improvements	8/12/2014	17,900,000	9/1/2018	1,300,000.00	2.000%	16,000,000.00	1,200,000.00	14,800,000.00
			9/1/2019	1,500,000.00	2.000%			
			9/1/2020	1,600,000.00	2.000%			
			9/1/2021	1,600,000.00	2.000%			
			9/1/2022	1,600,000.00	2.000%			
			9/1/2023	1,800,000.00	3.000%			
Refunding Bonds	12/16/2014	5,885,000	9/1/2024	1,800,000.00	3.000%	5,775,000.00	1,940,000.00	3,835,000.00
			9/1/2025	1,800,000.00	3.000%			
General Improvements	12/1/2016	38,800,000	9/1/2026	1,800,000.00	3.000%	38,800,000.00	2,100,000.00	36,700,000.00
			1/15/2018	1,920,000.00	4.000%	5,775,000.00	1,940,000.00	3,835,000.00
			1/15/2019	1,915,000.00	5.000%			
			11/15/2018	2,400,000.00	4.000%			
			11/15/2019	2,500,000.00	4.000%			
			11/15/2020	2,600,000.00	4.000%			
			11/15/2021	2,700,000.00	4.000%			
			11/15/2022	2,800,000.00	2.250%			
			11/15/2023	3,400,000.00	2.000%			
			11/15/2024	3,750,000.00	2.000%			
			11/15/2025	3,950,000.00	2.125%			
		11/15/2026	4,200,000.00	2.250%				
		11/15/2027	4,200,000.00	2.250%				
		11/15/2028	4,200,000.00	1.000%				
					\$	80,575,000.00	9,640,000.00	70,935,000.00

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding				Interest Rate	Balance Dec. 31, 2016	Decreased	Balance Dec. 31, 2017
			December 31, 2017 Date	Amount	December 31, 2016 Date	Amount				
Multi Park - ADA 0508-07-056	3/19/2010	200,000	2018	9,843.65	2018	9,843.65	2.000%	\$ 141,747.83	9,649.69	132,098.14
			2019	10,041.50	2019	10,041.50				
			2020	10,243.34	2020	10,243.34				
			2021	10,449.23	2021	10,449.23				
			2022	10,659.26	2022	10,659.26				
			2023	10,873.51	2023	10,873.51				
			2024	11,092.07	2024	11,092.07				
			2025	11,315.02	2025	11,315.02				
			2026	11,542.45	2026	11,542.45				
			2027	11,774.46	2027	11,774.46				
		2028	12,011.11	2028	12,011.11					
		2029	12,252.54	2029	12,252.54					
Multi Park - ADA 0508-07-056 (A)	3/19/2010	200,000	2018	9,843.65	2018	9,843.65	2.000%	141,747.83	9,649.69	132,098.14
			2019	10,041.50	2019	10,041.50				
			2020	10,243.34	2020	10,243.34				
			2021	10,449.23	2021	10,449.23				
			2022	10,659.26	2022	10,659.26				
			2023	10,873.51	2023	10,873.51				
			2024	11,092.07	2024	11,092.07				
			2025	11,315.02	2025	11,315.02				
			2026	11,542.45	2026	11,542.45				
			2027	11,774.46	2027	11,774.46				
		2028	12,011.11	2028	12,011.11					
		2029	12,252.54	2029	12,252.54					

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding			Interest Rate	Balance Dec. 31, 2016	Decreased	Balance Dec. 31, 2017
			December 31, 2017 Date	Amount	Balance Dec. 31, 2016				
4th Street Life Saving Station	3/23/2012	222,500	2018	10,523.75	178,534.62	2.000%	10,316.39	168,218.23	
			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						
								\$ 462,030.28	
								29,615.77	
								432,414.51	

