

**CITY OF OCEAN CITY
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2008**

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CITY OF OCEAN CITY
PART I
REPORT ON AUDIT OF
FINANCIAL STATEMENTS - STATUTORY BASIS
DECEMBER 31, 2008



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 Council
City of Ocean City
County of Cape May, New Jersey

We have audited the accompanying balance sheets – statutory basis of the various funds and account groups of the City of Ocean City, State of New Jersey (the "City"), as of December 31, 2008 and 2007 and the related statements of operations and changes in fund balance – statutory basis for the years then ended and the related statement of revenues – statutory basis and statement of expenditures – statutory basis for the year ended December 31, 2008, as listed in the accompanying table of contents. These financial statements – statutory basis are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with 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 and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described in Note 1, the City, prepares its financial statements on a basis of accounting prescribed by the Division that demonstrates compliance with a modified accrual basis, with certain exceptions, and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the City's policy to prepare its financial statements on the prescribed basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the various funds and account groups of the City, as of December 31, 2008 and 2007 and the results of operations and changes in fund balance of such funds for the years then ended, and the statement of revenues and statement of expenditures of the various funds for the year ended December 31, 2008.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City, as of December 31, 2008 and 2007 and the results of operations and changes in fund balances of such funds for the years then ended and the statement of revenues and statement of expenditures of the various funds for the year ended December 31, 2008 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 28, 2009 on our consideration of the City's internal control structure over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules of federal and state awards are presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the financial statements of the City. The supplemental schedules and the schedules of federal and state awards as listed in the table of contents have been subjected to the auditing procedures applied to the audit of the financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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



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

August 28, 2009

**EXHIBIT - A
CURRENT FUND**

CITY OF OCEAN CITY
CURRENT FUND
COMPARATIVE BALANCE SHEET - STATUTORY BASIS

	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2008</u>	<u>Balance</u> <u>Dec. 31, 2007</u>
<u>Assets</u>			
Regular Fund:			
Cash:			
Treasurer	A-4	\$ 8,113,602.01	\$ 7,935,386.87
Collector	A-5	310,270.26	362,985.79
Change and Petty Cash Funds		<u>5,725.00</u>	<u>5,725.00</u>
		<u>8,429,597.27</u>	<u>8,304,097.66</u>
Other Receivables:			
Due from State of New Jersey		<u>7,595.09</u>	<u>3,776.82</u>
		<u>7,595.09</u>	<u>3,776.82</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-7	1,156,841.88	863,618.55
Tax Title Liens Receivable	A-8	1,204.95	1,201.55
Property Acquired for Taxes at Assessed Valuation		262,576.00	262,576.00
Rebate Receivable	A-4	11,947.00	11,947.00
		<u>1,432,569.83</u>	<u>1,139,343.10</u>
Deferred Charges:			
Special Emergency Authorization 5 Years (40A:4-55) - Revaluation		618,000.00	824,000.00
Emergency Authorization		<u>-</u>	<u>190,000.00</u>
		<u>618,000.00</u>	<u>1,014,000.00</u>
		<u>10,487,762.19</u>	<u>10,461,217.58</u>
Federal and State Grant Fund:			
Cash	A-4	70,339.66	380,364.52
Grant Receivables	A-11	2,356,777.46	2,352,541.47
Due from Current Fund	A-4	<u>11,947.00</u>	<u>11,947.00</u>
		<u>2,439,064.12</u>	<u>2,744,852.99</u>
		<u>\$ 12,926,826.31</u>	<u>\$ 13,206,070.57</u>

CITY OF OCEAN CITY
CURRENT FUND
COMPARATIVE BALANCE SHEET - STATUTORY BASIS

	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2008</u>	<u>Balance</u> <u>Dec. 31, 2007</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-10	\$ 275,567.12	\$ 137,764.32
Reserve for Encumbrances	A-3	734,273.28	855,954.39
Accounts Payable		28,959.65	-
Escrow - Blue Water Marina		33,059.76	33,059.76
Prepaid Taxes		1,411,198.12	1,398,029.67
Tax Overpayments		2,650.31	4,309.92
County Added Tax Payable		102,758.11	189,405.66
Special Emergency Note Payable		618,000.00	824,000.00
Due to Federal & State Grant Fund		11,947.00	11,947.00
Reserve for Garden State Trust Fund		1,356.89	420.30
Reserve for Revaluation		2,361.00	2,361.00
Reserve for Revaluation - 2006		170,986.53	378,502.71
Reserve for Tax Maps		15,817.50	15,817.50
Prepaid Beach Fees		16,605.00	21,430.00
Reserve for Tax Appeals		135,000.00	30,000.00
Payroll Taxes Payable		333,649.22	78,650.99
Reserve for Health Insurance Claims		357,330.62	-
		<u>4,251,520.11</u>	<u>3,981,653.22</u>
Reserve for Receivables and Other Assets		1,432,569.83	1,139,343.10
Fund Balance	A-1	<u>4,803,672.25</u>	<u>5,340,221.26</u>
		<u>10,487,762.19</u>	<u>10,461,217.58</u>
Federal and State Grant Fund:			
Unappropriated Reserves	A-12	41,227.79	26,139.57
Appropriated Reserves	A-13	1,741,199.76	1,798,959.70
Encumbrances Payable		656,636.57	919,753.72
		<u>2,439,064.12</u>	<u>2,744,852.99</u>
		<u>\$ 12,926,826.31</u>	<u>\$ 13,206,070.57</u>

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

	<u>Ref.</u>	<u>Year 2008</u>	<u>Year 2007</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$	2,390,004.00	\$ 3,200,000.00
Miscellaneous Revenue Anticipated		15,728,084.03	15,502,199.16
Receipts from Delinquent Taxes		851,626.46	762,262.09
Receipts from Current Taxes		85,320,751.20	82,429,856.28
Non-Budget Revenue		360,431.67	260,389.06
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		144,216.89	312,747.84
Cancellation of Tax Overpayments		-	1,731.36
Cancellation of Reserve for Tax Appeals		30,000.00	-
Cancellation of Stale Dated Checks		7,539.39	21,872.85
Total Income		<u>104,832,653.64</u>	<u>102,491,058.64</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Appropriations Within "CAP"			
Operations:			
Salaries and Wages		25,063,278.00	25,192,650.00
Other Expenses		15,571,324.39	14,317,300.22
Deferred Charges & Statutory Expenditures		1,328,731.20	1,587,173.46
Appropriations Excluded from "CAP"			
Operations:			
Salaries and Wages		183,116.00	-
Other Expenses		8,483,824.22	6,966,888.13
Capital Improvements		1,185,000.00	579,748.12
Municipal Debt Service		7,118,482.74	6,840,244.39
Deferred Charges & Statutory Expenditures		446,000.00	358,489.97
County Taxes		21,855,384.49	22,596,416.51
County Added and Omitted Taxes		102,758.11	189,405.66
Local District School Tax		21,450,014.50	20,793,165.50
Special Improvement District Taxes		185,764.00	186,155.00
Rebate Receivable		-	11,947.00
Prior Year Seniors & Veteran Deductions		4,000.00	-
Refund of Prior Year's Revenue		1,521.00	3,068.89
Total Expenditures		<u>102,979,198.65</u>	<u>99,622,652.85</u>

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

	<u>Ref.</u>	<u>Year 2008</u>	<u>Year 2007</u>
Excess In Revenue		\$ 1,853,454.99	\$ 2,868,405.79
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by			
Statute Deferred Charges to Budget of			
Succeeding Year		-	190,000.00
		<u>-</u>	<u>190,000.00</u>
Statutory Excess to Fund Balance		1,853,454.99	3,058,405.79
Fund Balance January 1	A	<u>5,340,221.26</u>	<u>5,481,815.47</u>
		7,193,676.25	8,540,221.26
Decreased by:			
Utilization as Anticipated Revenue		<u>2,390,004.00</u>	<u>3,200,000.00</u>
Fund Balance December 31	A	<u>\$ 4,803,672.25</u>	<u>\$ 5,340,221.26</u>

CITY OF OCEAN CITY
CURRENT FUND
STATEMENT OF REVENUES - STATUTORY BASIS

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated		\$ 2,390,004.00	\$	\$ 2,390,004.00	\$ -
		<u>2,390,004.00</u>	<u>-</u>	<u>2,390,004.00</u>	<u>-</u>
Miscellaneous Revenues:					
Licenses:					
Other		425,000.00		407,722.71	(17,277.29)
Fees and Permits		1,025,000.00		917,314.74	(107,685.26)
Fines and Costs:					
Municipal Court		725,000.00		856,276.47	131,276.47
Interest and Costs on Taxes		169,000.00		233,303.13	64,303.13
Parking Meters		1,950,000.00		2,063,430.61	113,430.61
Interest on Investments and Deposits		590,000.00		273,729.40	(316,270.60)
Beach Fees		3,225,000.00		3,247,779.02	22,779.02
Rental or Sale of City Material and Property		115,000.00		80,937.13	(34,062.87)
Airport Fees		165,000.00		175,438.42	10,438.42
Boat Ramp Fees		40,000.00		41,885.30	1,885.30
Aquatic and Fitness Center User Fees		650,000.00		747,896.78	97,896.78
Smoke Detector Inspection Fees		125,000.00		175,625.00	50,625.00
Emergency Medical Services		465,000.00		536,368.55	71,368.55
Energy Receipts Tax (P.L. 1997, Ch. 162 & 167)		2,382,420.00		2,382,420.00	-
Garden State Trust Fund		420.30		420.30	-
Uniform Construction Code Fees		500,000.00		499,308.00	(692.00)
Upper Township - Dispatching Services		183,116.00		183,116.00	-

CITY OF OCEAN CITY
CURRENT FUND
STATEMENT OF REVENUES - STATUTORY BASIS

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	N.J.S. 40A:4-87		
Miscellaneous Revenues (Continued):					
Special Items:					
State and Federal Programs Off-Set by Revenues:					
NJ Transportation Trust Fund		\$ 140,000.00	\$	\$ 140,000.00	\$ -
Drunk Driving Enforcement Fund		6,669.96		6,669.96	-
Community Development Block Grant		298,264.00		298,264.00	-
NJDHSS - Healthy Community Development		4,500.00		4,500.00	-
DMV Inspection Fees		3,702.00		3,702.00	-
Body Armor Grant		6,919.61		6,919.61	-
Aggressive Driving NJHTS		30,450.00		30,450.00	-
FEMA		10,000.00		10,000.00	-
FAA Grant		23,890.60		23,890.60	-
FAA Grant		3,211.00		3,211.00	-
FEMA - Fire Equipment		84,213.00		84,213.00	-
NJDOT Airport Safety Improvements		161,611.00		161,611.00	-
Clean Communities			56,765.92	56,765.92	-
Recycling Tonnage Grant			20,987.38	20,987.38	-
Share Grant - Solid Waste			33,490.00	33,490.00	-
Share Grant - Court Consolidation			16,750.00	16,750.00	-
NJ Dept of State - Cooperative Marketing			8,800.00	8,800.00	-
Neighborhood Preservation Program			100,000.00	100,000.00	-
USDOT/FAA - Airport Drainage Improvements Phase II			560,925.00	560,925.00	-

CITY OF OCEAN CITY
CURRENT FUND
STATEMENT OF REVENUES - STATUTORY BASIS

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	N.J.S. 40A:4-87		
Other Special Items:					
Lease Agreement - Ocean City Free Public Library		\$ 653,962.00	\$	\$ 653,963.00	\$ 1.00
Interlocal-Ocean City Tourism Development-Staffing Costs		25,000.00		25,000.00	-
OC Library - Contribution for Community Events		150,000.00		150,000.00	-
Comcast Franchise Agreement		130,000.00		130,000.00	-
Library Aid - CIF - Expansion Project		375,000.00		375,000.00	-
Total Miscellaneous Revenues	A-1	<u>14,842,349.47</u>	<u>797,718.30</u>	<u>15,728,084.03</u>	<u>88,016.26</u>
Receipts from Delinquent Taxes	A-1:A-2	<u>600,000.00</u>	<u>-</u>	<u>851,626.46</u>	<u>251,626.46</u>
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes		42,264,876.65		42,812,674.60	547,797.95
Total Amount to be Raised by Taxes for Support of Municipal Budget		<u>42,264,876.65</u>	<u>-</u>	<u>42,812,674.60</u>	<u>547,797.95</u>
Budget Totals		<u>60,097,230.12</u>	<u>797,718.30</u>	<u>61,782,389.09</u>	<u>887,440.67</u>
Non-Budget Revenues				<u>360,431.67</u>	<u>360,431.67</u>
		<u>\$ 60,097,230.12</u>	<u>\$ 797,718.30</u>	<u>\$ 62,142,820.76</u>	<u>\$ 1,247,872.34</u>

CITY OF OCEAN CITY
CURRENT FUND
STATEMENT OF REVENUES - STATUTORY BASIS

Analysis of Realized RevenuesAllocation of Current Tax Collections:

Revenues from Collections	\$	85,455,751.20
Allocated to:		
School, County and Other Taxes		<u>44,008,076.60</u>
Balance for Support of Municipal Budget Appropriations		41,447,674.60
Add: Appropriation		
"Reserve for Uncollected Taxes"		<u>1,500,000.00</u>
Less:		
Reserve for Tax Appeals		135,000.00
Amount for Support of Municipal Budget Appropriations	\$	<u><u>42,812,674.60</u></u>

Receipts from Delinquent Taxes:

Delinquent Tax Collections	\$	851,626.46
Tax Title Lien Collections		<u>-</u>
	\$	<u><u>851,626.46</u></u>

Analysis of Non-Budget Revenues:

Miscellaneous Revenue Not Anticipated:

