

# **EGG HARBOR CITY**

**ATLANTIC COUNTY**

**NEW JERSEY**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2013**



## EGG HARBOR CITY

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**EGG HARBOR CITY**

**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY DATA**

**YEAR ENDED DECEMBER 31, 2013**

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# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditor's Report

The Honorable Mayor and  
Members of Common Council  
Egg Harbor City, New Jersey

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

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of Egg Harbor City, as of December 31, 2013 and 2012, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

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

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

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

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

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of Egg Harbor City as of December 31, 2013 and 2012, or changes in financial position for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2013 and 2012, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2013 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Egg Harbor City's basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents and the schedule of expenditures of federal awards, as required by Office of management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, the supplemental information listed in the table of contents, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements. Because of the significance of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014 on our consideration of Egg Harbor City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Egg Harbor City's internal control over financial reporting and compliance.

Very truly yours,

*Ford, Scott & Associates, L.L.C.*

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

*Leon P. Costello*

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

**June 26, 2014**

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**EXHIBIT A - CURRENT FUND**

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

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Regular Fund:		
Cash:		
Treasurer	\$ 704,446	185,349
Change	225	150
Investment in Bond Anticipation Notes	19,998	899,265
Total Cash	<u>724,669</u>	<u>1,084,764</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	1,610	15,206
Tax Title and Other Liens	520,040	555,883
Code Enforcement Charges Receivable	300	-
Property Acquired for Taxes - at Assessed Valuation	491,289	440,589
Due from Atlantic County	310	-
Revenue Accounts Receivable	5,439	6,467
Total Receivables and Other Assets	<u>1,018,988</u>	<u>1,018,145</u>
Deferred Charges:		
Emergency Appropriation	59,250	37,500
Special Emergency NJSA 40:A;4-55	56,000	88,000
Total Deferred Charges	<u>115,250</u>	<u>125,500</u>
Total Regular Fund	<u>1,858,907</u>	<u>2,228,409</u>
Federal and State Grant Fund:		
Federal and State Grants Receivable	604,336	1,338,736
Due from Current Fund	83,763	61,806
Total Federal and State Grant Fund	<u>688,099</u>	<u>1,400,542</u>
Total Current Fund	<u>\$ 2,547,006</u>	<u>3,628,951</u>

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

	<u>2013</u>	<u>2012</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 61,467	87,068
Reserve for Encumbrances/Accounts Payable	95,673	79,985
Taxes Collected in Advance	105,559	100,753
Overpaid Taxes	23,480	24,187
Payroll Taxes Payable	3,583	24,468
Special Emergency Note Payable	56,000	88,000
County Added Tax Payable	3,338	1,204
Regional High School District-Taxes	11,952	82,456
Due to State:		
Veterans and Senior Citizens	17,577	22,921
Marriage Licence Fees	150	200
Burial Permit Fees	15	20
DCA Training Fees	1,504	519
Dog License Fees	-	6
Interfund Payable:		
Grant Fund	83,763	61,806
Other Reserve for		
Land Sales	84,500	394,391
Curbs and Sidewalks	7,652	7,652
Reassessment	-	7,805
Revaluation	-	6,715
	<u>556,213</u>	<u>990,156</u>
Reserve for Receivables and Other Assets	1,018,988	1,018,145
Fund Balance	<u>283,706</u>	<u>220,108</u>
Total Regular Fund	<u>1,858,907</u>	<u>2,228,409</u>
Federal and State Grant Fund:		
Unappropriated Reserves	8,979	6,898
Appropriated Reserves	418,041	925,461
Encumbrances Payable	192,942	400,046
Due to Trust Fund	<u>68,137</u>	<u>68,137</u>
Total Federal and State Grant Fund	<u>688,099</u>	<u>1,400,542</u>
Total Current Fund	<u>\$ 2,547,006</u>	<u>3,628,951</u>



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

	<u>2013</u>	<u>2012</u>
Revenue and Other Income Realized		
Fund Balance	\$ 182,000	90,552
Miscellaneous Revenue Anticipated	1,643,350	2,372,281
Receipts from Delinquent Taxes	84,364	102,280
Receipts from Current Taxes	9,207,597	8,761,796
Non Budget Revenue	28,855	53,527
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	76,294	99,683
Cancellation of Prior Year Liabilities	14,519	746
Total Income	<u>11,236,979</u>	<u>11,480,865</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	2,097,711	2,098,593
Other Expenses	2,319,546	2,215,809
Deferred Charges & Statutory Expenditures	602,712	596,804
Appropriations Excluded from "CAPS"		
Operations:		
Other Expenses	133,921	465,056
Capital Improvements	208,750	463,000
Debt Service	326,235	309,790
Deferred Charges	89,500	54,400
Transferred to Board of Education for use by		
Local and Regional High School Districts	19,212	36,917
Local District School Tax	2,841,129	2,710,900
County Tax	1,188,826	963,285
County Share of Added Tax	3,338	1,204
Regional High School Tax	1,215,436	1,379,444
Refund of Prior Year's Revenue	778	5,455
Other:		
Cancellation of Prior Year Receivables	3,227	-
Interfund Created	310	-
Total Expenditures	<u>11,050,631</u>	<u>11,300,657</u>
Excess in Revenue	<u>186,348</u>	<u>180,208</u>

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

	<u>2013</u>	<u>2012</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by		
Statute Deferred Charges to Budgets of		
Succeeding Year		
Emergency Appropriation	59,250	37,500
Total Adjustments	<u>59,250</u>	<u>37,500</u>
Statutory Excess to Fund Balance	245,598	217,708
Fund Balance January 1	<u>220,108</u>	<u>92,952</u>
	465,706	310,660
Decreased by:		
Utilization as Anticipated Revenue	<u>182,000</u>	<u>90,552</u>
Fund Balance December 31	\$ <u><u>283,706</u></u>	<u><u>220,108</u></u>

**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated	\$ 94,500		94,500	
Surplus Anticipated with Prior Written Consent of Local Government Services	87,500		87,500	
Total Fund Balance Anticipated	182,000	-	182,000	-
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Alcoholic Beverages	18,500		21,067	2,567
Other	41,000		47,825	6,825
Fines and Costs:				
Municipal Court	97,000		86,554	(10,446)
Interest and Costs on Taxes	46,500		50,615	4,115
Interest Earned on Investments	3,000		2,656	(344)
Rental of Municipal Property	16,500		16,073	(427)
Lake Parking Fees	52,500		47,061	(5,439)
Mayor Marriage Fees	1,000			(1,000)
Campground Royalty	3,600		3,819	219
Total Section A: Local Revenues	279,600	-	275,670	(3,930)
Section B: State Aid Without Offsetting Appropriations				
Consolidated Municipal Property Tax Relief Act	51,155		51,155	
Energy Receipts Tax	422,306		422,306	
Total Section B: State Aid Without Offsetting Appropriations	473,461	-	473,461	-
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	25,000		58,879	33,879
Total Section C: Uniform Construction Code Fees	25,000	-	58,879	33,879