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

Improvement Description	Ordinance Number	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
Various Capital Improvements	12-02	6/23/2011	6/16/2016	1/6/2017	1.5000% \$	700,000.00	-	700,000.00	-
Various Improvements	13-04	6/21/2013	6/16/2016	1/6/2017	1.5000%	5,400,000.00	-	5,400,000.00	-
Various Improvements	13-20	6/19/2014	6/16/2016	1/6/2017	1.5000%	4,000,000.00	-	4,000,000.00	-
Various Improvements	13-20	6/19/2014	6/18/2015	6/17/2016	2.0000%	300,000.00	-	300,000.00	-
Various Improvements	13-20	12/1/2016	12/1/2016	11/30/2017	2.5000%	-	300,000.00	-	300,000.00
Various Improvements	13-20	12/1/2016	11/29/2017	11/28/2018	2.5000%	-	300,000.00	-	300,000.00
Various Improvements	14-05	6/19/2014	6/16/2016	1/6/2017	1.5000%	8,500,000.00	-	8,500,000.00	-
Various Improvements	14-05	6/19/2014	6/18/2015	6/17/2016	2.0000%	300,000.00	-	300,000.00	-
Various Improvements	14-05	12/1/2016	12/1/2016	11/30/2017	2.5000%	-	300,000.00	-	300,000.00
Various Improvements	14-05	12/1/2016	11/29/2017	11/28/2018	2.5000%	-	300,000.00	-	300,000.00
Marina Redevelopment Area	14-15	12/3/2014	12/1/2016	11/30/2017	1.2378%	2,600,000.00	-	2,600,000.00	-
Marina Redevelopment Area	14-15	12/3/2014	11/29/2017	11/28/2018	2.7500%	-	2,470,000.00	-	2,470,000.00
Various Improvements	14-33	12/3/2014	6/16/2016	1/6/2017	1.5000%	1,000,000.00	-	1,000,000.00	-
Skateboard Park	14-42	6/18/2015	6/16/2016	1/6/2017	1.5000%	700,000.00	-	700,000.00	-
Lagoon & Back Bay Dredging	15-04	6/18/2015	6/16/2016	1/6/2017	1.5000%	4,750,000.00	-	4,750,000.00	-
Various Improvements	15-09	6/18/2015	6/16/2016	1/6/2017	1.5000%	6,000,000.00	-	6,000,000.00	-
Various Improvements	15-09	12/1/2016	12/1/2016	11/30/2017	2.5000%	1,000,000.00	-	1,000,000.00	-
Various Improvements	15-09	12/1/2016	11/29/2017	11/28/2018	2.5000%	-	1,000,000.00	-	1,000,000.00
Various Improvements	15-09	6/14/2017	6/14/2017	6/14/2018	2.0000%	800,000.00	-	800,000.00	-
Various Improvements	15-17	12/3/2015	6/14/2017	6/14/2018	2.0000%	650,000.00	-	650,000.00	-
Various Improvements	15-17	12/3/2015	6/16/2016	6/15/2017	2.0000%	400,000.00	-	400,000.00	-
Various Improvements	15-17	12/1/2016	12/1/2016	11/30/2017	2.5000%	-	400,000.00	-	400,000.00
Various Improvements	15-17	12/1/2016	11/29/2017	11/28/2018	2.5000%	-	400,000.00	-	400,000.00
Roads & Drainage	15-29	6/16/2016	6/16/2016	6/15/2017	2.0000%	1,900,000.00	-	1,900,000.00	-
Roads & Drainage	15-29	6/16/2016	6/14/2017	6/14/2018	2.0000%	-	1,900,000.00	-	1,900,000.00
Various Improvements	16-01	6/16/2016	6/16/2016	6/15/2017	2.0000%	12,000,000.00	-	12,000,000.00	-
Various Improvements	16-01	12/1/2016	12/1/2016	11/30/2017	2.5000%	2,000,000.00	-	2,000,000.00	-
Various Improvements	16-01	6/16/2016	6/14/2017	6/14/2018	2.0000%	12,000,000.00	-	12,000,000.00	-
Various Improvements	16-01	12/1/2016	6/14/2017	6/14/2018	2.0000%	2,000,000.00	-	2,000,000.00	-
Various Improvements	16-01	12/1/2016	11/29/2017	11/28/2018	2.5000%	2,600,000.00	-	2,600,000.00	-
Acquisition of Property	16-10	6/16/2016	6/16/2016	6/15/2017	2.0000%	450,000.00	-	450,000.00	-
Acquisition of Property	16-10	6/16/2016	6/14/2017	6/14/2018	2.0000%	-	450,000.00	-	450,000.00
Various Improvements	16-19	12/1/2016	12/1/2016	11/30/2017	2.5000%	9,000,000.00	-	9,000,000.00	-
Various Improvements	16-19	12/1/2016	11/29/2017	11/28/2018	2.5000%	-	9,000,000.00	-	9,000,000.00
Various Improvements	17-01	6/14/2017	6/14/2017	6/14/2018	2.0000%	6,600,000.00	-	6,600,000.00	-
Various Improvements	17-01	6/14/2017	11/29/2017	11/28/2018	2.5000%	2,000,000.00	-	2,000,000.00	-
Various Improvements	17-05	6/14/2017	6/14/2017	6/14/2018	2.0000%	600,000.00	-	600,000.00	-
Various Improvements	17-09	11/29/2017	11/29/2017	11/28/2018	2.5000%	5,900,000.00	-	5,900,000.00	-
Acquisition of Property	17-18	11/29/2017	11/29/2017	11/28/2018	2.5000%	500,000.00	-	500,000.00	-
						\$ 61,650,000.00	54,470,000.00	61,650,000.00	54,470,000.00