Plans and Specs	600.00	
Recycling Rebates	4,038.90	
City Clerk	10,232.25	
Tax Collector	4,483.74	
PILOT - United Methodist Homes	63,500.00	
PILOT - Housing Authority	16,822.00	
Public Defender	5,850.00	
Binocular Fees	1,022.63	
Wilhelm Estate	14,787.12	
Library	40,693.53	
Sidewalk Permits	1,100.00	
Storage and Towing Fees	35,470.01	
Two Hundred Foot Information	1,556.00	
Vending Machines	4,960.00	
Bench Donations	70,200.00	
BAND - Reimbursements	6,240.00	
NSF Check Fees	386.00	
Unclaimed Funds	4,904.90	
Reimbursements from RMA	10,000.00	
SR's & Vet Admin Payment	3,806.82	
Various Refunds & Reimbursements	5,145.35	
S/W Reimbursement: Police	7,799.71	
Fire & EMS Services to Strathmere	25,850.00	
Rt. 52	11,781.50	
DMV Fees	3,800.00	
MRNA: Misc	4,933.71	
S/W Reimbursement: Planning	<u>467.50</u>	
	\$	<u><u>360,431.67</u></u>

CITY OF OCEAN CITY
CURRENT FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS

	Appropriations		Expended			(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
EXECUTIVE BRANCH:						
Mayors Office						
Salaries and Wages	\$ 20,394.00	\$ 20,600.00	\$ 20,600.00	\$ -	\$ -	\$
Other Expenses	5,445.00	5,345.00	4,060.84	107.20	1,176.96	
ADMINISTRATION DEPARTMENT:						
City Administrator						
Salaries and Wages	318,780.00	307,780.00	303,242.63	-	4,537.37	
Other Expenses	4,950.00	4,450.00	3,658.94	57.18	733.88	
Management of Information Systems						
Salaries and Wages	254,430.00	258,330.00	256,039.84	-	2,290.16	
Other Expenses	163,350.00	163,750.00	154,669.74	6,455.47	2,624.79	
Purchasing Division						
Salaries and Wages	219,780.00	222,580.00	221,822.07	-	757.93	
Other Expenses	8,415.00	6,415.00	6,254.55	154.40	6.05	
Emergency Management						
Salaries and Wages	9,900.00	10,000.00	10,000.00	-	-	
Other Expenses	16,830.00	13,830.00	12,079.83	600.00	1,150.17	
Personnel and Risk Management						
Salaries and Wages	456,390.00	429,890.00	429,506.00	-	384.00	
Other Expenses:						
Miscellaneous Other Expenses	108,900.00	94,900.00	76,613.46	11,531.77	6,754.77	
Economic Development & Environmental						
Salaries and Wages	52,470.00	60,470.00	60,444.06	-	25.94	
Other Expenses	3,465.00	965.00	852.92	-	112.08	
COMMUNITY SERVICE DEPARTMENT:						
Director's Office						
Salaries and Wages	261,855.00	267,355.00	262,004.92	-	5,350.08	
Other Expenses	1,485.00	1,485.00	947.63	-	537.37	
Public Relations						
Salaries and Wages	167,310.00	162,310.00	161,504.29	-	805.71	
Other Expenses	122,265.00	123,265.00	121,047.54	1,433.20	784.26	
Recreation Programs						
Salaries and Wages	608,850.00	611,850.00	605,261.01	-	6,588.99	
Other Expenses	23,265.00	50,265.00	37,190.32	20.00	13,054.68	
Recreation Operations						
Salaries and Wages	509,850.00	497,350.00	491,610.81	-	5,739.19	
Other Expenses	34,650.00	30,150.00	28,635.40	1,337.38	177.22	
Aquatic and Fitness Center						
Salaries and Wages	559,350.00	625,850.00	623,692.14	-	2,157.86	
Other Expenses	56,430.00	50,930.00	40,091.31	9,194.85	1,643.84	

CITY OF OCEAN CITY
CURRENT FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS

	Appropriations		Expended			(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
Public Assistance						
Salaries and Wages	\$ 74,250.00	\$ 59,850.00	\$ 59,151.98	\$ -	\$ 698.02	\$
Other Expenses	2,475.00	1,975.00	1,364.79	538.76	71.45	
LAW DEPARTMENT:						
Legal Division						
Salaries and Wages	41,580.00	41,830.00	41,824.12	-	5.88	
Other Expenses	272,646.00	417,646.00	305,325.06	109,391.98	2,928.96	
FINANCIAL MANAGEMENT:						
Treasurers Office						
Other Expenses:						
Audit Services	44,550.00	33,550.00	33,512.50	-	37.50	
Miscellaneous Other Expenses	50,000.00	50,000.00	50,000.00	-	-	
Accounting Division						
Salaries and Wages	474,210.00	468,310.00	461,850.62	-	6,459.38	
Other Expenses	30,190.00	29,190.00	14,314.36	13,886.22	989.42	
Parking Regulation						
Salaries and Wages	193,050.00	173,550.00	173,219.80	-	330.20	
Other Expenses	33,660.00	33,660.00	32,336.84	174.19	1,148.97	
Property Assessment Division						
Salaries and Wages	215,820.00	213,820.00	213,581.42	-	238.58	
Other Expenses	9,900.00	9,900.00	8,728.47	780.00	391.53	
Beach Fee Regulation Division						
Salaries and Wages	321,750.00	290,750.00	289,973.75	-	776.25	
Other Expenses	50,490.00	50,490.00	47,299.10	-	3,190.90	
Tax Collection Division						
Salaries and Wages	227,898.00	228,798.00	227,475.35	-	1,322.65	
Other Expenses	7,920.00	8,420.00	5,404.64	468.00	2,547.36	
Revenue Collection						
Salaries and Wages	352,440.00	344,940.00	341,366.76	-	3,573.24	
Other Expenses	153,450.00	114,450.00	113,159.03	992.34	298.63	
LEGISLATIVE:						
City Clerk						
Salaries and Wages	226,512.00	221,512.00	220,571.97	-	940.03	
Other Expenses	79,200.00	70,000.00	58,345.56	10,880.33	774.11	
City Council						
Salaries and Wages	72,864.00	73,719.00	73,718.71	-	0.29	
Other Expenses	24,750.00	15,950.00	14,089.00	1,005.00	856.00	

CITY OF OCEAN CITY
CURRENT FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS

	Appropriations		Paid or Charged	Expended		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification		Encumbered	Reserved	
PUBLIC SAFETY:						
Rescue Services Division						
Salaries and Wages	\$ 247,500.00	\$ 252,100.00	\$ 241,081.15	\$ -	\$ 11,018.85	\$
Other Expenses	71,280.00	64,780.00	57,224.31	4,915.28	2,640.41	
Lifeguards Division						
Salaries and Wages	1,168,200.00	1,111,700.00	1,111,289.93	-	410.07	
Other Expenses	54,450.00	53,950.00	51,655.37	1,319.32	975.31	
Police Protection Division						
Salaries and Wages	6,287,524.00	6,424,524.00	6,397,590.71	-	26,933.29	
Other Expenses	321,750.00	306,750.00	300,714.28	3,834.11	2,201.61	
Fire Protection and Prevention						
Salaries and Wages	5,612,310.00	5,688,310.00	5,649,618.83		38,691.17	
Other Expenses	120,780.00	120,780.00	86,819.63	19,718.30	14,242.07	
PUBLIC WORKS DEPARTMENT:						
Public Works Administration						
Salaries and Wages	381,645.00	385,145.00	379,331.16	-	5,813.84	
Other Expenses	19,800.00	13,300.00	7,976.65	4,530.72	792.63	
City Wide Operations						
Other Expenses	337,590.00	352,590.00	311,375.57	31,911.49	9,302.94	
Operations						
Salaries and Wages	983,070.00	969,570.00	950,767.75	-	18,802.25	
Other Expenses	2,577,960.00	2,580,460.00	2,361,841.61	215,418.56	3,199.83	
Facility Maintenance						
Salaries and Wages	917,730.00	879,630.00	874,837.77	-	4,792.23	
Other Expenses	108,900.00	108,900.00	101,296.00	7,589.00	15.00	
Fleet Maintenance						
Salaries and Wages	413,820.00	408,320.00	407,323.88	-	996.12	
Other Expenses	103,950.00	91,950.00	85,809.93	1,507.89	4,632.18	
Field Operations & Engineering						
Salaries and Wages	1,062,270.00	1,049,270.00	1,045,512.26		3,757.74	
Other Expenses	56,430.00	47,930.00	44,099.39	2,251.74	1,578.87	

CITY OF OCEAN CITY
CURRENT FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS

	Appropriations		Paid or Charged	Expended		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification		Encumbered	Reserved	
DEPARTMENT OF PLANNING & ENGINEERING:						
Planning & Engineering Administration						
Salaries and Wages	\$ 1,070,190.00	\$ 971,190.00	\$ 966,273.21	\$ -	\$ 4,916.79	\$
Other Expenses	83,160.00	56,660.00	51,934.87	4,700.13	25.00	
Planning Division						
Salaries and Wages	159,885.00	145,385.00	141,461.20	-	3,923.80	
Other Expenses	9,900.00	9,900.00	7,245.44	1,775.24	879.32	
Planning Board						
Other Expenses	27,720.00	27,720.00	25,989.05	1,073.01	657.94	
Zoning Board of Adjustment						
Other Expense	17,325.00	6,325.00	2,703.69	-	3,621.31	
Historical Commission						
Other Expenses	2,970.00	2,470.00	1,871.75	-	598.25	
Zoning Division						
Salaries and Wages	112,860.00	112,560.00	112,010.76	-	549.24	
Other Expenses	3,465.00	4,665.00	3,277.34	679.92	707.74	
Special Improvement District						
Other Expenses	21,780.00	21,780.00	21,383.39	-	-	396.61
MUNICIPAL COURT:						
Municipal Court						
Salaries and Wages	537,570.00	541,570.00	541,475.80	-	94.20	
Other Expenses	43,560.00	36,560.00	32,638.45	3,586.64	334.91	
Public Defender						
Other Expenses	32,670.00	39,170.00	38,100.00	-	1,070.00	
UNIFORM CONSTRUCTION CODE:						
State Uniform Construction Code						
Construction Official						
Salaries and Wages	538,560.00	532,560.00	531,830.45	-	729.55	
Other Expenses	19,800.00	13,800.00	10,645.52	2,550.24	604.24	
INSURANCE:						
General Liability	614,084.00	614,084.00	614,084.00	-	-	
Workers Compensation	1,050,106.00	1,050,106.00	1,050,106.00	-	-	
Employee Group Health	6,019,200.00	6,019,200.00	6,009,843.44	-	9,356.56	

CITY OF OCEAN CITY
CURRENT FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS

	Appropriations		Paid or Charged	Expended		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification		Encumbered	Reserved	
UTILITY EXPENSES AND BULK PURCHASES:						
Electricity	\$ 564,300.00	\$ 624,400.00	\$ 570,647.19	\$ 53,752.81	\$ -	\$ -
Street Lighting	351,450.00	316,450.00	265,311.04	51,138.96	-	-
Telephone	217,800.00	288,800.00	270,134.13	13,563.75	5,102.12	-
Water	643,500.00	743,500.00	660,766.00	82,734.00	-	-
Fuel Oil	184,140.00	200,640.00	180,200.58	20,439.42	-	-
Gasoline	285,120.00	373,120.00	336,338.06	36,274.48	507.46	-
TOTAL OPERATIONS WITHIN "CAPS"	40,406,488.00	40,634,999.00	39,630,881.62	734,273.28	269,447.49	396.61
Contingent	-	-	-	-	-	-
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	40,406,488.00	40,634,999.00	39,630,881.62	734,273.28	269,447.49	396.61
Detail:						
Salaries and Wages	25,132,867.00	25,063,278.00	24,898,867.11	-	164,410.89	-
Other Expenses	15,273,621.00	15,571,721.00	14,732,014.51	734,273.28	105,036.60	396.61
DEFERRED CHARGES:						
None						
STATUTORY EXPENDITURES:						
Contributions to:						
Social Security System (O.A.S.I.)	1,500,000.00	1,258,500.00	1,253,155.51	-	5,344.49	-
Consolidated Police and Firemen's Pension	8,242.20	8,242.20	8,242.20	-	-	-
Police and Firemen's Retirement System	-	-	-	-	-	-
Unemployment Compensation Insurance	50,000.00	61,989.00	61,272.78	-	716.22	-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES WITHIN "CAPS"	1,558,242.20	1,328,731.20	1,322,670.49	-	6,060.71	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	41,964,730.20	41,963,730.20	40,953,552.11	734,273.28	275,508.20	396.61

CITY OF OCEAN CITY
CURRENT FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS

	Appropriations		Expended			(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
OPERATIONS EXCLUDED FROM "CAPS"						
Maintenance of Free Public Library						
Other Expenses	\$ 4,087,266.75	\$ 4,087,266.75	\$ 4,087,266.75	\$ -	\$ -	\$ -
Police and Firemen's Retirement System	2,253,268.00	2,253,268.00	2,253,268.00			
Public Employee's Retirement System	660,558.40	661,558.40	661,499.48		58.92	
TOTAL OTHER OPERATIONS EXCLUDED						
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS						
Police Protection Division - Dispatching Upper Township	183,116.00	183,116.00	183,116.00	-	-	
PUBLIC AND PRIVATE PROGRAMS OFFSET						
BY REVENUES						
Drunk Driving Enforcement Fund	6,669.96	6,669.96	6,669.96			
Municipal Alliance on Alcoholism & Drug Abuse - Local	4,495.20	4,495.20	4,495.20			
Body Armor Program	6,919.61	6,919.61	6,919.61			
NJDHSS - Healthy Community Development	4,500.00	4,500.00	4,500.00			
FEMA - Fire Equipment	84,213.00	84,213.00	84,213.00			
FEMA - Fire Equipment - Local	4,432.00	4,432.00	4,432.00			
Highway Traffic Safety - Aggressive Driving	30,450.00	30,450.00	30,450.00			
DMV Inspection Fines	3,702.00	3,702.00	3,702.00			
FAA Grant	23,890.60	23,890.60	23,890.60			
FAA Grant - Local	1,257.40	1,257.40	1,257.40			
FAA Grant	3,211.00	3,211.00	3,211.00			
FAA Grant - Local	169.00	169.00	169.00			
NJDOT Airport Safety Improvements	95,000.00	95,000.00	95,000.00			
NJDOT Airport Safety Improvements - Local Match	5,000.00	5,000.00	5,000.00			
NJDOT Airport Safety Improvements	66,611.00	66,611.00	66,611.00			
NJDOT Airport Safety Improvements - Local Match	3,506.00	3,506.00	3,506.00			
FEMA - NJSP Emergency Management	10,000.00	10,000.00	10,000.00			
Clean Communities		56,765.92	56,765.92			
NJ Cooperative Marketing		8,800.00	8,800.00			
NJ Cooperative Marketing - Local		2,200.00	2,200.00			
Recycling Tonnage Grant		20,987.38	20,987.38			
Court Consolidation		16,750.00	16,750.00			
Neighborhood Preservation Program		100,000.00	100,000.00			
NJDOT Airport Drainage Improvements Phase II		560,925.00	560,925.00			
NJDOT Airport Drainage Improvements Phase II - Local		29,522.00	29,522.00			
NJ Department of Community Affairs		30,450.00	30,450.00			
NJ Department of Community Affairs - Middle & Woodbine		3,040.00	3,040.00			
Community Development Block Grant	298,264.00	298,264.00	298,264.00			
Matching Funds for Grants	40,000.00	8,278.00	-			8,278.00
TOTAL PUBLIC AND PRIVATE PROGRAMS						
OFFSET BY REVENUES						
	692,290.77	1,490,009.07	1,481,731.07	-	-	8,278.00