**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
NJ Department of Transportation		187,000	187,000	
Recycling Tonnage Grant	5,172		5,172	
Clean Communities Program		12,142	12,142	
Municipal Alliance on Alcoholism and Drug Abuse	12,380		12,380	
Green Communities	3,000		3,000	
Body Armor Fund	1,726		1,726	
Bulletproof Vest		560	560	
AtlantiCare Garden Grant		500	500	
USDA Community Facilities Grant-DPW Equipment		27,750	27,750	
FEMA-Pre Disaster Mitigation Planning Grant	60,000		60,000	
Total Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations	82,278	227,952	310,230	-

**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Anticipated		Excess or
	Budget	N.J.S. 40A:4-87	(Deficit)
Section G: Special Items of General Revenue Anticipated with Prior Written Consent of Director of Local Government			
Services - Other Special Items			
Uniform Fire Safety Act	11,500		(2,061)
Rental Registrations	32,000		(275)
Payment in Lieu of Taxes	13,500		627
Cemetery Contribution	15,000		
Reserve for Land Sales	394,391		
EMS Rental Income	9,336		
FEMA Prior Year Reimbursements -			
Snow Emergency	22,500		3,729
Hurricane Sandy	23,000		1,863
Total Section G: Other Special Items	521,227	-	3,883
Total Miscellaneous Revenues:	1,381,566	227,952	33,832
Receipts from Delinquent Taxes	90,000		(5,636)
Amount to be Raised by Taxes for Support of Municipal Budget			
Local Tax for Municipal Purposes	4,046,623		44,798
Total Amount to be Raised by Taxes for Support of Municipal Budget	4,046,623	-	44,798
Budget Totals	5,700,189	227,952	72,994
Non- Budget Revenues:			
Other Non- Budget Revenues:			28,855
\$	5,700,189	227,952	101,849

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	9,207,597
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Allocated to:

School, County and Other Taxes	5,248,729
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Balance for Support of Municipal Budget Appropriations	3,958,868
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Increased by:

Appropriation "Reserved for Uncollected Taxes"	132,553
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Amount for Support of Municipal Budget Appropriations	4,091,421
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	18,795
Tax Title Lien Collections	65,569

Total Receipts from Delinquent Taxes	84,364
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Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Tax Search Fees	70
Cable Franchise Fee	12,354
Sale of Property	5,535
Division of Motor Vehicles Fines	550
Code Enforcement	6,271
Police Department	1,157
Other Miscellaneous	2,843

Total Miscellaneous Revenue Not Anticipated:	28,780
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Adjustment to Change Fund	75
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\$	28,855
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## OPERATIONS WITHIN "CAPS" GENERAL GOVERNMENT

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
<b>PUBLIC SAFETY</b>						
Fire						
Salaries and Wages	2,700	2,700	2,700			
Other Expenses:						
Aid to Volunteer Companies	21,000	21,000		21,000		
Fire Prevention						
Salaries and Wages	12,265	12,265	10,985		1,280	
Other Expenses	2,340	2,340	581	1,750	9	
Right to Know Act/Safety Coordinator						
Salaries and Wages	210	210	210		20	
Other Expenses	270	20				
Police						
Salaries and Wages	1,348,000	1,343,000	1,288,312		688	54,000
Other Expenses:						
Purchase of Police Car	16,689	16,689	16,689			
Miscellaneous Other Expenses	33,525	38,525	31,591	5,018	1,916	
Police Radio and Communications						
Salaries and Wages	3,875	3,875	3,726		149	
Other Expenses	176,100	176,100	176,100			
Municipal Court						
Salaries and Wages	89,000	81,500	78,854		2,646	
Other Expenses	9,450	12,950	8,959	958	3,033	
Public Defender						
Salaries and Wages	4,500	4,500	4,500			
Emergency Management Services						
Salaries and Wages	1,050	1,050	1,050			
Other Expenses	900	900	466	433	1	
<b>PUBLIC WORKS</b>						
Solid Waste Collection (Public Works)						
Salaries and Wages	316,000	313,834	311,454		2,380	
Other Expenses:						
Hauling Fee (Tipping and Hauling Fee)	262,551	252,551	250,562		1,989	
Miscellaneous Other Expenses	37,195	52,945	50,436	2,293	216	
Solid Waste Disposal Cost	128,722	148,722	144,264	4,200	258	
City Garage						
Salaries and Wages	100	100			100	
Other Expenses	90	90			90	

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement



**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
<b>HEALTH AND WELFARE</b>						
Animal Control (Dog Regulation)						
Other Expenses	9,600	9,600	9,600			
<b>RECREATION AND EDUCATION</b>						
Parks and Playgrounds						
Salaries and Wages	35,400	32,000	31,982		18	
Other Expenses:						
Lining of Kern Field	25	25			25	
Miscellaneous Other Expenses	10,270	13,670	5,730	6,275	1,665	
Anniversary or Holiday						
Other Expenses	4,433	4,433	3,250		1,183	
Youth Program						
Other Expenses:						
Key Rec Youth Group	5,000	2,666		2,666		
Crusaders Youth Program	14,000	14,000		14,000		
<b>INSURANCE</b>						
Group Insurance Plans for Employees	651,404	644,154	636,323	170	7,661	
Firemen's Group Insurance Premiums	30,000	28,000	26,102		1,898	
Surety Bond Premiums	1,000	500			500	
Other Insurance Premiums:						
Liability Insurance (JIF)	120,344	120,344	120,344			
Workers Compensation (JIF)	98,463	98,463	98,463			
Health Benefits Waiver	2,500	2,500	2,500			
<b>UNIFORM CONSTRUCTION CODE</b>						
Construction Official						
Salaries and Wages	37,200	37,200	37,146		54	
Other Expenses	900	1,150	892	64	194	
<b>UNCLASSIFIED</b>						
Street Lighting						
Gasoline	105,000	105,000	96,375	7,203	1,422	
Electric	76,500	72,500	61,026	2,214	9,260	
Natural Gas	95,000	107,700	103,778		3,922	
Telephone	36,000	36,000	29,044	5,000	1,956	
Fire Hydrant Service	35,000	30,000	24,899		5,101	
	15,000	15,000	15,000			