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

Ordinance Number	Improvement Description	Balance	2017	Debt	Other	Balance
		Dec. 31, 2016	Authorizations	Issued		Dec. 31, 2017
13-04	Various Improvements	\$ 98,600.00				98,600.00
13-20	Various Improvements	22,500.00				22,500.00
14-05	Various Improvements	53,050.00				53,050.00
14-13	Various Improvements	9,750.00				9,750.00
14-33	Various Improvements	63,250.00				63,250.00
14-35	Refunding Bond Ordinance	20,000.00				20,000.00
14-42	Skateboard Park	12,500.00				12,500.00
15-09	Various Improvements	878,635.00		800,000.00		78,635.00
15-17	Various Improvements	8,350.00				8,350.00
15-29	Roads & Drainage	95,000.00				95,000.00
16-01	Various Improvements	2,629,275.00		2,600,000.00		29,275.00
16-10	Acquisition of Property	25,000.00				25,000.00
16-19	Various Improvements	9,461,750.00		5,000,000.00		4,461,750.00
17-01	Various Improvements		11,573,375.00	8,600,000.00		2,973,375.00
17-05	Acquisition of Property		617,500.00	600,000.00		17,500.00
17-09	Various Improvements		17,542,700.00	5,900,000.00		11,642,700.00
17-18	Acquisition of Property		665,000.00	500,000.00		165,000.00
17-19	Acquisition of Property		617,500.00			617,500.00
		<u>\$ 13,377,660.00</u>	<u>31,016,075.00</u>	<u>24,000,000.00</u>	<u>-</u>	<u>20,393,735.00</u>

**PUBLIC ASSISTANCE TRUST FUND
SCHEDULE OF CASH**

	Trust Fund I	Trust Fund II
Balance December 31, 2016	\$ -	-
Increased by:		
State Aid for Public Assistance	-	115,863.19
SSI Receipts	-	15,959.82
	<u> </u>	<u> </u>
	-	131,823.01
	<u> </u>	<u>131,823.01</u>
Decreased by:		
Public Assistance	-	131,823.01
	<u> </u>	<u> </u>
	-	131,823.01
	<u> </u>	<u>131,823.01</u>
Balance December 31, 2017	\$ -	-
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

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

	Trust Fund I	Trust Fund II
Balance December 31, 2017	\$ -	-
Increased by:		
Cash Receipts		16,880.10
Decreased by:		
Cash Disbursements		16,880.10
	-	16,880.10
	-	16,880.10
Balance January 31, 2018	\$ -	-

**PUBLIC ASSISTANCE TRUST FUND
SCHEDULE OF REVENUES**

	<u>Trust Fund I</u>	<u>Trust Fund II</u>
State Aid Payments	\$	115,863.19
Supplemental Security Income: Client Refund		15,959.82
Total Revenues (PATF)	\$ <u> -</u>	<u>131,823.01</u>