CITY OF OCEAN CITY
CURRENT FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS

	Appropriations		Paid or Charged	Expended		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification		Encumbered	Reserved	
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	\$ 7,876,499.92	\$ 8,675,218.22	\$ 8,666,881.30	\$ -	\$ 58.92	\$ 8,278.00
Detail:						
Salaries and Wages	183,116.00	183,116.00	183,116.00	-	-	-
Other Expenses	7,693,383.92	8,492,102.22	8,483,765.30	-	58.92	8,278.00
CAPITAL IMPROVEMENTS						
Capital Improvement Fund	1,045,000.00	1,045,000.00	1,045,000.00	-	-	-
NJ Transportation Trust Fund Authority Act	140,000.00	140,000.00	140,000.00	-	-	-
TOTAL CAPITAL IMPROVEMENTS	<u>1,185,000.00</u>	<u>1,185,000.00</u>	<u>1,185,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEBT SERVICE						
Payment of Bond Principal	4,750,000.00	4,750,000.00	4,750,000.00	-	-	-
Interest on Bonds	1,712,000.00	1,712,000.00	1,711,765.00	-	-	235.00
Interest on Notes	630,000.00	630,000.00	624,490.26	-	-	5,509.74
Green Trust Loan Program:						
Loan Repayments for Principal & Interest	33,000.00	33,000.00	32,227.48	-	-	772.52
TOTAL DEBT SERVICE	<u>7,125,000.00</u>	<u>7,125,000.00</u>	<u>7,118,482.74</u>	<u>-</u>	<u>-</u>	<u>6,517.26</u>

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

	Appropriations		Paid or Charged	Expended		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification		Encumbered	Reserved	
DEFERRED CHARGES EXCLUDED FROM "CAPS"						
Special Emergency Authorization - 5 Years	\$ 206,000.00	\$ 206,000.00	\$ 206,000.00	\$ -	\$ -	\$ -
Emergency Authorizations	190,000.00	190,000.00	190,000.00	-	-	-
Capital Ordinances #01-06	50,000.00	50,000.00	50,000.00	-	-	-
TOTAL DEFERRED CHARGES EXCLUDED FROM "CAPS"	<u>446,000.00</u>	<u>446,000.00</u>	<u>446,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	<u>16,632,499.92</u>	<u>17,431,218.22</u>	<u>17,416,364.04</u>	<u>-</u>	<u>58.92</u>	<u>14,795.26</u>
SUBTOTAL GENERAL APPROPRIATIONS	<u>58,597,230.12</u>	<u>59,394,948.42</u>	<u>58,369,916.15</u>	<u>734,273.28</u>	<u>275,567.12</u>	<u>15,191.87</u>
Reserve for Uncollected Taxes	<u>1,500,000.00</u>	<u>1,500,000.00</u>	<u>1,500,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS	<u>\$ 60,097,230.12</u>	<u>\$ 60,894,948.42</u>	<u>\$ 59,869,916.15</u>	<u>\$ 734,273.28</u>	<u>\$ 275,567.12</u>	<u>\$ 15,191.87</u>
Adopted Budget		\$ 60,097,230.12				
Appropriation by N.J.S.A. 40A:4-87		<u>797,718.30</u>				
		<u>\$ 60,894,948.42</u>				
Reserve for Uncollected Taxes			\$ 1,500,000.00			
Federal and State Grants			1,621,731.07			
Deferred Charges			396,000.00			
Cash Disbursed			<u>56,352,185.08</u>			
			<u>\$ 59,869,916.15</u>			

**EXHIBIT - B
TRUST FUND**

CITY OF OCEAN CITY
TRUST FUND
COMPARATIVE BALANCE SHEET - STATUTORY BASIS

	<u>Ref.</u>	<u>Balance Dec. 31, 2008</u>	<u>Balance Dec. 31, 2007</u>
<u>Assets</u>			
<u>Animal Control Fund</u>			
Cash and Investments	B-1	\$ 12,392.76	\$ 11,393.98
		<u>12,392.76</u>	<u>11,393.98</u>
<u>Other Funds</u>			
Cash and Investments	B-2	3,427,656.53	3,054,769.70
		<u>3,427,656.53</u>	<u>3,054,769.70</u>
		<u>\$ 3,440,049.29</u>	<u>\$ 3,066,163.68</u>

CITY OF OCEAN CITY
TRUST FUND
COMPARATIVE BALANCE SHEET - STATUTORY BASIS

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2008</u>	<u>Balance Dec. 31, 2007</u>
<u>Animal Control Fund</u>			
Reserve for Animal Control Expenditures	B-3	\$ 12,392.76	\$ 11,393.98
		<u>12,392.76</u>	<u>11,393.98</u>
<u>Other Funds</u>			
Reserve for Tax Premiums		42,075.93	35,722.99
Reserve for Recreation Dedicated Trust		4,788.74	19,219.26
Reserve for Tourism Development		227,247.54	206,166.77
Reserve for Law Enforcement Trust		16,984.60	2,001.08
Reserve for Terminal Leave		3,120.35	3,120.35
Reserve for P.O.A.A.		29,870.76	47,377.37
Reserve for Recycling		899.95	899.95
Reserve for Cash Performance Deposits		524,496.42	499,174.07
Reserve for Dedicated Fire Fees		5,357.83	2,017.87
Reserve for Lifeguard Pension		165,828.81	220,078.59
Reserve for Shade Tree		33,674.61	13,613.96
Reserve for COAH		2,190,432.99	1,810,302.55
Reserve for Merchant Fees		5,169.53	1,483.40
Reserve for Planning and Zoning		177,708.47	193,591.49
		<u>3,427,656.53</u>	<u>3,054,769.70</u>
		<u>\$ 3,440,049.29</u>	<u>\$ 3,066,163.68</u>

EXHIBIT - C
GENERAL CAPITAL FUND

CITY OF OCEAN CITY
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - STATUTORY BASIS

<u>Assets</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2008</u>	<u>Balance</u> <u>Dec. 31, 2007</u>
Cash and Investments	C-2,C-3	\$ 6,416,149.74	\$ 5,849,136.27
Due from Cape May County		3,500,000.00	-
Due from Ocean City Library		2,581,449.25	-
Deferred Charges to Future Taxation:			
Funded	C-5	54,237,061.32	44,515,519.99
Unfunded	C-6	13,963,381.65	18,051,630.72
		<u>\$ 80,698,041.96</u>	<u>\$ 68,416,286.98</u>
 <u>Liabilities, Reserves and Fund Balance</u>			
Serial Bonds Payable	C-8	\$ 54,070,000.00	\$ 44,320,000.00
Bond Anticipation Notes Payable	C-9	-	9,576,000.00
Green Trust Loan Payable	C-8A	167,061.32	195,519.99
Installment Purchase Note			
Payable (Note 17)	C-7	4,500,000.00	4,500,000.00
Improvement Authorizations:			
Funded	C-7	1,847,586.01	1,357,551.27
Unfunded	C-7	5,572,851.96	4,826,246.34
Encumbrances Payable		13,682,779.50	2,553,191.67
Reserve for Arbitrage		121,736.95	121,736.93
Reserve for Debt Service		339,260.35	883,125.51
Reserve for Preliminary Expenses		17,566.00	19,341.00
Capital Improvement Fund	C-4	55,852.53	47,602.53
Fund Balance	C-1	323,347.34	15,971.74
		<u>\$ 80,698,041.96</u>	<u>\$ 68,416,286.98</u>

CITY OF OCEAN CITY
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - STATUTORY BASIS

Balance December 31, 2007	<u>Ref.</u> C	\$	15,971.74
Increased By:			
Premium on Sale of Bonds		\$	256,364.70
Cancellation of Funded Improvement Authorizations			<u>51,010.90</u>
			<u>307,375.60</u>
			<u>323,347.34</u>
Decreased By:			
None			<u>-</u>
Balance December 31, 2008	C	\$	<u><u>323,347.34</u></u>

EXHIBIT - D
PUBLIC ASSISTANCE FUND

CITY OF OCEAN CITY
PUBLIC ASSISTANCE FUND
COMPARATIVE BALANCE SHEET - STATUTORY BASIS

	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2008</u>	<u>Balance</u> <u>Dec. 31, 2007</u>
<u>Assets</u>			
Cash Trust I	E-1	\$ -	\$ -
Cash Trust II	E-1	-	-
		<u> </u>	<u> </u>
		<u>\$ -</u>	<u>\$ -</u>
 <u>Liabilities and Reserves</u>			
Reserve for Public Assistance		\$ -	\$ -
		<u> </u>	<u> </u>
		<u>\$ -</u>	<u>\$ -</u>

EXHIBIT - E
GENERAL FIXED ASSET ACCOUNT GROUP

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

<u>General Fixed Assets</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2008</u>	<u>Balance Dec. 31, 2007</u>
Land, Buildings and Improvements	\$	148,349,394.00	\$ 56,569,473.09
Vehicles		6,959,862.00	8,674,857.08
Machinery and Equipment		7,653,012.00	6,859,606.94
		<u>\$ 162,962,268.00</u>	<u>\$ 72,103,937.11</u>
 <u>Investment in General Fixed Assets</u>			
Investment in General Fixed Assets		\$ 162,962,268.00	\$ 72,103,937.11
		<u>\$ 162,962,268.00</u>	<u>\$ 72,103,937.11</u>

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements – statutory basis of the City of Ocean City have been prepared in conformity with an “Other Comprehensive Basis of Accounting” (OCBOA) as 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 2000 census is 15,378.

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 City of Ocean City contains no component units as defined in accordance with Governmental Accounting Standards Board Statement (GASB) No. 14. Had there been any component units the provisions of GASB 14 would require that the other entity’s financial statements would have to be either blended or discretely presented with the financial statements – statutory basis of the City of Ocean City, the primary government.

Basis of Presentation, Fund Accounting

The financial statements – statutory basis of the City of Ocean City contain all funds and account groups in accordance with the “Requirements of Audit” as promulgated by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the City of Ocean City accounts for its financial transactions through the following separate funds, which differ from the funds required by GAAP.

Current Fund

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

Trust Funds

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

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General Capital Funds

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

Budgets and Budgetary Accounting

The City of Ocean City must adopt an annual budget in accordance with N.J.S.A. 40A:4 et al. State statutes require the governing body to introduce and approve the annual municipal budget no later than February 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 – statutory basis.

Cash and Investments

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

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

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

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

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

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

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Technical Accounting Directive No. 2 as issued by the Division of Local Government Services, differs in certain respects from GAAP. The following is a brief description of the provisions of the Directive. Fixed Assets used in governmental operations ("general fixed assets") are accounted for in the General Fixed Assets Account Group. Public Domain ("Infrastructure") fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems, are not capitalized.

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

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

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

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

Foreclosed Property

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

Deferred Charges

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

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Appropriation Reserves

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

Liens Sold for Other Governmental Units

Liens sold on behalf of other governmental units are not recorded on the records of the tax collector until such liens are collected. Upon their collection, such liens are recorded as a liability due to the other governmental unit net of costs of the sale. The related costs of sale are recognized as revenue when received.

Fund Balance

Fund Balances included in the Current Fund and Utility Operating Funds represent amounts available for anticipation as revenue in future years' budgets, with certain restrictions.

Revenues

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

Property Tax Revenues

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

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.

Category	Amount
School Tax Payable	\$ -
School Tax Deferred	10,932,085.00
	\$ 10,932,085.00

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 system. Outstanding encumbrances at December 31st are recorded as a cash liability. Appropriations for principal payments on outstanding General Capital and Utility Capital Fund bonds and notes are provided on the cash basis; interest on General Capital Fund indebtedness is on the cash basis, whereas interest on Utility Fund indebtedness is on the accrual basis. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long – term debt, which is recognized when due.

Compensated Absences and Post – Employment Benefits

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

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(CONTINUED)

NOTE 2: LONG-TERM DEBT

Summary of Municipal Debt

	<u>Year</u> <u>2008</u>	<u>Year</u> <u>2007</u>	<u>Year</u> <u>2006</u>
Issued:			
General:			
Bonds and Notes	\$ 58,737,061.32	\$ 58,591,519.99	\$ 56,011,782.03
Total Issued	<u>58,737,061.32</u>	<u>58,591,519.99</u>	<u>56,011,782.03</u>
Less:			
Funds Temporarily Held to Pay			
Bonds and Notes:	<u>339,260.35</u>	<u>883,125.51</u>	<u>134,954.25</u>
Net Debt Issued	<u>58,397,800.97</u>	<u>57,708,394.48</u>	<u>55,876,827.78</u>
Authorized But Not Issued:			
General:			
Bonds and Notes	<u>9,463,381.65</u>	<u>3,975,630.72</u>	<u>7,109,571.50</u>
Total Authorized But Not Issued	<u>9,463,381.65</u>	<u>3,975,630.72</u>	<u>7,109,571.50</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 67,861,182.62</u>	<u>\$ 61,684,025.20</u>	<u>\$ 62,986,399.28</u>

Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.51%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 68,200,442.97	\$ 339,260.35	\$ 67,861,182.62
School Debt	<u>22,645,000.00</u>	<u>22,645,000.00</u>	<u>-</u>
	<u>\$ 90,845,442.97</u>	<u>\$ 22,984,260.35</u>	<u>\$ 67,861,182.62</u>

Net debt \$67,861,182.62 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$13,382,657,415 = 0.51%.