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
Accumulated Absences	25,000	25,000	25,000		
TOTAL OPERATIONS WITHIN "CAPS"	4,414,407	4,471,157	4,270,241	91,602	54,000
Contingent	100	100		100	
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	4,414,507	4,471,257	4,270,241	91,602	54,000
Detail:					
Salaries and Wages	2,175,977	2,151,711	2,089,534	-	8,177
Other Expenses	2,238,530	2,319,546	2,180,707	91,602	47,237
DEFERRED CHARGES AND STATUTORY EXPENDITURES:					
Deferred Charges:					
None					
Statutory Expenditures:					
Contributions to:					
Public Employees' Retirement System	139,238	139,238	139,238		
Social Security System (O.A.S.I.)	163,000	165,500	165,447		53
Consolidated Police and Firemen's Pension Fund	277,974	277,974	277,974		
Unemployment Compensation Insurance	20,000	20,000	20,000		
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	600,212	602,712	602,659	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	5,014,719	5,073,969	4,872,900	91,602	54,000
OPERATIONS - EXCLUDED FROM "CAPS"					
(A) Operations - Excluded from "CAPS"	1,596	1,596	1,596		
Group Insurance for Employees	6,000	6,000			6,000
Recycling Tax Appropriation	7,596	7,596	1,596	-	-

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
(A) Public and Private Programs Off-Set by Revenues						
Clean Communities Act (NJSA 13:13-99.1 et. seq.)		12,142	12,142			
Recycling Tonnage Grant	5,172	5,172	5,172			
Green Communities	3,000	3,000	3,000			
FEMA - Pre Disaster Mitigation Planning Grant	60,000	60,000	60,000			
Body Armor Fund	1,726	1,726	1,726			
Bulletproof Vest Partnership Grant		560	560			
U.S. Department of Agriculture -						
Rural Development Community Facilities		27,750	27,750			
Drug Abuse Resistance Education	12,380	12,380	12,380			
Drug Abuse Resistance Education - Local Match	3,095	3,095	3,095			
AtlantiCare Growing Green Initiative		500	500			
Total Public and Private Programs Off-Set by Revenues	85,373	126,325	126,325	-	-	-
Total Operations - Excluded from "CAPS"						
Detail:						
Salaries and Wages	92,969	133,921	127,921	-	6,000	
Other Expenses	-	-				
	92,969	133,921	127,921	-	6,000	
(C) Capital Improvements						
Capital Improvement Fund	25,000	25,000	21,750			3,250
NJ Department of Transportation						
Reconstruction of Diesterweg Street						
Total Capital Improvements	25,000	187,000	187,000	-	-	3,250
(D) Debt Service						
Payment of Bond Principal	175,000	175,000	175,000			
Payment of Bond Anticipation Notes and Capital Notes	72,500	72,500	72,500			
Interest on Bonds	60,680	60,680	60,680			
Interest on Notes	18,056	18,056	18,055			1
Total Debt Service	326,236	326,236	326,235	-	-	1
(E) Deferred Charges						
Emergency Authorizations	37,500	37,500	37,500			
Special Emergency Authorizations - 5 years	32,000	32,000	32,000			

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
Improvement to Philadelphia Avenue	20,000	20,000	20,000		
Total Deferred Charges	<u>89,500</u>	<u>89,500</u>	<u>89,500</u>	<u>-</u>	<u>-</u>
(N) Transferred to Board of Education for Use of Local Schools (NJA 40:48-17.1 & 17.3)	19,212	19,212	19,212		
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	<u>552,917</u>	<u>780,869</u>	<u>771,618</u>	<u>-</u>	<u>3,251</u>
SUBTOTAL GENERAL APPROPRIATIONS	<u>5,567,636</u>	<u>5,854,838</u>	<u>5,644,518</u>	<u>91,602</u>	<u>57,251</u>
(M) Reserve for Uncollected Taxes	<u>132,553</u>	<u>132,553</u>	<u>132,553</u>		
TOTAL GENERAL APPROPRIATIONS	<u>\$ 5,700,189</u>	<u>5,987,391</u>	<u>5,777,071</u>	<u>91,602</u>	<u>57,251</u>
Budget		5,700,189			
Appropriations by 40A-4-87		227,952			57,251
Emergency Appropriations		<u>59,250</u>			<u>-</u>
		<u>5,987,391</u>			<u>57,251</u>
Reserve for Uncollected Taxes			132,553		
Federal and State Grants			313,325		
Deferred Charges			69,500		
Disbursements			5,261,693		
			<u>5,777,071</u>		
				Cancelled Overexpended	

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**EXHIBIT B - TRUST FUND**

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

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Animal Control Fund:		
Cash	\$ <u>1,172</u>	<u>2,325</u>
	<u>1,172</u>	<u>2,325</u>
Other Funds:		
Cash - Treasurer	318,720	312,168
Cash - Collector	102,446	40,934
Due from Grant Fund	<u>68,137</u>	<u>68,137</u>
	<u>489,303</u>	<u>421,239</u>
	<u><u>490,475</u></u>	<u><u>423,564</u></u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>		
Animal Control Fund:		
Reserve for Expenditures	<u>1,172</u>	<u>2,325</u>
	<u>1,172</u>	<u>2,325</u>
Other Funds:		
Reserve for Recreation Fees - Developers	40,000	14,000
Reserve for Program Loan Repayment	91,854	84,110
Reserves - Miscellaneous	<u>357,449</u>	<u>323,129</u>
	<u>489,303</u>	<u>421,239</u>
	\$ <u><u>490,475</u></u>	<u><u>423,564</u></u>

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

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**EXHIBIT C - CAPITAL FUND**

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

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Cash	\$ 34,886	46,386
Grants Receivable	300,000	-
Deferred Charges to Future Taxation -		
Funded	1,387,000	1,562,000
Unfunded	1,885,379	1,792,629
	<u>3,607,265</u>	<u>3,401,015</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	60,755	315,944
Bond Anticipation Notes Payable	1,700,129	1,287,050
Serial Bonds Payable	1,387,000	1,562,000
Improvement Authorizations:		
Funded	149,276	21,259
Unfunded	298,552	200,864
Reserves for:		
Demolition of Property	4,353	4,353
Development of City Airport	1,920	1,920
Design Expenses for Diesterweg Walkway/ Bikepath Phase II	2,260	2,260
Preliminary Expense-Diesterweg Road Reconstruction	2,355	-
Capital Improvement Fund	300	5,000
Fund Balance	365	365
	<u>\$ 3,607,265</u>	<u>3,401,015</u>