**PUBLIC ASSISTANCE TRUST FUND
SCHEDULE OF EXPENDITURES**

	<u>Trust Fund I</u>	<u>Trust Fund II</u>
Current Year Assistance (State Matching):		
Maintenance Payments	\$	46,131.50
Burial		
Temporary Rent		69,916.00
Shelter		3,043.00
Transportation		320.00
Rent		6,106.00
Security Deposits		5,244.00
Storage		57.00
Other		1,005.51
Total Expenditures (PATF)	\$ <u> -</u>	<u>131,823.01</u>

**CITY OF OCEAN CITY
PART II
GENERAL COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED
DECEMBER 31, 2017**



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Counsel
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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2018, 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

June 29, 2018

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, 2015 the bid threshold is \$40,000.

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:

- Maintenance and Service of Pierce Fire Trucks
- Maintenance and Service of the Fire and Rescue Service Ambulances
- 2017 Software Maintenance Contract
- Replacement of Shelter Road Trash Compactor System
- 2017 Software Maintenance Contract for Computer aided Dispatch/Records Management
- Maintenance of City Owned Grounds & Garden Plots
- Lease of City Owned Beach Parcels
- Dog Park Security Access System Upgrade
- Supply & Delivery of Beach Path Matting
- Furnishing, Installation & Maintenance of Lease Coin Operated Binocular Viewing Machines
- Ocean City Drainage Improvements
- Helicopter Air Tours
- Airplane Rides Based from the Municipal Airport
- Landscape & Site Improvements at Various Locations
- Vegetation Restorations at CDF Site 83 Access Road
- Supply & Delivery of Uniforms & Sportswear Apparel
- 14th Street Boardwalk End Improvements
- Vending Machine Services
- 2016 Road Improvements to 4500 Block Municipal Building
- Installation of the Electrical Backup Generator at 46th Street Firehouse
- 2017 Payroll & Human Resource Software Contract
- HR Assessments, Consultations, Training & Coaching for Administration
- Residential and Non-Residential Material Reuse/Disposal
- Furniture for the Sleeping Quarters at the 29th Street Fire Station #2
- Boardwalk Reconstruction from 10th Street to 12th Street
- Fabrication & Delivery of Welded Aluminum Boardwalk Railing
- Improvements of Various Playground Facilities
- Supply & Delivery of Lifeguard Uniforms
- Supply & Delivery of Lumber & Piling
- Acquisition, Repair & Maintenance of Sea Doo's
- Emergency Medical Billing Service
- Supply & Delivery of Stainless Steel Screws
- Acquisition & Installation of Kentucky Bluegrass
- Acquisition, Repair & Maintenance of the City's CCTV Systems & Electronic Security

CITY OF OCEAN CITY

Acquisition & Installation of the Vehicle Maintenance Exhaust System
Aquatic & Fitness Center Pool Improvements
Acquisition of Two (2) 2017 or Newer 43,000 GVW Dump Trucks
Furnish & Installation of Video Equipment at the Ocean City Music Pier
Community Center Cooling Tower Replacement and Cold Air Intrusion
2017 Bulkhead Improvements at Various Locations- Phase I
Towing & Lockout Services for the City
Bulkhead Improvements at Various Locations- Phase II
ProWall Rink System for Public Works, Public Building and Grounds Division
2017 Bulkhead Improvements at Various Locations-Phase III
Acquisition, Repair and Maintenance of Grounds Equipment
Various Property Improvement Projects
2017 Back Bay Hydraulic Dredging
2017 Road Improvement Program- Phase I
Lease of 9th Street Parking Lot Restaurant
Signage for the Department of Public Works
Event Ticket Management & Sales
Installation, Maintenance & Repairs of City Wide Overhead Doors
Furnishing & Installation for Indoor Cycling Bikes at the Aquatic & Fitness Center
2018 Improvements to Various Playgrounds Facilities
2017 Back Bay Medicinal Dredging
Construction of Boardwalk Bathroom Facility at 6th Street
Furnish, Delivery & Service of Portable Restroom Facilities for the City
Supply & Delivery of 100 Low Lead Aviation Fuel
2017 Road Improvements Program- Phase II
Supply & Delivery of Police & Fire Department Uniforms
Masonry Stabilization Project at City Hall
Collection & Disposal of Solid Waste
Collection & Disposal of Municipal Recycling Materials
Collection & Disposal Service of Recycling Materials & Solid Waste Containers
Wetland Mitigation Activities Associated with Dredging
North End Drainage Improvements
Supply, Installation, Removal & Storage Holiday Decorations for Various Locations
2018 Downtown Streetscapes Improvements
9th Street Outfall Improvements
2018 Mechanical Improvements to Various City Buildings- Phase I