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

3-1/2% of Equalized Valuation Basis	\$ 468,392,799.53
Net Debt	<u>67,861,182.62</u>
Remaining Borrowing Power	<u>\$ 400,531,616.91</u>

The Chief Financial Officer should revise the Annual Debt Statement to reflect foregoing net debt information.

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(CONTINUED)

NOTE 2: LONG-TERM DEBT (CONTINUED)

Description of Bonds and Loans Payable

At December 31, 2008, bonds payable in the General Capital Fund consisted of the following individual issues:

\$13,500,000.00 General Improvement Bonds dated April 1, 1998, due in annual installments through April 1, 2010, bearing interest at variable rates from 4.50% to 5.00% per annum. The balance remaining as of December 31, 2008 is \$2,800,000.

\$17,000,000.00 General Improvement Bonds, dated September 1, 2001, due in annual installments beginning July 15, 2004 through, 2016, bearing interest at various rates from 4.10 to 4.50% per annum. The balance remaining as of December 31, 2008 is \$11,900,000.

\$9,325,000.00 General Improvement Bonds dated December 15, 2002, due in annual installments through, 2014, bearing interest at various rates from 3.25 to 4.00% per annum. The balance remaining as of December 31, 2008 is \$5,370,000.

\$21,000,000.00 General Improvement Bonds, dated January 15, 2006, due in annual installments beginning January 15, 2007 through, 2019, bearing interest at various rates from 3.50 to 4.00% per annum. The balance remaining as of December 31, 2008 is \$19,500,000.

\$14,500,000.00 General Improvements Bonds dated July 15, 2008, due in annual installments beginning July 15, 2009 through July 15, 2020, bearing interest at various rates from 4.00 to 5.25% per annum. The balance remaining as of December 31, 2008 is \$14,500,000.00.

\$277,576 Green Trust Loan dated 1994, due in semi-annual installments bearing an interest rate of 2.00%. The balance remaining as of December 31, 2008 is \$167,061.32.

Changes in Long-Term Debt

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

	<u>Outstanding</u> <u>12/31/07</u>		<u>Issues or</u> <u>Additions</u>		<u>Payments or</u> <u>Expenditures</u>		<u>Outstanding</u> <u>12/31/08</u>
General Capital Fund:							
Bonds Payable	\$ 44,320,000.00	\$	14,500,000.00	\$	4,750,000.00	\$	\$ 54,070,000.00
Loans Payable	195,519.99		-		28,458.67		167,061.32
Total All Funds	<u>\$ 44,515,519.99</u>	<u>\$</u>	<u>14,500,000.00</u>	<u>\$</u>	<u>4,778,458.67</u>	<u>\$</u>	<u>\$ 54,237,061.32</u>

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(CONTINUED)

NOTE 2: LONG-TERM DEBT (CONTINUED)

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

Year Ending December 31	Serial Bonds		Green Trust Loans	
	Principal	Interest	Principal	Interest
2009	\$ 5,180,000.00	\$ 2,151,315.00	\$ 29,030.69	\$ 3,196.79
2010	5,420,000.00	1,938,765.00	29,614.21	2,613.28
2011	4,525,000.00	1,751,665.00	30,209.46	2,018.03
2012	4,920,000.00	1,580,890.00	30,816.67	1,410.82
2013	5,275,000.00	1,391,400.00	31,436.08	791.40
2014-2018	22,950,000.00	3,753,350.00	15,954.21	179.53
2019-2020	5,800,000.00	277,000.00		
	<u>\$ 54,070,000.00</u>	<u>\$ 12,844,385.00</u>	<u>\$ 167,061.32</u>	<u>\$ 10,209.85</u>

NOTE 3: COMPENSATED ABSENCES

The City has permitted employees to accrue unused vacation, personal and sick time, which may be taken as time off or paid at a later date at an agreed upon rate. The monetary value of these earned and unused employee benefits has not been accrued by either charges to operations or to budgets of prior years, although in some cases they might be material, since the realization of this liability may be affected by conditions which preclude an employee from receiving full payment of the accrual. At December 31, 2008, the City estimates this liability to approximate \$5,127,002.93 based on 2008 pay rates and compensated absence balances.

NOTE 4: DEFERRED COMPENSATION ACCOUNT

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

The Hartford Life Insurance Company
 Nationwide Retirement System (PEBSCO)

NOTE 5: TAXES COLLECTED IN ADVANCE

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

	Balance December 31, 2008	Balance December 31, 2007
Prepaid Taxes - Cash Liability	\$ 1,411,198.12	\$ 1,398,029.67

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(CONTINUED)

NOTE 6: RETIREMENT PLANS

Plan Descriptions

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

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

Police and Fireman's Retirement System (PFRS) - The Police and Fireman's Retirement System (PFRS) was established as of July 1, 1944 under the provisions of N.J.S.A. 43:16A to provide retirement, death, and disability benefits to its members. The PFRS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time county and municipal police or firemen or officer employees with police powers appointed after June 30, 1944.

Vesting and Benefit Provisions

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

The vesting and benefit provisions for PFRS are set by N.J.S.A. 43:16A and 43:3B. All benefits vest after ten years of service, except for disability benefits, which vest after four years of service. Retirement benefits for age and service are available at age 55 and generally determined to be 2% of final average compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Final average compensation equals the average compensation for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek special retirement after achieving 20 or 25 years of creditable service or they may elect deferred retirement after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final average compensation for each year of service.

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(CONTINUED)

NOTE 6: RETIREMENT PLANS (CONTINUED)

Funding Policy

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate. PERS provides for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. Members contribute at a uniform rate of 8.5% of base salary.

For the Public Employees' Retirement System, the City's contribution was \$660,558.40 for 2008 and \$375,291.62 for 2007.

Three Year Trend Information for PERS

Funding Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/08	\$ 660,558.40	100%	\$ -
12/31/07	375,291.62	100%	-
12/31/06	202,835.56	100%	-

For the Police and Firemen's Retirement System, the City's contribution was \$2,253,268.00 for 2008 and \$1,493,430.60 for 2007.

Three Year Trend Information for PFRS

Funding Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/08	\$ 2,253,268.00	100%	\$ -
12/31/07	1,493,430.60	100%	-
12/31/06	917,427.00	100%	-

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(CONTINUED)

NOTE 7: CASH AND INVESTMENTS

Cash

Operating cash, in the form of checking, savings and money market savings accounts, is held in the City's name by several commercial banking institutions. At December 31, 2008, the carrying amount of the City's deposits was \$18,356,135.96 and the bank balance was \$19,347,068.25. Of the bank balance, \$852,772.00 was insured with Federal Deposit Insurance Corporation.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the City's bank accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the City would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2008, all of the City's deposits were insured by either FDIC or the Governmental Unit Deposit Protection Act (GUDPA), and accordingly, not exposed to custodial credit risk. The City does not have a policy for custodial credit risk other than its requirement to only utilize GUDPA institutions.

Investments

Pursuant to the Enabling Act, the funds of the City may be invested in any direct obligations of, or obligations as to which the principal and interest thereof is guaranteed by, the United States of America or other obligations as the City may approve. It invests pooled monies from various State and non-State agencies in primarily short-term investments.

NOTE 8: PROPERTY TAXES

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

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

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

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

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(CONTINUED)

NOTE 8: PROPERTY TAXES (CONTINUED)

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

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

Comparative Schedule of Tax Rates

	2008	2007	2006
Tax Rate	\$ 0.676	\$ 1.000	\$ 0.970
Apportionment of Tax Rate:			
Municipal	0.332	0.465	0.444
County	0.172	0.279	0.268
Local School	0.172	0.256	0.258

Assessed Valuation

2008	\$ 12,740,485,933
2007	8,249,356,764
2006	8,014,307,303

Comparison of Tax Levies and Collections

Year	Tax Levy	Collections	Percentage of Collections
2008	\$ 86,715,480	\$ 85,454,751	98.55%
2007	83,358,889	82,429,856	98.89%
2006	79,588,215	78,802,319	99.01%

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(CONTINUED)

NOTE 8: PROPERTY TAXES (CONTINUED)

Delinquent Taxes and Tax Title Liens					
Year	Tax Title Liens	Delinquent Taxes	Total Delinquent	Percentage of Tax Levy	
2008	\$ 1,204.95	\$ 1,156,841.88	\$ 1,158,046.83	1.34%	
2007	1,201.55	863,618.55	864,820.10	1.04%	
2006	1,196.55	783,562.11	784,758.66	0.99%	

Property Acquired by Tax Title Lien Liquidation

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

Year	Amount
2008	\$ 262,576.00
2007	262,576.00
2006	262,576.00

NOTE 9: ECONOMIC DEPENDENCY

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

NOTE 10: FUND BALANCES APPROPRIATED

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

Year	Balance December 31st	Utilized in Budget of Succeeding Year	Percent Utilized
2008	\$ 4,803,672.25	\$ 2,067,000.00	43.03%
2007	5,340,221.26	2,390,004.00	44.75%
2006	5,481,815.47	3,200,000.00	58.37%
2005	4,732,440.61	3,185,000.00	67.30%
2004	4,989,422.74	3,430,000.00	68.75%

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(CONTINUED)

NOTE 11: RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY

Receivables and payables at December 31, 2008 are as follows:

<u>Amount</u>	<u>Due To</u>	<u>Due From</u>
\$ 11,947.00	Federal and State Grant Fund	Current Fund
\$ 11,947.00		

NOTE 12: BUDGETARY DATA

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

Supplemental appropriations per N.J.S.A. 40A:4-46 and 54, Emergencies and Special Emergencies, become charges against the budget of the following year per N.J.S.A. 40A:4-47 except when financing is provided for by bonding ordinances.

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

NOTE 13: FEDERAL AND STATE GRANTS

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

NOTE 14: GENERAL FIXED ASSETS

The following schedule is a summarization of the changes in General Fixed Assets for the year ended December 31, 2007:

	<u>Balance as of December 31, 2007</u>	<u>Adjustment to Fixed Asset Accounting</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance as of December 31, 2008</u>
Land, Buildings & Improvements	\$ 56,569,473.09	\$ 90,358,536.93	\$ 1,421,383.98	\$	\$ 148,349,394.00
Vehicles	8,674,857.08	(1,992,712.53)	277,717.45		6,959,862.00
Machinery & Equipments	<u>6,859,606.94</u>	<u>268,964.30</u>	<u>528,968.76</u>	<u>4,528.00</u>	<u>7,653,012.00</u>
Total	<u>\$ 72,103,937.11</u>	<u>\$ 88,634,788.70</u>	<u>\$ 2,228,070.19</u>	<u>\$ 4,528.00</u>	<u>\$ 162,962,268.00</u>

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(CONTINUED)

NOTE 15: RISK MANAGEMENT

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

Property and Liability Insurance

The City maintains commercial insurance coverage for property, liability and surety bonds.

NOTE 16: LITIGATION

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

NOTE 17: INSTALLMENT PURCHASE NOTE

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

NOTE 18: DEFINED CONTRIBUTION RETIREMENT PROGRAM

Plan Description

The Defined Contribution Retirement Program (DCRP) was established July 1, 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 Benefits Provisions

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

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

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

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(CONTINUED)

NOTE 18: DEFINED CONTRIBUTION RETIREMENT PROGRAM (CONTINUED)

Vesting and Benefits Provisions (Continued)

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

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

Funding Policy

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

NOTE 19: POST- RETIREMENT BENEFITS

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

The actuarial valuation report was based on 268 active employees and 225 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 dependants as required by GASB 45.

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 December 31, 2008 actuarial valuation, the projected unit credit cost method was used for all participants. For medical and prescription benefits, this amount initially is at 9% and is decreased to a 5% long-term trend rate for all medical benefits in 2012. For dental benefits, this amount initially is at 7% and is decreased to a 5% long-term trend rate for all medical benefits in 2010. For vision benefits, this amount is at 2%.