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

2012	505,579
2013	185,250

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

	<u>2013</u>	<u>2012</u>
Beginning Balance January 1	\$ 365	8,100
Increased by:		
Premiums on sale of Bonds & Notes		3,765
Decreased by:		
Appropriated to Finance Improvement Authorizations		11,500
Ending Balance December 31	\$ <u>365</u>	<u>365</u>

**EXHIBIT D - WATER AND SEWER UTILITY FUND**

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**WATER AND SEWER UTILITY FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Operating Fund:		
Cash - Treasurer	\$ 342,430	445,869
Change Fund	200	125
	<u>342,630</u>	<u>445,994</u>
Receivables and Other Assets with Full Reserves:		
Consumer Accounts Receivable	18,091	11,975
Water and Sewer Utility Liens	4,927	5,017
	<u>23,018</u>	<u>16,992</u>
Deferred Charges:		
Emergency Appropriation	<u>70,560</u>	<u>-</u>
	<u>70,560</u>	<u>-</u>
Total of Operating Fund	\$ <u>436,208</u>	<u>462,986</u>

**WATER AND SEWER UTILITY FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**  
**AS OF DECEMBER 31,**

	<u>2013</u>	<u>2012</u>
Capital Fund:		
Cash	\$ 693,925	553,336
Grants Receivable	62,514	3,124,100
Fixed Capital - Sewer	12,952,875	12,774,065
Fixed Capital - Water	10,822,223	10,643,413
Fixed Capital - Authorized & Uncomp.	6,938,100	7,073,241
	<u>31,469,637</u>	<u>34,168,155</u>
	<u><u>31,905,845</u></u>	<u><u>34,631,141</u></u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Liabilities:		
Appropriation Reserves	21,914	69,449
Reserve for Encumbrances	28,179	14,675
Accrued Interest on Bonds	126,122	128,465
Utility Rent Overpayments	2,417	2,189
Utility Rents Paid in Advance	149,295	140,581
	<u>327,927</u>	<u>355,359</u>
Reserve for Receivables	23,018	16,992
Fund Balance	85,263	90,635
	<u>436,208</u>	<u>462,986</u>
Total of Operating Fund	\$ 436,208	462,986



**WATER AND SEWER UTILITY FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**  
**AS OF DECEMBER 31,**

	<u>2013</u>	<u>2012</u>
Capital Fund:		
Bond Anticipation Notes	\$ 5,519,998	1,626,665
Serial Bonds-Water and Sewer	12,137,900	12,396,182
Encumbrances Payable/Contracts Awarded	847,544	7,411,354
Accrued Interest on Notes	88,497	10,173
Improvement Authorizations		
Unfunded	1,842,964	2,009,098
Reserves for:		
Amortization - Water	5,123,334	4,990,341
Amortization - Sewer	3,293,757	3,161,000
Amortization - Deferred	2,338,517	2,338,517
Reserve for Land Sales	85,461	55,055
Reserve to Pay Debt	152,551	130,931
Fund Balance	39,115	38,839
Total of Capital Fund	<u>31,469,637</u>	<u>34,168,155</u>
Total Liabilities, Reserves and Fund Balance	\$ <u>31,905,845</u>	<u>34,631,141</u>

There were Bonds and Notes authorized but not issued at December 31

2012	5,978,013
2013	1,820,579

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

	2013	2012
<u>Revenue and Other Income Realized</u>		
Fund Balance Anticipated	\$ 90,000	-
Rents	1,202,462	1,195,939
Miscellaneous Revenue Anticipated	42,429	31,539
Fire Hydrant Service	15,000	15,000
Increase in Rental Fees	-	37,950
Reserve for Land Sales	55,055	52,268
Grant - USDA Water Treatment Plant	-	3,124,100
EHC North Land Sale	84,500	305,500
Utility Capital Surplus	-	14,159
FEMA Reimbursement	4,272	-
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	70,255	70,196
Total Income	<u>1,563,973</u>	<u>4,846,651</u>
<u>Expenditures</u>		
Operating	845,300	911,484
Capital Improvements	800	3,124,100
Debt Service	682,805	681,273
Deferred Charges and Statutory		
Expenditures	21,000	39,159
Total Expenditures	<u>1,549,905</u>	<u>4,756,016</u>
Excess in Revenue	14,068	90,635
Adjustments to Income before Fund Balance:		
Expenditures included above which are by		
Statute deferred charges to budget of		
succeeding year	<u>70,560</u>	<u>-</u>
Statutory Excess to Fund Balance	84,628	90,635
Fund Balance January 1	90,635	-
Decreased by:		
Utilization as Anticipated Revenue	<u>90,000</u>	<u>-</u>
Fund Balance December 31	<u>\$ 85,263</u>	<u>90,635</u>

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**WATER AND SEWER CAPITAL FUND  
STATEMENT OF CAPITAL FUND BALANCE - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2013</u>	<u>2012</u>
Balance Beginning of Year	\$ 38,839	50,518
Increased by:		
Premium on Sale of Notes	<u>276</u>	<u>2,480</u>
	39,115	52,998
Decreased by:		
Anticipated in Utility Operating Budget	<u>-</u>	<u>14,159</u>
Balance End of Year	<u>\$ 39,115</u>	<u>38,839</u>

**WATER AND SEWER OPERATING FUND  
STATEMENT OF REVENUES  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Anticipated Budget	Realized	Excess or (Deficit)
Surplus Anticipated	\$ 90,000	90,000	
Water and Sewer Rents	1,233,000	1,202,462	(30,538)
Miscellaneous	31,500	42,429	10,929
Fire Hydrant Services	15,000	15,000	
Increase in Rental Fees	20,000		(20,000)
FEMA Reimbursement	4,272	4,272	
EHC North Land Sale	50,392	84,500	34,108
Reserve for Land Sales	55,055	55,055	
	<u>\$ 1,499,219</u>	<u>1,493,718</u>	<u>(5,501)</u>

**Analysis of Realized Revenue**Rents

Consumer Accounts Receivable	1,200,065
Tax Title Liens	2,625
Overpayments Created	<u>(228)</u>
Total Collections	<u>1,202,462</u>

Miscellaneous

Interest and Penalties	11,363
Water Tap Fee	2,200
Sewer Tap Fee	6,400
Fire	20,112
Miscellaneous Other	<u>2,279</u>
Total Revenue Realized	42,354
Increase in Change Fund	<u>75</u>
	<u>\$ 42,429</u>