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,

CITY OF OCEAN CITY

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 2017.

This Resolution shall take effect January 1, 2017.

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

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 31st of the last three years:

<u>Year</u>	<u>Number</u>
2017	17
2016	6
2015	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 2017 and 2018 Taxes	10
Delinquent Taxes	10
Total	<u>20</u>

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collections</u>
2017 \$	110,070,172.28	109,323,414.15	99.32%
2016	104,627,897.11	103,883,886.67	99.29%
2015	102,163,205.50	101,370,335.38	99.22%
2014	99,578,715.26	98,672,979.09	99.09%
2013	95,863,852.78	94,937,906.55	99.03%

CITY OF OCEAN CITY

Comparative Schedule of Tax Rate Information

		<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Tax Rate	\$	0.943	0.907	0.895	0.882	0.842
Apportionment of Tax Rate:						
Municipal		0.484	0.454	0.444	0.436	0.421
County		0.241	0.236	0.233	0.225	0.206
Local School		0.218	0.217	0.218	0.221	0.215
Assessed Valuation		11,556,818,374	11,437,322,724	11,296,513,298	11,181,508,929	11,316,442,065

Delinquent Taxes and Tax Title Liens

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

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage Of Tax Levy</u>
2017 \$	3,148.22	724,270.39	727,418.61	0.66%
2016	1,429.93	680,873.91	682,303.84	0.65%
2015	1,766.69	691,033.10	692,799.79	0.68%
2014	1,766.69	855,902.30	857,668.99	0.86%
2013	1,748.18	800,887.11	802,635.29	0.84%

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

Leon P. Costello

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

June 29, 2018

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CITY OF OCEAN CITY
PART III
FEDERAL AND STATE FINANCIAL ASSISTANCE
PROGRAMS FOR THE YEAR ENDED
DECEMBER 31, 2017

**CITY OF OCEAN CITY
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA Number	Federal FAIN Number	Grant Period		Program or Award Amount	Receipts or Revenue Recognized	Budgetary Expenditures		(MEMO) Passed Through to Sub-Recipients
			From	To			Pass Through	Direct	
FEDERAL:									
Federal Emergency Management Agency	97.036	4264DRNJ00	2016	Open	23,204.17	23,204.17	-	-	-
Winter Storm Jonas	97.036	4264DRNJ00	2012	Open	5,859,223.03	1,007,929.03	1,844,569.44	1,844,569.44	-
Hurricane Sandy						1,031,133.20	1,844,569.44	1,844,569.44	-
Total Federal Emergency Management Agency									
U.S. Department of Justice	16.607	N/A	2017	Open	4,532.00	4,532.00	-	-	-
Bulletproof Vest	16.607	N/A	2016	Open	13,685.98	5,079.67	677.84	677.84	-
Body Armor Replacement						9,611.67	677.84	677.84	-
Total Federal Department of Justice									
Housing and Urban Development	14.218	B-14-MC-34-0130	2014	Open	298,159.00	155,166.59	5,250.00	5,250.00	-
Community Development Block Grant - 14/15	14.218	B-15-MC-34-0130	2015	Open	283,074.00	283,074.00	170,570.85	170,570.85	-
Community Development Block Grant - 15/16	14.218	B-17-MC-34-0130	2017	Open	547,976.00	32,203.31	268,568.80	268,568.80	-
Community Development Block Grant - 16/17	14.218	B-16-MC-34-0130	2016	Open	50,000.00	50,000.00	50,000.00	50,000.00	-
CDBG - DR; Prepare Area Plan	14.218	B-16-MC-34-0130	2016	Open	20,000.00	19,789.00	19,789.00	19,789.00	-
CDBG - DR; Prepare Codes & Ordinances	14.218	B-16-MC-34-0130	2016	Open	50,000.00	49,598.00	49,598.00	49,598.00	-
CDBG - DR; Design Development	14.218	B-16-MC-34-0130	2016	Open	50,000.00	50,000.00	50,000.00	50,000.00	-
CDBG - DR; Develop Floodplain	14.218	B-16-MC-34-0130	2016	Open	50,000.00	25,000.00	25,000.00	25,000.00	-
CDBG - DR; Permit & Application Fee	14.218	B-16-MC-34-0130	2016	Open	25,000.00	25,000.00	25,000.00	25,000.00	-
Total Housing and Urban Development						664,830.90	638,776.65	638,776.65	-
Total Federal Assistance						\$ 1,705,575.77	2,484,023.93	2,484,023.93	-