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(CONTINUED)

NOTE 19: POST- RETIREMENT BENEFITS (Continued)

Other Post-Employment Benefit Costs and Obligations

In the December 31, 2008 actuarial valuation, the Annual Required Contribution (ARC) for the year ending December 31, 2008 was projected as follows:

		<u>12/31/2008</u>
Normal Cost	\$	2,786,973
Amortization of Unfunded Liability		1,982,362
Total ARC	\$	<u><u>4,769,335</u></u>

The following reflects the components of the 2008 annual OPEB Costs, amounts paid, and changes to the net accrued OPEB obligation based on the January 1, 2008 actuarial valuation and actual OPEB payments made or accrued during 2008:

		<u>12/31/2008</u>
Net OPEB Obligation - Beginning of Year	\$	-
Annual OPEB Cost		4,769,335
OPEB Payments		<u>1,450,963</u>
Increase in Net OPEB Obligation		3,318,372
Net OPEB Obligation - End of Year	\$	<u><u>3,318,372</u></u>
Percentage of OPEB Cost Contributed		<u><u>30.42%</u></u>

Required Supplementary Information:

		<u>12/31/2008</u>
Actuarial Value of Plan Assets	\$	-
Actuarial Accrued Liability (AAL)		52,706,894
Total Unfunded AAL (UAAL)		<u><u>52,706,894</u></u>
Funded ratio		0.00%
Covered payroll	\$	<u><u>25,483,726</u></u>
UAAL as a % of Covered Payroll		<u><u>206.83%</u></u>

SUPPLEMENTARY INFORMATION

CITY OF OCEAN CITY
CURRENT FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Current Fund</u>	<u>Federal and State Grant Fund</u>
Balance December 31, 2007	A	\$ 7,935,386.87	\$ 380,364.52
Increased By Receipts:			
Collector		\$ 87,015,000.00	\$
Due from State - Seniors and Veterans		190,338.00	
Federal and State Grants Receivable			1,321,306.79
Federal and State Grants Unappropriated			63,367.17
Miscellaneous Revenue Anticipated		13,901,103.91	
Miscellaneous Revenue Not Anticipated		359,322.56	
Matching Funds for Grants			50,581.60
Reserve for Health Insurance Claims		6,641,684.74	
Prepaid Beach Fees		16,605.00	
Special Emergency Note		618,000.00	
Due to Current Fund			
Cancellation of State Dated Checks		7,539.39	
Payroll Payable		43,609,776.16	
		<u>152,359,369.76</u>	<u>1,435,255.56</u>
		160,294,756.63	1,815,620.08

CITY OF OCEAN CITY
CURRENT FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Current Fund</u>		<u>Federal and State Grant Fund</u>
Decreased By Disbursements:				
2007 Appropriations	\$	56,352,185.08	\$	\$
2006 Appropriation Reserves		820,542.17		
Reserve for Encumbrances				919,753.82
Due to Current Fund				
County Taxes		21,855,384.49		
County Added and Omitted Taxes		189,405.66		
Local District School Tax		21,450,014.50		
Special Improvement District Levy		185,764.00		
Payroll Payable		43,354,777.93		
Reserve for Revaluation		207,516.18		
Tax Overpayments		111,491.33		
Special Emergency Note		824,000.00		
Federal and State Grant Fund Expenditures				825,526.60
Matching Funds for Grants		50,581.60		
Premiums Transferred to Trust		56,400.00		
Residential Development Fees		433,216.56		
Refund of Prior Year Revenue		5,521.00		
Reserve for Health Insurance Claims		6,284,354.12		
		152,181,154.62		1,745,280.42
Balance December 31, 2008	A	\$ 8,113,602.01		\$ 70,339.66

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

Balance December 31, 2007	<u>Ref.</u> A		\$ 362,985.79
Increased By Receipts:			
Taxes Receivable		\$ 84,715,191.72	
Interest and Cost on Taxes		233,303.13	
Interest on Investments		2,034.11	
Miscellaneous Revenue Not Anticipated		1,109.11	
Residential Development Fees		433,216.56	
Tax Overpayments		109,831.72	
Prepaid Taxes		1,411,198.12	
Tax Premium		<u>56,400.00</u>	
			<u>86,962,284.47</u>
			87,325,270.26
Decreased By Disbursements:			
Payment to Treasurer		<u>87,015,000.00</u>	
			<u>87,015,000.00</u>
Balance December 31, 2008	A		<u>\$ 310,270.26</u>

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

Year	Balance	2008 Levy	Added Taxes	Collections		Adjustments	Transferred To Tax Title Liens	Balance
	Dec. 31, 2007			2007	2008			Dec. 31, 2008
Prior	\$ 863,618.55	\$ -	\$ -	\$ -	\$ 851,626.46	\$ 817.04	\$ -	\$ 11,175.05
	863,618.55	-	-	-	851,626.46	817.04	-	11,175.05
2008		86,313,252.78	402,227.05	1,398,029.67	84,057,721.53	114,058.40	3.40	1,145,666.83
	\$ 863,618.55	\$ 86,313,252.78	\$ 402,227.05	\$ 1,398,029.67	\$ 84,909,347.99	\$ 114,875.44	\$ 3.40	\$ 1,156,841.88
Ref.	A							A

\$ 84,715,191.72 Cash Receipts
 194,156.27 Senior Citizens and Veterans
 Overpayments Applied
\$ 84,909,347.99

Analysis of 2008 Property Tax Levy

Tax Yield:

General Property Tax

SID Levy

Added Taxes (54:4-63.1 et seq.)

\$ 86,125,686.80
 187,565.98
402,227.05

\$ 86,715,479.83

Tax Levy:

Local District School Tax:

Levy

\$ 21,864,170.00

\$ 21,864,170.00

County Taxes

County Taxes Added and Omitted

SID Levy

Local Tax for Municipal Purposes

Add: Additional Tax Levied

42,264,876.65

442,526.58

21,855,384.49

102,758.11

185,764.00

42,707,403.23

\$ 86,715,479.83

CITY OF OCEAN CITY
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

Balance December 31, 2007	<u>Ref.</u> A		\$	1,201.55
Increased By Receipts:				
Transfers from Taxes Receivable		\$		3.40
				3.40
				1,204.95
Decreased By:				
None				-
				-
Balance December 31, 2008	A		\$	1,204.95

CITY OF OCEAN CITY
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>Balance</u> <u>Dec. 31, 2007</u>	<u>Accrued</u> <u>In 2008</u>	<u>Collected</u>	<u>Balance</u> <u>Dec. 31, 2008</u>
<u>Miscellaneous Revenue Anticipated:</u>				
Licenses:				
Other	\$	\$ 407,722.71	\$ 407,722.71	\$ -
Fees and Permits		917,314.74	917,314.74	-
Municipal Court - Fines and Costs		856,276.47	856,276.47	-
Interest and Costs on Taxes		233,303.13	233,303.13	-
Parking		2,063,430.61	2,063,430.61	-
Interest on Investments		273,729.40	273,729.40	-
Beach Fees		3,247,779.02	3,247,779.02	-
Rental or Sale of Municipal Property		80,937.13	80,937.13	-
Airport Fees		175,438.42	175,438.42	-
Boat Ramp Fees		41,885.30	41,885.30	-
Aquatic and Fitness Center User Fees		747,896.78	747,896.78	-
Smoke Detector Inspection		175,625.00	175,625.00	-
Emergency Medical Services		536,368.55	536,368.55	-
Garden State Trust Fund		1,356.89	1,356.89	-
Energy Receipts Tax		2,382,420.00	2,382,420.00	-

CITY OF OCEAN CITY
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>Balance Dec. 31, 2007</u>	<u>Accrued In 2008</u>	<u>Collected</u>	<u>Balance Dec. 31, 2008</u>
Uniform Construction Code Fees	\$	\$ 499,308.00	\$ 499,308.00	\$ -
Upper Township - Dispatching Service		183,116.00	183,116.00	-
Anticipation of Lease Agreement - Ocean City Free Public Library		653,963.00	653,963.00	-
Ocean City Free Public Library - Contribution for Community Events		150,000.00	150,000.00	-
Ocean City Free Public Library - CIF Expansion Project		375,000.00	375,000.00	-
Comcast Franchise Agreement		130,000.00	130,000.00	-
Interlocal - Ocean City Tourism Development - Staffing Costs		25,000.00	25,000.00	-
Miscellaneous Revenue Not Anticipated		360,431.67	360,431.67	-
 TOTALS	 \$	 \$ 14,518,302.82	 \$ 14,518,302.82	 \$ -
Ref. A				A
Treasurer Cash		A-4	\$ 14,260,426.47	
Deferred Revenue		A	21,430.00	
Collector Cash		A-5	236,446.35	
			<u>\$ 14,518,302.82</u>	

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

	<u>Balance</u> <u>Dec. 31, 2007</u>	<u>Balance</u> <u>After</u> <u>Transfers</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Salaries and Wages				
City Administrator	\$ 971.39	\$ 971.39	\$ 971.39	\$ -
Management of Information Systems	1,220.06	1,220.06	1,220.06	-
Purchasing Division	553.83	553.83	553.83	-
Personnel and Risk Management	476.93	476.93	476.93	-
Economic Development & Environmental	492.72	492.72	-	492.72
Director of Community Service	464.98	464.98	464.98	-
Recreation Programs	1,295.21	1,295.21	1,295.21	-
Recreation Operations	3,514.63	3,514.63	-	3,514.63
Aquatic and Fitness Center	1,613.37	1,613.37	1,613.37	-
Public Assistance	967.35	967.35	442.74	524.61
Legal Division	15.00	15.00	-	15.00
Accounting Division	2,120.89	2,120.89	1,042.04	1,078.85
Property Assessment	244.23	244.23	244.23	-
Beach Fee Regulation	134.23	134.23	-	134.23
Tax Collection	969.65	969.65	969.65	-
Revenue Collection	1,537.76	1,537.76	1,537.76	-
City Clerk	902.90	902.90	902.90	-
Rescue Services	1,393.39	1,393.39	-	1,393.39
Lifeguards Division	20,272.79	20,272.79	11,412.94	8,859.85
Police Protection	3,517.81	3,517.81	3,517.81	-
Fire Protection	182,724.28	182,724.28	182,724.28	-
Public Works Administration	609.28	609.28	-	609.28
Public Works Operations	3,752.52	3,752.52	3,752.52	-
Facility Maintenance	3,776.76	3,776.76	-	3,776.76
Fleet Maintenance	667.80	667.80	-	667.80
Field Operations & Engineering	857.06	857.06	-	857.06
Community Development				
- Administration	1,144.18	1,144.18	1,144.18	-
Planning Division	185.26	185.26	185.26	-
Zoning Division	88.92	88.92	-	88.92
Municipal Court	577.34	577.34	577.34	-
Construction Code	1,497.17	1,497.17	1,497.17	-
Other Expenses:				
Mayors Office	94.23	94.23	20.00	74.23
City Administrator	9.21	9.21	-	9.21
Management of Information Systems	21,881.05	21,881.05	21,410.85	470.20
Purchasing Division	1,050.55	1,050.55	607.60	442.95
Emergency Management	9,378.51	9,378.51	9,372.65	5.86
Personnel and Risk Management				
Miscellaneous Other Expenses	10,253.65	10,253.65	8,329.31	1,924.34
Economic Development & Environmental	420.27	420.27	-	420.27
Director of Community Service	629.38	629.38	600.00	29.38
Public Relations	5,853.62	5,853.62	5,482.80	370.82
Recreation Programs	939.79	939.79	195.50	744.29
Recreation Operations	2,144.69	2,144.69	1,501.69	643.00
Aquatic and Fitness Center	4,495.34	4,495.34	1,751.61	2,743.73
Public Assistance	529.72	529.72	9.56	520.16
Legal	19,876.36	19,876.36	13,861.00	6,015.36

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

	<u>Balance</u> <u>Dec. 31, 2007</u>	<u>Balance</u> <u>After</u> <u>Transfers</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Other Expenses (Continued):				
Treasurer's Office				
Miscellaneous Other Expenses	\$ 614.59	\$ 614.59	\$ -	\$ 614.59
Accounting Division	1,103.54	1,103.54	981.65	121.89
Parking Regulation	407.96	407.96	-	407.96
Property Assessment	476.43	476.43	-	476.43
Beach Fee Regulation	1,494.10	1,494.10	-	1,494.10
Tax Collection	1,119.50	1,119.50	582.12	537.38
Revenue Collection	34,188.90	34,188.90	31,908.53	2,280.37
City Clerk	10,660.79	10,660.79	7,486.24	3,174.55
City Council	3,677.66	3,677.66	650.00	3,027.66
Rescue Services	15,242.24	15,242.24	12,182.26	3,059.98
Lifeguards	678.87	678.87	281.78	397.09
Police Protection	51,644.58	51,644.58	40,559.44	11,085.14
Fire Protection	15,224.89	15,224.89	14,603.35	621.54
Public Works Administration	958.23	958.23	418.84	539.39
City Wide Operations	36,320.71	36,320.71	35,963.32	357.39
Public Works Operations	209,906.00	209,906.00	181,309.48	28,596.52
Facility Maintenance	2,748.55	2,748.55	2,728.01	20.54
Fleet Maintenance	8,135.64	8,135.64	7,904.28	231.36
Field Operations and Engineering	2,943.03	2,943.03	2,059.62	883.41
Community Development	4,387.38	4,387.38	4,051.37	336.01
Planning Division	8,005.11	8,005.11	4,950.00	3,055.11
Planning Board	7,587.29	7,587.29	2,233.40	5,353.89
Zoning Board	842.23	842.23	476.00	366.23
Historical Commission	21.65	21.65	21.65	-
Zoning Division	797.06	797.06	797.06	-
Special Improvement District	616.61	616.61	-	616.61
Municipal Court	6,977.84	6,977.84	4,894.81	2,083.03
Public Defender	1,250.00	1,250.00	-	1,250.00
Construction Code	6,137.41	6,137.41	4,246.93	1,890.48
Electricity	20,157.37	20,157.37	20,157.37	-
Street Lighting	29,719.82	29,719.82	29,719.82	-
Telephone	21,448.06	21,448.06	21,448.06	-
Water	24,686.39	24,686.39	22,195.81	2,490.58
Fuel Oil	39,865.43	39,865.43	36,693.97	3,171.46
Gasoline	7,864.95	7,864.95	7,864.95	-
Social Security System	1,721.66	1,721.66	-	1,721.66
Consolidated Police and Firemen's Pension	1.00	1.00	-	1.00
Unemployment Compensation	1,586.53	1,586.53	-	1,586.53

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

	<u>Balance</u> <u>Dec. 31, 2007</u>	<u>Balance</u> <u>After</u> <u>Transfers</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Other Expenses (Continued):				
Insurance				
Employee Group Health	\$ 17,995.06	\$ 17,995.06	\$ -	\$ 17,995.06
Workers Compensation	1,185.36	1,185.36	117.90	1,067.46
Technology Equipment	54,166.38	54,166.38	49,400.19	4,766.19
Public Safety Equipment	22,365.16	22,365.16	20,253.76	2,111.40
General Improvements - Street Lighting	670.69	670.69	670.69	-
 TOTALS	 <u>\$ 993,718.71</u>	 <u>\$ 993,718.71</u>	 <u>\$ 849,501.82</u>	 <u>\$ 144,216.89</u>
Ref.	A		A-4	A-1
		Accounts Payable	\$ 28,959.65	
		Cash Disbursed	<u>820,542.17</u>	
			<u>\$ 849,501.82</u>	