**WATER AND SEWER OPERATING FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
<b>OPERATING</b>					
Salaries and Wages	\$ 233,750	233,750	229,707		4,043
Other Expenses	335,202	335,202	307,668	27,299	235
Engineering Fees	5,000	5,000		880	4,120
Legal Fees	9,500	9,500	4,579		4,921
Atlantic County Sewerage Authority - Contractual	261,848	261,848	255,888		5,960
	845,300	845,300	797,842	28,179	19,279
					-
<b>CAPITAL IMPROVEMENTS</b>					
Fund Ordinance 06-04	800	800	800		-
	800	800	800	-	-
					-
<b>DEBT SERVICE</b>					
Payment of Bond Principal	278,155	278,155	258,282		19,873
Payment of Bond Anticipation Notes and Capital Notes	6,667	6,667	6,667		
Interest on Bonds	347,297	417,857	417,856		1
	632,119	702,679	682,805	-	19,874
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES</b>					
Deferred Charges:					
None					
Statutory Expenditures					
Contribution to:					
Social Security System (O.A.S.I.)	20,000	20,000	17,365		2,635
Unemployment Compensation Insurance	1,000	1,000	1,000		
	21,000	21,000	18,365	-	2,635
					-
\$	1,499,219	1,569,779	1,499,812	28,179	19,874
Adopted Budget		1,499,219			
Emergency Authorization		70,560			
		1,569,779			
Interest on Bonds and Notes			417,856		
Disbursed			1,081,956		
			1,499,812		

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

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**EXHIBIT G - GENERAL FIXED ASSET GROUP OF ACCOUNTS**

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**GENERAL FIXED ASSETS ACCOUNT GROUP**  
**STATEMENT OF GENERAL FIXED ASSETS - REGULATORY BASIS**  
**AS OF DECEMBER 31,**

	<u>2013</u>	<u>2012</u>
General Fixed Assets:		
Land	\$ 859,675	859,675
Buildings	1,548,321	1,548,321
Improvements Other than Buildings	561,682	561,682
Equipment	709,786	717,813
Vehicles	1,621,010	1,844,303
Furniture	<u>12,332</u>	<u>12,332</u>
Total General Fixed Assets	<u><u>5,312,806</u></u>	<u><u>5,544,126</u></u>
Investment in General Fixed Assets	<u><u>\$ 5,312,806</u></u>	<u><u>5,544,126</u></u>

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## **NOTES TO FINANCIAL STATEMENTS**

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## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED DECEMBER 31, 2013 AND 2012**

#### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Reporting Entity**

Egg Harbor City was incorporated in 1858 and is located in the northern section of Atlantic County. The population estimate by the US Department of Census as of July 2010 is 4,398. The City provides to its citizens the following services: public safety, recreation, public improvements, planning and zoning, garbage and trash collection, water and sewer services, and general administrative services.

Egg Harbor City is governed by a Mayor and a nine-member City Council. The Mayor is the chief executive officer and Council is the legislative body of the City. The Mayor is elected to a four-year term and the nine City Council members are elected to three-year terms. The Council monitors the daily administrative functions.

Except as noted below, the financial statements of Egg Harbor City include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by Egg Harbor City, as required by N.J.S. 40A:5-5.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. Egg Harbor City operates a Cemetery which is managed by a seven member board. Although the Cemetery is a component unit of the City, under State of New Jersey reporting requirements it is not included in these financial statements. Complete financial statements of the Egg Harbor City Cemetery may be obtained from the City Clerk, Egg Harbor City, 500 London Avenue, Egg Harbor City, NJ 08215.

##### **B. Description of Funds**

The accounting policies of Egg Harbor City conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with the respect to public funds. Under this method of accounting, Egg Harbor City accounts for its financial transactions through the following separate funds:

Current Fund -- resources and expenditures for governmental operations of a general nature, including Federal and State grant funds.

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

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

Water and Sewer Operating and Capital Funds -- account for the operations and acquisition of capital facilities other than those acquired in the Current Fund.

As permitted by Generally Accepted Accounting Principles (GAAP), the City has elected to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as applicable

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2013 AND 2012

Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure, issued before November 30, 1989 in its accounting and reporting practices for its water and sewer utility fund.

General Fixed Assets Account Group -- All fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

#### C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant policies in New Jersey follow.

A modified accrual basis of accounting is followed with minor exceptions.

Revenues -- are recorded as received in cash except for certain amounts which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the City budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the City's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the City which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Expenditures -- are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the Governing Body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis; interest on utility capital indebtedness is on the accrual basis. Compensated absences are treated on a pay as you go basis with no amount charged to operations in the year incurred.

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

Interfunds -- Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

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

General Fixed Assets -- Egg Harbor City has developed a fixed assets accounting and reporting system in accordance with the requirements of the State of New Jersey, Division of Local Government Services. This reporting system differs in certain respects from Generally Accepted Accounting Principles.

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED DECEMBER 31, 2013 AND 2012**

As required by New Jersey Statutes, foreclosed property is reported in the current operating fund of the municipality.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. The City's fixed asset capitalization threshold is \$5,000 for both general and utility capital assets.

No depreciation has been provided for in the financial statements.

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

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

Property and equipment purchased by the Water and Sewer Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the costs of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

The following schedule is a summarization of the changes in general fixed assets for the calendar years ended December 31, 2013 and 2012.

	Balance as of 12-31-12	Additions	Adjustments / Disposals	Balance as of 12-31-13
Land	\$ 859,675			859,675
Buildings	1,548,321			1,548,321
Improvements	561,682			561,682
Equipment	717,813	11,092	(19,119)	709,786
Furniture	12,332			12,332
Vehicles	1,844,303	76,047	(299,340)	1,621,010
	<u>\$ 5,544,126</u>	<u>76,047</u>	<u>(318,459)</u>	<u>5,312,806</u>

	Balance as of 12-31-11	Additions	Adjustments / Disposals	Balance as of 12-31-12
Land	\$ 859,675			859,675
Buildings	1,548,321			1,548,321
Improvements	561,682			561,682
Equipment	839,828		(122,015)	717,813
Furniture	65,687		(53,355)	12,332
Vehicles	1,826,318	91,167	(73,182)	1,844,303
	<u>\$ 5,701,511</u>	<u>91,167</u>	<u>(248,552)</u>	<u>5,544,126</u>

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## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2013 AND 2012

The following schedule is a summarization of the changes in utility capital fixed assets for the calendar years ended December 31, 2013 and 2012. Under the New Jersey Regulatory Basis of Accounting no depreciation is taken on these assets.