See Accompanying Notes to Schedule of Federal Awards State Financial Assistance

**CITY OF OCEAN CITY
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2017**

State Grantor Department Program Title / Name	Grant Award Number	Grant Period From	To	Program or Award Amount	Receipts or Revenue Recognized	Grant Disbursements/ Expenditures	Cumulative Expenditures
STATE OF NEW JERSEY							
NJ Department of Environmental Protection							
Clean Communities	4900-765-042-4900-004	1/1/2017	Open	\$ 92,666.69	\$ 92,666.69	9,772.08	9,772.08
Clean Communities	4900-765-042-4900-005	1/1/2016	Open	109,075.74		92,746.73	109,075.74
Recycling Tonnage	4900-752-042-4900-001	1/1/2017	Open	53,651.41	53,651.41	4,153.27	4,153.27
Recycling Tonnage	4900-752-042-4900-001	1/1/2016	Open	27,463.59		24,926.37	27,463.59
Electric Vehicle Charging Grant	N/A	1/1/2017	Open	5,000.00		4,000.00	4,000.00
NJ Department of Community Affairs							
DCA Historic Preservation Grant - Life Saving Station	8049-584-022-8049-001-F000-6120	1/1/2016	Open	750,000.00	234,216.78	402,582.93	750,000.00
NJ Historic Trust Sandy Relief - Life Saving Station	8049-584-022-8049-001-F000-6120	1/1/2015	Open	143,031.00		32,771.00	32,771.00
NJ Historic Trust Sandy Relief - City Hall Renovations	8049-584-022-8049-001-F000-6120	1/1/2016	Open	230,000.00	230,000.00		230,000.00
NJ Historic Trust Sandy Relief - Transportation Center	8049-584-022-8049-001-F000-6120	1/1/2015	Open	501,000.00	501,000.00	48,558.35	484,459.00
DCA - Disabled Recreation - Grant	N/A	1/1/2015	Open	24,000.00		600.00	3,952.69
NJ Department of Health							
Sustainable NJ	N/A	1/1/2015	Open	30,000.00	15,000.00	28,947.00	28,947.00
NJ Division of Law and Public Safety							
Drunk Driving Enforcement Fund	1110-101-030000-129040290064	1/1/2016	Open	15,196.54	5,287.44	4,578.81	8,122.58
Body Worn Camera Grant	N/A	1/1/2016	Open	9,500.00		8,838.00	8,838.00
NJ Department of Transportation							
NJ DOT - Pleasure - West - 16th - 2016	6320-480-078-6320	1/1/2016	Open	175,000.00	43,750.00	172,000.00	175,000.00
Airport Destruction Removal Grant	N/A	1/1/2016	Open	69,480.00	23,328.96	52,592.62	52,586.62
Dredge Material Management Grant	N/A	1/1/2017	Open	1,219,935.03		549,385.88	549,385.88
Department of Economic Assistance							
Public Assistance	7550-150-158010-60	01/01/2017	12/31/2017	131,823.01	131,823.01	131,823.01	131,823.01
Total State Assistance				\$ 1,330,724.29		1,568,276.05	