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

<u>Purpose</u>	<u>Balance Dec. 31, 2007</u>	<u>Anticipated Revenues</u>	<u>Received</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2008</u>
State:					
Beach Acquisition Grant	\$ 94,975.50	\$	\$	\$	\$ 94,975.50
NJ Council on the Arts - Ocean City POPS	30,501.00		30,501.00		-
Green Communities Challenge Grant	2,000.00		2,000.00		-
Clean Communities		56,765.92	56,765.92		-
Smart Future Planning	50,000.00		5,000.00		45,000.00
Transportation Trust Fund					
Year 2008 Grant		140,000.00			140,000.00
Year 2007 Grant	143,000.00				143,000.00
Year 2006 Grant	33,750.00		33,750.00		-
Year 2005 Grant	35,000.00		35,000.00		-
Digiwix/Awos		66,611.00			66,611.00
Aggressive Driving Program	12,864.83	30,450.00	28,134.79		15,180.04
Neighborhood Preservation Program	171,630.00	100,000.00	56,630.00		215,000.00
I Boat Grant	221,263.56				221,263.56
Cool Cities Grant	25,000.00				25,000.00
Share Grant	43,460.00	33,490.00	76,950.00		-
NJ Dept of Health					
Senior Services		4,500.00	4,500.00		-
Cooperative Marketing Grant		8,800.00	7,040.00		1,760.00
DCA - Share Municipal Court Consolidation		16,750.00			16,750.00

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

<u>Purpose</u>	<u>Balance Dec. 31, 2007</u>	<u>Anticipated Revenues</u>	<u>Received</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2008</u>
Federal:					
FAA - Snow Removal Building	\$ 6,270.96	\$	\$	\$	\$ 6,270.96
FAA - Snow Removal Building - 2007	439,024.00	23,890.60	342,280.00		120,634.60
FAA -Fuel Farm Expansion	6,271.30				6,271.30
FAA - Airport Seal Coat & Marking	8,312.50	95,000.00	8,312.50		95,000.00
FAA - Drainage Construction Phase II		560,925.00	120,662.00		440,263.00
Federal Road Aid Project	295,927.74			197,327.74	98,600.00
FEMA - Flood Mitigation	4,256.66				4,256.66
FEMA - Fire Equipment		84,213.00	80,537.00		3,676.00
US Department of Transportation - Pavement & Evaluation Study	62,303.00	3,211.00	49,448.00		16,066.00
CDBG	666,730.42	298,264.00	383,795.58		581,198.84
TOTALS	\$ 2,352,541.47	\$ 1,522,870.52	\$ 1,321,306.79	\$ 197,327.74	\$ 2,356,777.46
Ref.	A				A

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

<u>Purpose</u>	<u>Balance Dec. 31, 2007</u>	<u>Received</u>	<u>Anticipated Revenues</u>	<u>Balance Dec. 31, 2008</u>
State:				
Drunk Driving Enforcement Fund	\$ 6,669.96	\$ 5,840.53	\$ 6,669.96	\$ 5,840.53
Body Armor Fund	6,919.61	6,198.26	6,919.61	6,198.26
Recycling Tonnage Grant		20,987.38	20,987.38	-
DMV Inspection Fines	2,550.00	1,152.00	3,702.00	-
State Police Emergency Management	10,000.00		10,000.00	-
Council of Arts: POPS		29,189.00		29,189.00
Federal:				
None				
 TOTALS	 \$ <u>26,139.57</u>	 \$ <u>63,367.17</u>	 \$ <u>48,278.95</u>	 \$ <u>41,227.79</u>
	Ref. A			A

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

<u>Purpose</u>	Balance Dec. 31, 2007	Budget Appropriations	Expended	Cancelled	Balance Dec. 31, 2008
State:					
Department of Transportation					
Year 2007 Grant	\$ 143,000.00	\$	\$ 143,000.00	\$	\$ -
Paving Asbury Ave		140,000.00	140,000.00		-
Airport Safety		70,117.00			70,117.00
Municipal Alliance	10,816.01	4,495.20	4,495.20		10,816.01
Clean Communities	66,409.75	56,765.92	55,705.93		67,469.74
Beach Acquisition Grant	78,326.00				78,326.00
NJ Council on the Arts - Ocean City POPS	29,845.00		29,189.00		656.00
Body Armor	3,214.23	6,919.61	9,570.00		563.84
Aggressive Driving Program	12,455.35	30,450.00	26,849.88		16,055.47
Drunk Driving Enforcement	5,282.30	6,669.96	6,734.95		5,217.31
State Police Emergency Management		10,000.00	9,169.78		830.22
Shade Tree Grant	8,020.11				8,020.11
Recycling Tonnage Grant	26,580.27	20,987.38	22,285.00		25,282.65
Alcohol Education and Rehabilitation	1,090.91				1,090.91
DEP - Statewide					
Livable Communities	50,000.00		50,000.00		-
Municipal Stormwater Regulation	9,529.00				9,529.00
Cool Cities Community	29,380.00		24,660.00		4,720.00
DMV Inspection Fines	7,207.05	3,702.00	5,292.12		5,616.93
Share Grant - 2007	45,100.00	33,490.00	78,590.00		-
Smart Future Planning Grant	50,000.00		50,000.00		-
Neighborhood Preservation	107,352.76	100,000.00	15,103.61		192,249.15
I Boat	245,848.40				245,848.40
Community Service Mini Grant - Health		4,500.00	4,500.00		-
Cooperative Marking Grant		11,000.00	9,010.74		1,989.26
Court Consolidation		16,750.00	16,750.00		-
Federal:					
FAA Drainage		3,380.00	1,104.04		2,275.96
FAA Block Grant	142.94		(1,104.06)		1,247.00
US Department of Transportation					
FAA - Snow Removal Building	6,600.01				6,600.01
FAA - Snow Removal Building - 2007	1,998.77	25,148.00			27,146.77
FAA -Fuel Farm Expansion	6,599.97				6,599.97
FAA - Airport Seal Coat & Marking	4,500.00	100,000.00			104,500.00
FAA - Airport Drainage Phase II		590,447.00	534,178.23		56,268.77
FEMA	7,467.00				7,467.00
FEMA - Flood Mitigation	7,237.32				7,237.32
FEMA - Fire Equipment	344.79				344.79
FEMA - Fire & Safety Equipment		88,645.00	41,470.43		47,174.57
Federal Aid Road Project	295,927.74			197,327.74	98,600.00
CDBG	538,684.02	298,264.00	205,608.32	0.10	631,339.60
TOTALS	\$ 1,798,959.70	\$ 1,621,731.07	\$ 1,482,163.17	\$ 197,327.84	\$ 1,741,199.76
Ref.	A		A-4		A
		Cash Disbursed	\$ 825,526.60		
		Encumbered	656,636.57		
			<u>\$ 1,482,163.17</u>		

CITY OF OCEAN CITY
TRUST FUND
SCHEDULE OF ANIMAL CONTROL CASH

Balance December 31, 2007	<u>Ref.</u> B		\$ 11,393.98
Increased By Receipts:			
Dog Licenses Fees		\$ 15,421.00	
State License Fees		908.40	
		<hr/>	<hr/>
			16,329.40
			<hr/>
			27,723.38
Decreased By Disbursements:			
State of New Jersey		908.40	
Animal Control Expenditures		14,422.22	
		<hr/>	<hr/>
			15,330.62
Balance December 31, 2008	B		\$ <u><u>12,392.76</u></u>

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

	<u>Ref.</u>		
	B		
Balance December 31, 2007		\$	3,054,769.70
Increased By Receipts:			
Reserve for Tax Premiums & Liens	\$	185,076.63	
Recreation Dedicated Trust		670,937.18	
P.O.A.A. Fees		5,092.00	
P.O.A.A. Interest		500.29	
Cash Performance Deposits		143,883.56	
Lifeguard Pension Contributions		44,555.98	
Lifeguard Pension Interest		1,613.31	
Fire Dedicated Fees		11,187.17	
Fire Dedicated Fees - Interest		66.01	
Shade Tree Commission		22,643.92	
Planning and Zoning		233,318.58	
Special Law Enforcement Trust		25,770.00	
Special Law Enforcement Trust - Interest		55.30	
Reserve for COAH		433,229.30	
Reserve for COAH - Interest		17,121.37	
Reserve for Merchant Fees		65,026.00	
Recycling Trust		9.27	
Terminal Leave		32.12	
Ocean City Tourism Development Commission		493,865.97	
Ocean City Tourism Development Commission - Interest		1,808.19	
		<hr/>	2,355,792.15
			<hr/>
			5,410,561.85
Decreased By Disbursements:			
Reserve for Tax Premiums & Liens		178,723.69	
Recreation Dedicated Trust		685,367.70	
P.O.A.A. Fees		23,098.90	
Cash Performance Deposits		118,561.21	
Reserve for Recycling		9.27	
Lifeguard Pension		100,419.07	
Shade Tree Commission		2,583.27	
Planning and Zoning		249,201.60	
Special Law Enforcement Trust		10,841.78	
Merchant Fees		61,339.87	
Reserve for COAH		70,220.23	
Ocean City Tourism Development Commission		474,593.39	
Fire Dedicated Penalties		7,913.22	
Terminal Leave		32.12	
		<hr/>	1,982,905.32
			<hr/>
Balance December 31, 2008	B	\$	<u><u>3,427,656.53</u></u>

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

Balance December 31, 2007	<u>Ref.</u> B		\$	11,393.98
Increased By:				
Dog Licenses Fees Collected		\$		3,156.00
Miscellaneous Fees Collected				12,265.00
				15,421.00
				26,814.98
Decreased By:				
Animal Control Expenditures				14,422.22
				14,422.22
Balance December 31, 2008	B		\$	12,392.76

License Fees Collected	<u>Year</u>			
	2006	\$		2,136.00
	2007			17,439.50
		\$		19,575.50

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

	<u>Ref.</u>		
Balance December 31, 2007	C		\$ 5,849,136.27
Increased By Receipts:			
Budget Appropriation:			
Capital Improvement Fund		\$ 1,045,000.00	
Deferred Charges Unfunded		50,000.00	
Premium on Sale of Bonds		256,364.70	
Reserve for Debt Service		247,134.84	
Ocean City Library		1,918,550.75	
Reserve for Arbitrage		0.02	
County Joint Venture Funded Ordinances		599,122.00	
Serial Bonds Issued		<u>14,500,000.00</u>	
			<u>18,616,172.31</u>
			24,465,308.58
Decreased By Disbursements:			
Improvement Authorizations		5,918,192.17	
Encumbrances Payable		2,553,191.67	
Reserve for Preliminary Expenses		1,775.00	
Payment of Notes		9,576,000.00	
Reserve for Debt Service		<u>-</u>	
			<u>18,049,158.84</u>
Balance December 31, 2008	C		\$ <u><u>6,416,149.74</u></u>

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

	Balance Dec. 31, 2007	Receipts		Disbursements		Transfers		Balance Dec. 31, 2008
		Bonds Issued	Misc.	Improvement Authorizations	Misc.	From	To	
Fund Balance	\$ 15,971.74	\$	\$ 256,364.70	\$	\$	\$	\$ 51,010.90	\$ 323,347.34
Capital Improvement Fund	47,602.53		1,045,000.00			1,036,750.00		55,852.53
Reserve for Arbitrage	121,736.93		0.02					121,736.95
Reserve for Debt Service	883,125.51		247,134.84			791,000.00		339,260.35
Encumbrances	2,553,191.67				2,553,191.67		13,682,779.50	13,682,779.50
Due from County of Cape May						3,500,000.00		(3,500,000.00)
Due from Library			1,918,550.75			4,500,000.00		(2,581,449.25)
Reserve for Preliminary Expenses	19,341.00				1,775.00			17,566.00
Improvement Authorizations								
Ord.								
Number								
92-9 Beach Area Acquisition	(279,715.40)							(279,715.40)
00-01 Various Capital Improvements	7,587.20			7,587.20				-
00-03 Various Capital Improvements	3,051.82			3,051.82				0.00
01-03: 03-29 Various Capital Improvements	68,720.78			22,003.23				46,717.55
02-06 Various Capital Improvements	7,610.00			-				7,610.00
02-24 Various Capital Improvements	1,613.42			1,613.42				-
03-02 Various Capital Improvements	(508.00)		1,896.80	1,388.80				0.00
03-28 Various Capital Improvements	2,469.43		5,282.35	1,544.35				6,207.43
04-02: 04-22 Various Capital Improvements	30,433.83		2,250.00	31,557.58		26.25		1,100.00
04-09 Various Capital Improvements	(2,250.00)		2,250.00					-
04-16 Various Capital Improvements	189,455.38		680.18	137,455.60		17,500.00		35,179.96
04-30 Various Capital Improvements	1,172.50		480.00	1,652.50				-
05-08 Various Capital Improvements	82,937.93		3,750.00	61,522.80				25,165.13
05-15 Various Capital Improvements	41,238.45		9,117.82	50,356.27	791,000.00		791,000.00	-
05-25 Various Capital Improvements	596,356.98			522,754.24		58,142.65		15,460.09
06-03 Various Capital Improvements	24,867.46	515,000.00	24,292.85	272,085.57		201,081.77		90,992.97
06-32 Various Capital Improvements	530,587.91	1,350,000.00		1,666,427.95		110,303.71		103,856.25
07-04 Various Capital Improvements	536,395.20	1,640,000.00		(114,488.60)		1,894,407.95		396,475.85
07-36 Various Capital Improvements	366,142.00			109,898.80		83,940.52		172,302.68
07-52 Various Capital Improvements		2,210,000.00		1,443,613.08		479,022.61	236,750.00	524,114.31
08-03 Community Center Improvements		265,500.00		1,390,227.22		10,484,743.15	8,375,000.00	(3,234,470.37)
08-06 Various Capital Improvements				195,843.58		29,768.53	400,000.00	174,387.89
08-16 Various Capital Improvements			333,622.00	-		85,606.10		248,015.90
08-18 Parks & Open Space				112,096.76		289,247.16	25,000.00	(376,343.92)
	\$ 5,849,136.27	\$ 5,980,500.00	\$ 3,850,672.31	\$ 5,918,192.17	\$ 3,345,966.67	\$ 23,561,540.40	\$ 23,561,540.40	\$ 6,416,149.74
Ref.	C							C