	Balance as of 12-31-12	Additions	Adjustments / Disposals	Balance as of 12-31-13
Sewer Assets	\$ 12,774,065	178,810		12,952,875
Water Assets	10,643,413	178,810		10,822,223
Authorized Assets				
Sewer	67,570		(67,570)	
Water	7,005,671		(67,571)	6,938,100
	<u>\$ 30,490,719</u>	<u>357,620</u>	<u>(135,141)</u>	<u>30,713,198</u>
	Balance as of 12-31-11	Additions	Adjustments / Disposals	Balance as of 12-31-12
Sewer Assets	\$ 9,825,635	2,948,430		12,774,065
Water Assets	7,694,983	2,948,430		10,643,413
Authorized Assets				
Sewer	3,016,000		(2,948,430)	67,570
Water	9,954,100		(2,948,429)	7,005,671
	<u>\$ 30,490,718</u>	<u>5,896,860</u>	<u>(5,896,859)</u>	<u>30,490,719</u>

Levy of Taxes -- The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August, and November. Any taxes that have not been paid by the 11th day of the 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et seq.

The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county.

Utility Levy -- The City operates both a sewer and water utility. Rates are determined by ordinance and changed when needed. Sewer charges are based on flat fees based on the type of entity. Water charges are based on a flat "meter" charge, based on the size of the meter, plus a usage charge as determined by meter readings. The water and sewer charges are billed on January 1, April 1, July 1, and October 1. The City establishes a 100% reserve for all outstanding water and sewer receivables. Revenue is recognized when the payment is made.

Interest on Delinquencies -- On an annual basis, City Council determines the rate of interest to charge for delinquent tax and utility charges. For the years 2013 and 2012 the City charged 8% of the first \$1,500 of delinquency and 18% for any cumulative amount in excess of \$1,500. In addition, there is an annual charge of 6% for any delinquencies in excess of \$10,000 on December 31. The City allows a ten (10) day grace period from the quarterly due date; but, the interest is calculated from the due date for any payments beyond the grace period.

Capitalization of Interest -- It is the policy of Egg Harbor City to treat interest on general capital projects as a current expense and the interest is included in the current operating budget. Total interest charged to the operating budget was \$78,735 in 2013 and \$94,790 in 2012. For utility capital projects, the City elects on a

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED DECEMBER 31, 2013 AND 2012**

project by project basis the decision to capitalize interest. Total interest charged to the utility operating budget was \$417,856 in 2013 and \$425,980 in 2012. During the years ended December 31, 2013 and 2012, \$89,492 and \$11,735, respectively, was charged to utility capital projects.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles or the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reports amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **D. Required Financial Statements**

The State of New Jersey requires the following financial statements to be presented for each fund on the regulatory basis of accounting. Balance sheet, Statement of Operations and Changes in Fund Balance, Statement of Revenue and Statement of Expenditures. These statements differ from those presented under Generally Accepted Accounting principles, which requires a Statement of Net Position and Statement of Activities in addition to the fund financial statements.

#### **E. Comparative Data**

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the City's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the Statement of Revenue-Regulatory Basis and Statement of Expenditures-Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

#### **F. Recent Accounting Pronouncements Not Yet Effective**

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

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27". This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the entity's financial reporting. However, the provisions of this statement will require significant modifications to the disclosure requirements related to the entity's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

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

In April 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees". This statement, which is effective for fiscal years beginning after June 15, 2013, will not have any impact on the entity's financial statement disclosures.

In November 2013, Governmental Accounting Standards Board (GASB) issued Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68". The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014. The provisions of this statement will require significant modifications to the disclosure requirements related to the entity's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2013 AND 2012

#### Note 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2013 and 2012 statutory budgets included a reserve for uncollected taxes in the amount of \$132,553 and \$140,960. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2013 and 2012 statutory budgets was \$182,000 and \$90,552.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by City Council. The following significant budget transfers were approved in the 2013 and 2012 calendar years:

	2013	2012
Insurance		
Group Insurance for Employees	\$ (10,000)	(18,650)
Police		
Salaries and Wages		42,800
Solid Waste Collection (Public Works)		
Other Expenses: Hauling Fee		
Other Expenses	(10,000)	
Solid Waste Disposal	20,000	
Municipal Court		
Salaries and Wages	(7,500)	(8,500)
Department of Public Works		
Salaries and Wages		(13,750)
Street Lighting		11,000
Electric	12,700	(30,000)
Contribution to:		
Social Security System		9,000

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During the 2013 and 2012 calendar years, City Council approved the following significant budget insertions:

	2013	2012
New Jersey Department of Transportation		
Reconstruction of New Orleans Avenue		180,000
Reconstruction of Diesterweg Street	\$ 187,000	
Discretionary Aid – Diesterweg Walkway		250,000
Clean Communities		10,342
US Rural Development -		
Construction of Water Treatment Plan		3,124,100

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. The Common Council did not approve any special emergency appropriations during 2013. The Common Council did not approve any special

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2013 AND 2012

emergency appropriations during 2012. During the 2013 and 2012 calendar years, the following emergency appropriations were approved by the Common Council:

	<u>2013</u>	<u>2012</u>
Current Operating:		
Legal Services and Costs		
Other Expenses	\$ 50,000	
Solid Waste Collection (Public Works)		
Other Expenses	9,250	
Public Buildings and Grounds		
Other Expenses		35,000
Interest on Notes		2,500
Utility Operating:		
Debt Service		
Interest on Bonds	70,560	

#### Note 3: INVESTMENTS

As of December 31, 2013 and 2012, the municipality has investments totaling \$19,998 and \$899,265.

During the period ended December 31, 2013 and 2012 the City held investments in Bond Anticipations Notes of the City in the amounts of \$19,998 and \$899,265. These investments represent 100% of the City's investments. Interest is charged at 0.00% per annum. The fair value measurement of these investments fall within the Level 3 hierarchy level, indicating there is a measurable input for the asset or liability. There has been no change in valuation technique or related inputs.

**Interest Rate Risk.** The municipality does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

**Credit Risk.** New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk.** The municipality places no limit on the amount the City may invest in any one issuer.

#### Note 4: CASH

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the Act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or funds that may pass to the municipality relative to the happening of a future condition. As of December 31, 2013 and 2012, \$0 of the municipality's bank balance of \$2,721,643 and \$1,564,409 was exposed to custodial credit risk.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Note 5: LONG TERM DEBT**

Long-term debt as of December 31, 2013 and 2012 consisted of the following:

	Balance as of 12-31-12	Additions	Reductions	Balance as of 12-31-13	Due in One Year
General	\$ 1,562,000		175,000	1,387,000	185,000
Water and Sewer Utility	12,396,189		258,282	12,137,907	268,109
Comp. Absences	344,372	23,204	34,992	332,584	34,078
Total	<u>\$ 14,302,561</u>	<u>23,204</u>	<u>468,274</u>	<u>13,857,491</u>	<u>487,187</u>

	Balance as of 12-31-11	Additions	Reductions	Balance as of 12-31-12	Due in One Year
General	\$ 1,727,000		165,000	1,562,000	175,000
Water and Sewer Utility	12,644,815		248,626	12,396,189	258,282
Comp. Absences	313,645	246,918	216,191	344,372	630
Total	<u>\$ 14,685,460</u>	<u>246,918</u>	<u>629,817</u>	<u>14,302,561</u>	<u>433,912</u>

**Outstanding bonds whose principal and interest are paid from the Current Fund Budget of the City:**

\$2,317,000 General Improvement Bond dated 12/1/05 payable in annual installments commencing 12/1/08 and continuing through 12/1/20. Interest is paid semiannually at varying rates ranging from 3.25% to 4.00%. The balance remaining as of December 31, 2013 was \$1,387,000.