See Accompanying Notes to Schedule of Federal Awards State Financial Assistance

CITY OF OCEAN CITY
NOTES TO SCHEDULE OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2017

Note 1: General

The accompanying schedule of financial assistance present the activity of all federal and 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 schedules 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>Other</u>	<u>Total</u>
Grant Fund	\$ 639,454.49	1,436,453.04	20,000.00	2,095,907.53
General Capital Fund	1,844,569.44			1,844,569.44
Public Assistance Fund		131,823.01		131,823.01
Total Financial Assistance	\$ <u>2,484,023.93</u>	<u>1,568,276.05</u>	<u>20,000.00</u>	<u>4,072,299.98</u>

Note 4: Relationship to Federal & State Financial Reports

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

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FORD - SCOTT

& ASSOCIATES, L.L.C.

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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 UNIFORM GUIDANCE & NJ OMB 15-08

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

Report on Compliance for Each Major Federal and State Program

We have audited the City of Ocean City's compliance with the types of compliance requirements described in the *OMB Circular Uniform Guidance Compliance Supplement* and NJ OMB 15-08 that could have a direct and material effect on each of Ocean City's major federal and state programs for the year ended December 31, 2017. Ocean City's major federal and 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 Federal and State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Ocean City's major federal and 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 Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations* and NJ OMB 15-08. Those standards, OMB Circular Uniform Guidance and NJ OMB 15-08, 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 federal or 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 federal and state program. However, our audit does not provide a legal determination of the City of Ocean City's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the City of 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 federal and state programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the City 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 the City of Ocean City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and 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 federal and state program and to test and report on internal control over compliance in accordance with OMB Circular Uniform Guidance and NJ OMB 15-08, 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 the City 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 federal or 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 federal or 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 federal or 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 Uniform Guidance and NJ OMB 15-08. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards and State Assistance as Required by OMB Uniform Guidance and NJ OMB 15-08

We have audited the financial statements of the various funds and account group of the City of Ocean City as of and for the year ended December 31, 2017, and have issued our report thereon dated June 29, 2018, 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 Federal Awards and State Assistance are presented for purposes of additional analysis as required by OMB Circular Uniform Guidance and NJ OMB 15-08, 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 Federal Awards and State Assistance are 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
Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

June 29, 2018

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CITY OF OCEAN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING DECEMBER 31, 2017

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Adverse GAAP Opinion**
Unmodified Regulatory Basis Opinion

Internal control over financial reporting:

- 1) Material Weakness identified? **NO**
- 2) Significant Deficiencies? **NONE REPORTED**

Non-Compliance material to Financial Statements – Regulatory Basis noted? **NO**

State Awards

Internal control over major programs:

- 1) Material Weakness identified? **NO**
- 2) Significant Deficiencies identified? **NONE REPORTED**

Type of auditor's report issued on compliance for major programs: **Unmodified Opinion**

Any audit findings disclosed that are required to be reported in accordance with NJ OMB 15-08? **NO**

Identification of major programs:

6320-480-078-XXXX **NJ Department of Transportation – Dredge Material Management Grant**

Dollar threshold used to distinguish between Type A and Type B Programs: **\$750,000**

Auditee qualified as low-risk Auditee? **YES**

CITY OF OCEAN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING DECEMBER 31, 2017
(CONTINUED)

Federal Awards

Internal control over major programs:

- | | |
|---|----------------------|
| 3) Material Weakness identified? | NO |
| 4) Significant Deficiencies identified? | NONE REPORTED |

Type of auditor's report issued on compliance for major programs:	Unmodified Opinion
---	---------------------------

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	NO
--	-----------

Identification of major programs:

97.036	FEMA - Hurricane Sandy
---------------	-------------------------------

Dollar threshold used to distinguish between Type A and Type B Programs:	\$750,000
--	------------------

Auditee qualified as low-risk Auditee?	YES
--	------------

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 AWARDS

Federal: Our audit disclosed no material Findings or Questioned Costs.

STATUS OF PRIOR YEAR FINDINGS

There were no prior year findings.