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

Balance December 31, 2007	<u>Ref.</u> C	\$ 47,602.53
Increased By:		
Current Fund Budget Appropriation	\$ 1,045,000.00	
		<u>1,045,000.00</u>
		1,092,602.53
Decreased By:		
Improvement Authorizations Funded	<u>1,036,750.00</u>	
		<u>1,036,750.00</u>
Balance December 31, 2008	C	\$ <u><u>55,852.53</u></u>

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance December 31, 2007	<u>Ref.</u> C	\$ 44,515,519.99
Increased By:		
Bond Proceeds	\$ 14,500,000.00	
		<u>14,500,000.00</u>
		59,015,519.99
Decreased By:		
Serial Bonds Paid	4,750,000.00	
Green Trust Loan Principal Paid	<u>28,458.67</u>	
		<u>4,778,458.67</u>
Balance December 31, 2008	C	\$ <u><u>54,237,061.32</u></u>

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

Ord. Number	Improvement Description	Balance Dec. 31, 2007	2008 Authorizations	Bonds & Loans Issued	Other	Balance Dec. 31, 2008	Analysis of Balance		
							Bond Anticipation Note	Expenditures	Unexpended Improvement Authorization
92-9	Beach Area Acquisition	\$ 284,924.50	\$	\$	\$	\$ 284,924.50	\$	\$ 279,715.40	\$ 5,209.10
03-02	Various Capital Improvements	1,896.80			1,896.80	-			
03-28	Various Capital Improvements	5,282.35			5,282.35	-			
04-02: 04-22	Various Capital Improvements	2,250.00			2,250.00	-			
04-09	Various Capital Improvements	2,250.00			2,250.00	-			
04-16	Various Capital Improvements	680.18			680.18	-			
04-30	Various Capital Improvements	480.00			480.00	-			
05-08	Various Capital Improvements	3,750.00			3,750.00	-			
05-15	Various Capital Improvements	800,117.82			800,117.82	-			
05-25	Various Capital Improvements	4,999.07			4,999.07	-			
05-33	Acquisition of Land	4,500,000.00				4,500,000.00		4,500,000.00	
05-40	Various Capital Improvements	285,000.00		285,000.00		-			
06-03	Various Capital Improvements	4,659,750.00		4,515,000.00	24,292.85	120,457.15			120,457.15
06-32	Various Capital Improvements	3,353,500.00		3,350,000.00		3,500.00			3,500.00
07-04	Various Capital Improvements	4,146,750.00		4,140,000.00		6,750.00			6,750.00
07-52	Various Capital Improvements		4,498,250.00	2,210,000.00		2,288,250.00			2,288,250.00
08-03	Community Center Improvements		6,625,000.00		265,500.00	6,359,500.00		3,234,470.37	3,125,029.63
08-18	Parks & Open Space		400,000.00			400,000.00		376,343.92	23,656.08
		<u>\$ 18,051,630.72</u>	<u>\$ 11,523,250.00</u>	<u>\$ 14,500,000.00</u>	<u>\$ 1,111,499.07</u>	<u>\$ 13,963,381.65</u>	<u>\$ -</u>	<u>\$ 8,390,529.69</u>	<u>\$ 5,572,851.96</u>
Ref.		C	C-7		C-10	C	C-9		C-7

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

Ord. Number	Improvement Description	Ord. Date	Amount	Balance December 31, 2007		2008 Authorizations		Canceled	Paid or Charged	Balance December 31, 2008	
				Funded	Unfunded	Other Funding	Deferred Charges to Future Taxation			Funded	Unfunded
92-9	Beach Area Acquisition	3/12/1992	\$ 577,158	\$	\$ 5,209.10	\$	\$	\$	\$	\$	\$ 5,209.10
00-01	Various Capital Improvements	1/27/2001	2,238,000	7,587.20					7,587.20	-	
00-03	Various Capital Improvements	3/30/2001	525,000	3,051.82					3,051.82	-	
01-03: 03-29	Various Capital Improvements	2/8/2002	240,000	68,720.78					22,003.23	46,717.55	
02-06: 03-19	Various Capital Improvements	2/28/2002	2,950,000	7,610.00						7,610.00	
02-24	Various Capital Improvements	8/22/2002	1,700,000	1,613.42					1,613.42	-	
03-02	Various Capital Improvements	1/30/2003	1,467,000		1,388.80				1,388.80		-
03-28	Various Capital Improvements	12/11/2003	1,220,000	2,469.43					1,544.35	6,207.43	
04-02: 04-22	Various Capital Improvements	3/11/2004	2,055,000	30,433.83	2,250.00				31,583.83	1,100.00	
04-16: 07-53	Various Capital Improvements	7/29/2004	3,570,000	189,455.38	680.18				154,955.60	35,179.96	
04-30	Various Capital Improvements	1/13/2005	1,290,000	1,172.50	480.00				1,652.50	-	
05-08	Various Capital Improvements	3/22/2005	1,425,000	82,937.93	3,750.00				61,522.80	25,165.13	
05-15	Various Capital Improvements	6/16/2005	1,475,000		50,356.27				50,356.27	-	
05-25: 07-54	Various Capital Improvements	8/11/2005	4,700,000	596,356.98	4,999.07			(56,009.97)	529,885.99	15,460.09	-
06-03	Various Capital Improvements	2/23/2006	4,905,000		684,617.46				473,167.34	90,992.97	120,457.15
06-32	Various Capital Improvements	11/30/2006	3,530,000		1,884,087.91				1,776,731.66	103,856.25	3,500.00
07-04	Various Capital Improvements	1/17/2008	4,365,000		2,183,145.20				1,779,919.35	396,475.85	6,750.00
07-36	Various Capital Improvements	1/17/2008	376,142	366,142.00					193,839.32	172,302.68	
07-52	Various Capital Improvements	1/17/2008	4,735,000			236,750.00	4,498,250.00		1,922,635.69	524,114.31	2,288,250.00
08-03	Community Center Improvements	2/28/2008	15,000,000			8,375,000.00	6,625,000.00		11,874,970.37		3,125,029.63
08-06	Various Capital Improvements	3/27/2008	400,000			400,000.00			225,612.11	174,387.89	
08-16	Various Capital Improvements	8/14/2008	333,622			333,622.00			85,606.10	248,015.90	
08-18	Parks & Open Space	10/16/2008	425,000			25,000.00	400,000.00		401,343.92		23,656.08
				\$ 1,357,551.27	\$ 4,826,246.34	\$ 9,370,372.00	\$ 11,523,250.00	\$ (56,009.97)	\$ 19,600,971.67	\$ 1,847,586.01	\$ 5,572,851.96
Ref.				C	C					C	C
	Capital Improvement Fund					\$ 1,036,750.00	Cash Disbursed	C-2	\$ 5,918,192.17		
	Library Contribution					4,500,000.00	Encumbrances	C	13,682,779.50		
	County Contribution					3,833,622.00			\$ 19,600,971.67		
						\$ 9,370,372.00					
							Cancelled - Funded	C-1	\$ 51,010.90		
							Cancelled - Un - Funded	C-6	4,999.07		
									\$ 56,009.97		

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

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2008		Interest Rate	Balance Dec. 31, 2007	Increased	Decreased	Balance Dec. 31, 2008
			Date	Amount					
General Improvements	4/1/98	\$ 13,500,000	4/1/2009	\$ 1,400,000	4.500%	\$ 4,200,000.00		\$ 1,400,000.00	\$ 2,800,000.00
			4/1/2010	1,400,000	5.000%				
General Improvements	9/1/2001	17,000,000	7/15/2009	1,300,000	4.100%	13,100,000.00		1,200,000.00	11,900,000.00
			7/15/2010	1,350,000	4.100%				
			7/15/2011	1,375,000	4.100%				
			7/15/2012	1,450,000	4.100%				
			7/15/2013	1,525,000	4.200%				
			7/15/2014	1,550,000	4.300%				
			7/15/2015	1,650,000	4.400%				
			7/15/2016	1,700,000	4.500%				
General Improvements	12/15/2002	9,325,000	12/15/2009	800,000	3.250%	6,120,000.00		750,000.00	5,370,000.00
			12/15/2010	850,000	3.500%				
			12/15/2011	900,000	3.600%				
			12/15/2012	920,000	3.700%				
			12/15/2013	950,000	3.800%				
			12/15/2014	950,000	4.000%				
General Improvements	1/15/2006	21,000,000	1/15/2009	1,500,000	3.50%	20,900,000.00		1,400,000.00	19,500,000.00
			1/15/2010	1,600,000	3.50%				
			1/15/2011	1,600,000	3.50%				
			1/15/2012	1,600,000	3.50%				
			1/15/2013	1,600,000	3.75%				
			1/15/2014	1,800,000	4.00%				
			1/15/2015	1,900,000	4.00%				
			1/15/2016	1,900,000	4.00%				
			1/15/2017	2,000,000	4.00%				
			1/15/2018	2,000,000	4.00%				
			1/15/2019	2,000,000	4.00%				

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

<u>Improvement Description</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2008</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2007</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2008</u>				
			<u>Date</u>	<u>Amount</u>									
General Improvements	7/15/2008	\$ 14,500,000	7/15/2009	\$ 180,000	5.000%	\$	\$ 14,500,000.00	\$	\$ 14,500,000.00				
			7/15/2010	220,000	5.000%								
			7/15/2011	650,000	4.000%								
			7/15/2012	950,000	4.000%								
			7/15/2013	1,200,000	4.000%								
			7/15/2014	1,300,000	4.000%								
			7/15/2015	1,400,000	4.000%								
			7/15/2016	1,500,000	4.250%								
			7/15/2017	1,600,000	5.000%								
			7/15/2018	1,700,000	5.250%								
			7/15/2019	1,800,000	4.000%								
			7/15/2020	2,000,000	4.125%								
						Ref. \$	<u>44,320,000.00</u>	\$	<u>14,500,000.00</u>	\$	<u>4,750,000.00</u>	\$	<u>54,070,000.00</u>
							C						C

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

Ord. Number	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2007	Increased	Decreased	Balance Dec. 31, 2008
06-03	Various Capital Improvements	7/20/2006	7/18/2007	7/18/2008	4.000%	\$ 2,350,000.00	\$	\$ 2,350,000.00	-
05-15	Various Capital Improvements	3/15/2007	3/15/2007	3/14/2008	4.000%	791,000.00		791,000.00	-
05-40	Various Capital Improvements	3/15/2007	3/15/2007	3/14/2008	4.000%	285,000.00		285,000.00	-
06-03	Various Capital Improvements	3/15/2007	3/15/2007	3/14/2008	4.000%	1,000,000.00		1,000,000.00	-
06-32	Various Capital Improvements	3/15/2007	3/15/2007	3/14/2008	4.000%	1,000,000.00		1,000,000.00	-
06-03	Various Capital Improvements	7/18/2007	7/18/2007	7/18/2008	4.000%	650,000.00		650,000.00	-
06-32	Various Capital Improvements	7/18/2007	7/18/2007	7/18/2008	4.000%	1,000,000.00		1,000,000.00	-
07-04	Various Capital Improvements	7/18/2007	7/18/2007	7/18/2008	4.000%	2,500,000.00		2,500,000.00	-
						\$ <u>9,576,000.00</u>	\$ <u>-</u>	\$ <u>9,576,000.00</u>	\$ <u>-</u>
					Ref.	<u>C</u>			<u>C</u>

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

Ord. Number	Improvement Description	Balance Dec. 31, 2007	2008 Authorizations	Bonds, Notes or Grants Issued	Funded by Budget Appropriation	Other	Balance Dec. 31, 2008
9-92	Beach Area Acquisition	\$ 284,924.50	\$	\$	\$	\$	\$ 284,924.50
03-02: 04-07: 04-21	Various Capital Improvements	1,896.80			1,896.80		-
03-28	Various Capital Improvements	5,282.35			5,282.35		-
04-02: 04-22	Various Capital Improvements	2,250.00			2,250.00		-
04-09	Various Capital Improvements	2,250.00			2,250.00		-
04-16	Various Capital Improvements	680.18			680.18		-
04-30	Various Capital Improvements	480.00			480.00		-
05-08	Various Capital Improvements	3,750.00			3,750.00		-
05-15	Various Capital Improvements	9,117.82			9,117.82		-
05-25	Various Capital Improvements	4,999.07				4,999.07	-
06-03	Various Capital Improvements	659,750.00		515,000.00	24,292.85		120,457.15
06-32	Various Capital Improvements	1,353,500.00		1,350,000.00			3,500.00
07-04	Various Capital Improvements	1,646,750.00		1,640,000.00			6,750.00
07-52	Various Capital Improvements		4,498,250.00	2,210,000.00			2,288,250.00
08-03	Community Center Improvements		6,625,000.00	265,500.00			6,359,500.00
08-18	Parks & Open Space		400,000.00				400,000.00
		<u>\$ 3,975,630.72</u>	<u>\$ 11,523,250.00</u>	<u>\$ 5,980,500.00</u>	<u>\$ 50,000.00</u>	<u>\$ 4,999.07</u>	<u>\$ 9,463,381.65</u>
Ref.	C						C

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

	<u>Ref.</u>	<u>Trust Fund I</u>	<u>Trust Fund II</u>
Balance December 31, 2007	E	\$ -	\$ -
Increased By Receipts:			
State Aid for Public Assistance		\$ -	\$ 321,672.86
Other Receipts		-	125,415.67
		<u>-</u>	<u>447,088.53</u>
		-	<u>447,088.53</u>
Decreased By Disbursements:			
Public Assistance			404,683.07
SSI Payments			42,405.46
		<u>-</u>	<u>447,088.53</u>
Balance December 31, 2008	E	<u>\$ -</u>	<u>\$ -</u>