**Outstanding bonds whose principal and interest are paid from the Utility Operating Fund Budget of the City:**

\$220,000 Sewer Utility bond dated 9/26/02 with the United States Department of Agriculture, Rural Economic and Community Development. This bond is payable in semiannual installments of \$5,956 through 3/26/43. Interest is calculated at 4.50% and is included in the semiannual installments. The City has received approval from the Local Finance Board to use this method of interest calculation for this issue. The remaining balance on this issue as of December 31, 2013 was \$191,762.

\$839,000 Sewer Utility bond dated 4/22/04 with the United States Department of Agriculture, Rural Economic and Community Development. This bond is payable in semiannual installments of \$22,712 through 10/22/2044. Interest is calculated at 4.50% and is included in the semiannual installments. The City has received approval from the Local Finance Board to use this method of interest calculation for this issue. The remaining balance on this issue as of December 31, 2013 was \$755,051.

\$160,800 Sewer Utility bond dated 10/1/05 with the United States Department of Agriculture, Rural Economic and Community Development. This bond is payable in semiannual installments of \$4,199 through 6/1/45. Interest is calculated at 4.25% and is included in the semiannual installments. The City has received approval from the Local Finance Board to use this method of interest calculation for this issue. The remaining balance on this issue as of December 31, 2013 was \$144,985.

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2013 AND 2012

\$715,000 Water and Sewer Utility Bond dated 12/1/05 payable in annual installments commencing 12/1/08 and continuing through 12/1/20. Interest is paid semiannually at varying rates ranging from 3.50% to 4.00%. The balance remaining as of December 31, 2013 was \$460,000.

\$4,400,000 Water and Sewer Utility Bond dated 2/15/08 with the United States Department of Agriculture, Rural Economic and Community Development. This bond is payable in semiannual installments of \$116,996 through 2/15/48. Interest is calculated at 4.375% and is included in the semiannual installments. The City has received approval from the Local Finance Board to use this method of interest calculation for this issue. The remaining balance on this issue as of December 31, 2013 was \$4,145,122.

\$1,690,000 Water and Sewer Refunding Bond dated April 26, 2011 payable in annual installments commencing 8/1/11 and continuing through 8/1/25. Interest is paid semiannually at varying rates ranging from 2.00% to 4.00%. The total savings to the City was \$58,271, or 3.695% as a result of refunding the 1990 bond issues. Refunding bonds maturing on or after 8/1/22 are subject to redemption prior to maturity at the option of the City on any date on or after 8/1/21. The balance remaining as of December 31, 2013 was \$1,545,000.

\$5,056,000 Water and Sewer Utility Bond dated 10/14/11 with the United States Department of Agriculture, Rural Economic and Community Development. This bond is payable in semiannual installments of \$96,216 through 10/14/51. Interest is calculated at 2.25% and is included in the semiannual installments. The City has received approval from the Local Finance Board to use this method of interest calculation for this issue. The remaining balance on this issue as of December 31, 2013 was \$4,895,980.

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

Year	General Fund		Utility Fund	
	Principal	Interest	Principal	Interest
2014	\$ 185,000	54,456	268,109	411,799
2015	190,000	48,480	278,109	403,049
2016	200,000	40,080	353,292	394,166
2017	210,000	32,480	358,662	383,383
2018	210,000	24,080	369,229	372,091
2019-2023	392,000	22,960	1,827,071	1,658,131
2024-2028			1,465,513	1,345,277
2029-2033			1,343,962	1,116,828
2034-2038			1,595,082	865,708
2039-2043			1,885,802	562,643
2044-2048			1,842,003	222,438
2049-2052			551,066	21,777
	<u>\$ 1,387,000</u>	<u>222,536</u>	<u>12,137,900</u>	<u>7,757,290</u>

As of December 31, 2013, the carrying value of the above bonds approximates the fair value of the bonds.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

Summary of Municipal Debt

	Year 2013	Year 2012	Year 2011
<u>Issued</u>			
General - Bonds and Notes	\$ 3,087,129	2,849,050	2,945,300
Water & Sewer Utility - Bonds & Notes	17,657,898	14,022,847	14,278,140
Total Issued	<u>20,745,027</u>	<u>16,871,897</u>	<u>17,223,440</u>
<u>Authorized But Not Issued</u>			
General - Bonds & Notes	185,250	505,579	193,079
Water & Sewer Utility - Bonds & Notes	1,820,579	5,498,900	5,498,900
Total Authorized But Not Issued	<u>2,005,829</u>	<u>6,004,479</u>	<u>5,691,979</u>
	<u>\$ 22,750,856</u>	<u>22,876,376</u>	<u>22,915,419</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.588%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 8,495,000	7,693,996	801,004
Regional High School District Debt	1,673,708	1,673,708	-
Water & Sewer Utility Debt	19,478,477	19,478,477	-
General Debt	3,272,379		3,272,379
	<u>\$32,919,564</u>	<u>28,846,181</u>	<u>4,073,383</u>

As a Kindergarten through Grade 8 District, the allowable deduction to gross debt is limited to 3% of the average equalized valuation. As indicated above, the Local School District gross debt exceeded 3%, and therefore a portion is included as Net Debt to the City.

Net Debt \$4,073,383 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$256,466,529 = 1.588 %.

The above information is in agreement with the Annual Debt Statement filed by Egg Harbor City.