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

	<u>Ref.</u>	<u>Trust Fund I</u>	<u>Trust Fund II</u>
Balance December 31, 2008	E-1	\$ -	\$ -
Increased By Receipts:			
Cash Receipts Record		\$ _____	\$ 45,729.90
		_____	45,729.90
		-	_____
		-	45,729.90
Decreased By Disbursements:			
Cash Disbursement Record		_____	45,729.90
		_____	45,729.90
		-	_____
		-	45,729.90
Balance January 31, 2008	E-2	\$ _____	\$ _____
Reconciliation January 31, 2008			
Balance on Deposit per Statement:			
PNC Bank		_____	-
Book Balance		\$ _____	\$ _____
		_____	_____
		-	_____
		-	_____

CITY OF OCEAN CITY
PUBLIC ASSISTANCE FUND
SCHEDULE OF REVENUES

	<u>Ref.</u>	<u>Trust Fund I</u>	<u>Trust Fund II</u>
State Aid Payments	\$		\$ 321,672.86
Refunds			1,437.00
Supplemental Security Income:			
Client Refund			42,405.46
Interim Assistance			81,573.21
Total Revenues (PATF)		-	447,088.53
Due to Current Fund			-
Total Receipts (PATF)	\$	-	\$ 447,088.53

SCHEDULE OF EXPENDITURES

	<u>Ref.</u>	<u>Trust Fund I</u>	<u>Trust Fund II</u>
Current Year Assistance (State Matching):			
Maintenance Payments	\$		\$ 150,940.02
Shelter / Housing			17,331.60
Utilities			816.36
Transportation			8,090.50
Temporary Rent			195,942.20
Rent			30,588.59
Other			973.80
Total Reported		-	404,683.07
SSI Payments:			
Reimbursements to Client			42,405.46
Due to Current Fund			
Total Disbursements (PATF)	\$	-	\$ 447,088.53

**CITY OF OCEAN CITY
PART II
GENERAL COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED
DECEMBER 31, 2008**



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements – statutory basis of the City of Ocean City, State of New Jersey (the "City"), as of and for the year ended December 31, 2008, and have issued our report thereon dated August 28, 2009. Our report disclosed that, as described in Note 1 to the financial statements, the 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, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements prescribed by the Division.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with the statutory basis of accounting prescribed by the Division, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division, this instance of noncompliance is reported at Finding 2008-1.

We noted certain matters that we reported to the City's management in a separate letter dated August 28, 2009.

This report is intended solely for the information and use of management, the City Council, others within the entity, and the Division as well as other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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



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

August 28, 2009

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, 2005 the bid threshold is \$29,000.

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:

- Acquisition of a 6 CYD Mini Trash Packer
- Acquisition of a New 2008 Backhoe with Attachments
- Roof Replacements, Various Locations
- Various Road Improvements
- Supply and Installation of New Water Efficient Sprinklers for Various Locations
- Construction of ADA & Pedestrian Improvements
- Towing and Lockout Services
- Exterior Waterproofing of the Cultural Arts, Library and Aquatic and Fitness Center Building
- Rehabilitation of the Music Pier
- Maintenance of City Owned Grounds and Garden Pots
- Acquisition of Two Powered Ambulance Stretchers
- Acquisition of Boardwalk Light Fixtures and Poles
- Supply and Installation of Lighting for the Tennis Court at 6th Street
- Baseball Camp Program
- Recreational Basketball Camp Program
- Field Hockey Camp Program
- Soccer Camp Program
- Lacrosse Camp Program
- Supply & Delivery of Lumber and Piling
- Supply & Delivery of Nails and Bolts
- Ocean City Municipal Solar Energy Power Project
- Supply & Installation of Decorative Crosswalks on Asbury Avenue
- Supply & Installation of Striping and Signage for West Avenue
- Beachfront Outfall Repairs – Various Locations
- Fitness Equipment for the Aquatic & Fitness Center and the Fire & Rescue Departments
- Emergency Billing Services
- Municipal Airport Drainage Extension
- Improvements to Various Playgrounds
- Acquisition & Installation of Emergency Vehicle Lighting
- Citywide Paving
- Acquisition of One Model Year 2009 – Four Wheel Loader
- 2009 & 2010 Fourth of July Firework Shows
- Supply & Delivery of Various Street Signs, Traffic Paint & Accessories
- Printing Services

CITY OF OCEAN CITY

GENERAL COMMENTS (CONTINUED)

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

- Installation of Electric & Plumbing at the Clothes Closet Site
- Acquisition of One 2009 or Newer, Single Axle Hook Life Truck
- Fabrication & Supply of Welded Aluminum 2-Rail
- Police & Fire Department Uniforms
- Supply & Delivery of 100 Low Lead Aviation Fuel
- Citywide Custodial Services
- Supply & Delivery of Sand Fence and Posts

Collection of Interest on Delinquent Taxes and Assessments

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

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

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

BE IT FURTHER RESOLVED by the City Council of the City of Ocean City, in accordance with N.J.S.A. 54:4-67, Chapter 75, New Jersey Laws of 1991, and Chapter 32, New Jersey Laws of 1994, which permits a 6 per cent penalty on taxes and municipal charges greater than \$10,000 as of the close of the fiscal year, that said end-of-year penalty shall be fixed for the Year 2008.

This Resolution shall take effect January 1, 2008.

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>
2008	5
2007	5
2006	5

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.

CITY OF OCEAN CITY

GENERAL COMMENTS (CONTINUED)

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 2008 and 2009 Taxes	25
Delinquent Taxes	25
Total	<u>50</u>

Deposit of Municipal Funds

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

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

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

Our examination revealed that except for a few isolated and immaterial instances, municipal funds were deposited within the mandated time.

CITY OF OCEAN CITY

FINDINGS AND RECOMMENDATIONS

Finding #1:

The city was unable to produce a fixed asset listing until August 2009.

Criteria:

N.J.A.C 5:30-5.6 requires that all municipalities maintain a fixed asset listing on a current basis.

Condition:

The fixed asset listing was not completed until August 2009.

Cause:

The city was in the process of converting this listing from an outside vendor to an in-house system.

Effect:

The city was in violation of N.J.A.C. 5:30-5.6

Recommendation:

That the city maintain and provide, for audit, in a timely manner a fixed asset listing in accordance with N.J.A.C 5:30-5.6.

Ford, Scott & Associates, L.L.C.
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CERTIFIED PUBLIC ACCOUNTANTS



Leon P. Costello
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Registered Municipal Accountant
No. 393

August 28, 2009

CITY OF OCEAN CITY
PART III
FEDERAL AND STATE FINANCIAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED
DECEMBER 31, 2008

CITY OF OCEAN CITY
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant I.D. Number	Grant Period		Program Receipts	Program Expenditures
			From	To		
U.S. Department of Housing and Urban Development						
Community Development Block Grant	14.219	N/A	Open		\$ 383,795.58	\$ 205,608.32
U.S. Department of Transportation						
FAA Snow Removal Building	20.106	N/A	Open			
FAA Snow Removal Building - 2007	20.106	N/A	Open		342,280.00	
FAA Fuel Farm Expansion	20.106	N/A	Open			
FAA Block Grant	20.106	N/A	Open			(1,104.06)
FAA Drainage	20.106	N/A	Open			1,104.04
Airport Drainage	20.106	N/A	Open		120,662.00	534,178.23
Pavement Study	20.106	N/A	Open		49,448.00	
Airport Seal Coat & Marking	20.106	N/A	Open		8,312.50	
U.S. Department of Homeland Security						
FEMA - Fire Equipment	97.036	N/A	Open		80,537.00	41,470.43
Total Federal Awards					\$ <u>985,035.08</u>	\$ <u>781,256.96</u>

CITY OF OCEAN CITY
SCHEDULE OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

State Funding Department	Program	State Account Number	Grant Period		Program Receipts	Program Expenditures	Cumulative Expenditures
			From	To			
Department of Community Affairs	Neighborhood Preservation Program	8020-100-022-8020-092-F301-6020	Open		\$ 56,630.00	\$ 15,103.61	\$ 152,506.54
	Court Consolidation	N/A	Open			16,750.00	16,750.00
	Community Service Grant	100-022-805-184-052350	Open			4,500.00	4,500.00
	Cool Cities Community Share Grant	N/A	Open			24,660.00	24,660.00
		N/A	Open		76,950.00	78,590.00	78,590.00
Department of State	NJ Council on the Arts - POPS Cooperative Marketing Grant	732-074-2505-002-6130	Open		59,690.00	29,189.00	29,189.00
		N/A	Open			9,010.74	9,010.74
Department of Environmental Protection	Recycling Tonnage Grant	4900-752-042-4900-001-V42Y-6020	Open		20,987.38	22,285.00	30,490.88
	Clean Communities	4900-765-042-4900-004-V42Y-6020	Open			55,705.93	147,712.25
	Green Communities Challenge	N/A	Open		2,000.00		2,500.00
	Livable Communities	N/A	Open			50,000.00	50,000.00
	Storm Water Management	100-042-4840-091-057500	Open				2,500.00
Department of Treasury	Municipal Alliance Program	475-995120-60	Open			4,495.20	15,020.40
Department of Transportation	Trust Fund 2005 Grant	6320-048-078-6320	Open		35,000.00		135,000.00
	2006 Grant	6320-048-078-6320	Open		33,750.00		
	2007 Grant	6320-048-078-6320	Open			143,000.00	143,000.00
	Paving Asbury Ave		Open			140,000.00	140,000.00
Department of Law and Public Safety	DMV Inspection Fines	6400-100-078-6400	Open		1,152.00	5,292.12	19,606.47
	Body Armor Grant	1020-718-066-1020-001-01-YCJS-6120	Open		6,198.26	9,570.00	20,556.25
	Aggressive Driver Program	N/A	Open		28,134.79	26,849.88	69,394.53
	Drunk Driving Enforcement Fund	N/A	Open		5,840.53	6,734.95	6,734.95
	Emergency Management	1200-100-066-1200-726-YEMR-6120	Open			9,169.78	24,788.76
Department of Health	Senior Services	491-046-4275-082	Open		4,500.00		
	Cooperative Marketing Grant	N/A	Open		7,040.00		
Department of Agriculture	Smart Future Planning	100-022-8070-039-999-000	Open		5,000.00	50,000.00	50,000.00
Department of Economic Assistance	Public Assistance	7550-150-158010-60	1/1/08	12/31/08	321,672.86	404,683.07	404,683.07
Total State Assistance					<u>\$ 664,545.82</u>	<u>\$ 1,105,589.28</u>	<u>\$ 1,577,193.84</u>

CITY OF OCEAN CITY
NOTES TO SCHEDULE OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2008

Note 1: General

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

Note 2: Basis of Accounting

The accompanying schedule of financial assistance are presented using the modified accrual basis of accounting in accordance with the "Requirements of Audit" as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the City accounts for its financial transactions through separate funds, which differ from the funds required by accounting principles generally accepted in the United States of America (GAAP).

Note 3: Relationship to General-Purpose Financial Statements

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Grant Fund	\$ 781,256.96	\$ 700,906.21	\$ 1,482,163.17
Public Assistance Fund		<u>404,683.07</u>	<u>404,683.07</u>
Total Financial Assistance	<u>\$ 781,256.96</u>	<u>\$ 1,105,589.28</u>	<u>\$ 1,886,846.24</u>

Note 4: Relationship to State Financial Reports

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



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133 AND
NEW JERSEY OMB CIRCULAR 04-04**

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

Compliance

We have audited the compliance of the City of Ocean City, State of New Jersey (the "City"), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement and New Jersey OMB Circular 04-04* that are applicable to each of its major federal and state programs for the year ended December 31, 2008. The 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations and New Jersey OMB 04-04* and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Those standards, OMB A-133 and OMB 04-04 and State of New Jersey prescribed audit requirements 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 the 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the City's governing body, and the Division and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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



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

August 28, 2009

CITY OF OCEAN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING DECEMBER 31, 2008

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unqualified Opinion issued on the Financial Statements – Statutory Basis, presented in accordance with an “Other Comprehensive Basis of Accounting”.**

Internal control over financial reporting:

- 1) Material Weakness identified? **NO**
- 2) Significant Deficiencies identified that are not considered to be a Material Weakness? **NONE REPORTED**

Non-Compliance material to Financial Statements – Statutory Basis noted? **YES**

Federal Awards

Internal control over major programs:

- 1) Material Weakness identified? **NO**
- 2) Reportable conditions identified that are not considered to be a Material Weakness? **NONE REPORTED**

Type of auditor's report issued on compliance for major programs: **An Unqualified Opinion was issued on compliance for major programs.**

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133? **NO**

Identification of major programs:

14.219 **Community Development Block Grant**

Dollar threshold used to distinguish between Type A and Type B Programs: **\$300,000**

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

CITY OF OCEAN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING DECEMBER 31, 2007
(CONTINUED)

I. SUMMARY OF AUDITOR'S RESULTS (Continued)

State Awards

Internal control over major programs:

- | | |
|---|----------------------|
| 3) Material Weakness identified? | NO |
| 4) Significant Deficiencies identified that are not considered to be a Material Weakness? | NONE REPORTED |

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

An Unqualified Opinion was issued on compliance for major programs.

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 04-04?

NO

Identification of major programs:

6320-48-78-6320
6320-48-78-6320

DOT Trust Fund – Asbury Avenue
DOT Trust Fund – Ocean Avenue

Dollar threshold used to distinguish between Type A and Type B Programs:

\$300,000

Auditee qualified as low-risk Auditee?

YES

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

In accordance with Government Auditing Standards, our audit disclosed a finding relating to the financial statements – statutory basis that is required to be reported under this section. We have reported this item as Finding #1 on Page 77 of this report.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AND STATE AWARDS

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

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

STATUS OF PRIOR YEAR FINDINGS

There were no prior year Findings or Questioned Costs.