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

3 ½ % of Equalized Valuation Basis (Municipal)	\$ 8,976,329
Net Debt	<u>4,073,383</u>
Remaining Borrowing Power	<u>\$ 4,902,946</u>

# **NOTES TO FINANCIAL STATEMENTS** **YEARS ENDED DECEMBER 31, 2013 AND 2012**

## **Note 6: SHORT TERM OBLIGATIONS**

	Balance 12/31/12	Additions	Reductions	Balance 12/31/13
General Capital Notes	\$ 1,287,050	485,579	72,500	1,700,129
Utility Capital Notes	1,626,665	3,900,000	6,667	5,519,998
Special Emergency Notes	88,000		32,000	56,000
	<u>\$ 3,001,715</u>	<u>4,385,579</u>	<u>111,167</u>	<u>7,276,127</u>
	Balance 12/31/11	Additions	Reductions	Balance 12/31/12
General Capital Notes	\$ 1,218,300	118,750	50,000	1,287,050
Utility Capital Notes	1,633,332	800,000	806,667	1,626,665
Special Emergency Notes	120,000	88,000	120,000	88,000
Tax Anticipation Note		2,000,000	2,000,000	-
	<u>\$ 2,971,632</u>	<u>3,006,750.00</u>	<u>2,976,667.00</u>	<u>3,001,715.00</u>

The City has outstanding at December 31, 2013 the following special emergency and bond anticipation notes:

	Amount	Issue Date	Maturity Date	Interest Rate
Current Fund				
Select Bank	<u>\$ 56,000</u>	2/2/2013	2/3/2014	1.25%
General Capital				
Colonial Bank	<u>1,700,129</u>	2/2/2013	2/3/2014	0.75%
Water & Sewer Capital				
Oppenheimer & Co.	5,500,000	2/2/2013	2/3/2014	1.75%
Egg Harbor City	<u>19,998</u>	2/2/2013	2/3/2014	0.00%
Total Utility Capital	<u>5,519,998</u>			
Total Special Emergency and Bond Anticipation Notes	<u>\$ 7,276,127</u>			

The City renewed the special emergency note upon maturity, after a pay down of \$32,000, for an additional one year period. The interest rate on this note is 1.25% per annum. Upon maturity of the remaining notes, the City paid down \$95,500 of the existing debt and issued \$75,000 in new debt. The bond anticipation note of \$7,254,629 will mature on 1/30/15, at an interest rate of 1.25% per annum. Although the \$19,998 utility note is non-interest bearing, the discount is not reflected as it is between funds of the City and not significant.

## **Note 7: LEASE OBLIGATIONS**

During the year ended December 31, 2013, the City had lease agreements in effect for the following:



# NOTES TO FINANCIAL STATEMENTS

## YEARS ENDED DECEMBER 31, 2013 AND 2012

### Operating Lease:

Effective 1/1/12, the City has entered into an agreement for the lease of a copy machine. The term of the lease is 48 months and the City has the option to purchase the equipment at fair market value upon expiration. Payments of \$276 are due monthly. Future minimum payments under this lease are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 3,312
2015	3,312
Total	<u>\$ 6,624</u>

### Capital Leases:

The City is leasing three (3) police vehicles totaling \$85,500 under a capital lease. Annual payments are made to MMD Financial, LLC and include interest of 6.5% per annum. The following is a schedule of the future minimum lease payments under this capital lease.

<u>Year</u>	<u>Amount</u>
2014	\$ 16,689
2015	16,689
2016	16,689
2017	<u>16,689</u>
Total minimum lease payments	66,756
Less: Amount representing interest	<u>9,960</u>
Present Value of net minimum lease payments	<u>\$ 56,796</u>

Rental expenses charged to operations in 2013 and 2012 were \$20,001 and \$20,001 respectively.

### **Note 8: FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2013 and 2012 which are anticipated to be appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Current Fund	\$ 182,000	182,000
Water & Sewer Utility Fund	7,000	90,000

As of the date of this audit report, the City has not adopted the 2014 Local Municipal Budget and the above amounts are subject to change. Municipalities are permitted to appropriate the full amount of fund balance, net of any amounts due from the State of New Jersey for Senior Citizens and Veterans deductions, deferred charges, and cash deficit. The total amount of fund balance available to the City to appropriate in the 2014 budget is \$221,933 for the current fund and \$7,227 for the utility fund.

# **NOTES TO FINANCIAL STATEMENTS** **YEARS ENDED DECEMBER 31, 2013 AND 2012**

## **Note 9: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2013, the following deferred charges are shown on the balance sheets of the various funds:

	Balance 12/31/13	2014 Budget Appropriation	Balance to Succeeding Budgets
Current Fund:			
Emergency Appropriation	\$ 59,250	59,250	
Special Emergency NJSA 40A:4-55	56,000	32,000	24,000
	<u>115,250</u>	<u>91,250</u>	<u>24,000</u>
Utility Operating:			
Emergency Appropriation	<u>70,560</u>	<u>70,560</u>	<u>0</u>

The appropriations in the 2014 Budget are not less than that required by statute.

## **Note 10: SCHOOL TAXES**

Local District School Taxes in the amounts of \$2,841,129 and \$2,710,900 have been raised for the 2013 and 2012 calendar years and remitted to the local school district. Regional High School Tax in the amounts of \$1,215,436 and \$1,379,444 have been raised for the 2013 and 2012 calendar years and remitted to the regional high school district. The regional high school tax levy is determined by taking 50% of the prior year and 50% of the current year requirements, plus the actual amount needed for debt service, if any. New Jersey Statutes permit a deferral of up to 50% of the current tax levy for those districts that levy on a fiscal year.

	Local District School Tax		Regional High School Tax	
	Balance 12/31/13	Balance 12/31/12	Balance 12/31/13	Balance 12/31/12
Balance of Tax	\$ -	-	497,060	567,564
Deferred	-	-	485,108	485,108
Tax Payable	<u>\$ -</u>	<u>-</u>	<u>11,952</u>	<u>82,456</u>

## **Note 11: TAXES COLLECTED IN ADVANCE**

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	Balance 12/31/13	Balance 12/31/12
Prepaid Taxes	\$ 105,559	100,753
Cash Liability for Taxes Collected in Advance	<u>\$ 105,559</u>	<u>100,753</u>

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2013 AND 2012

#### Note 12: PENSION FUNDS

##### Description of Plans

Substantially all of the City's employees participate in the Public Employees' Retirement System (PERS) and Police and Fireman's Retirement System (PFRS) cost sharing multiple-employer defined benefit pension plans 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 the System will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the systems. This report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey 08625 or the report can be accessed on the internet at –

<http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

##### Public Employees' Retirement System

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

##### Police and Fireman's Retirement System

The contribution policy for the Police and Fireman's Retirement System (PFRS) is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate.

##### Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA 43:15C-1 et seq). The DCRP is a cost sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43:15C-1 et seq.

##### Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 6.64% through June 30, 2013 and 6.78% thereafter of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 15.6% of covered payroll. The City's contributions to PERS for the years ended December 31, 2013, 2012, and 2011 were \$139,238, \$156,340 and \$130,300.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The City's contributions to PFRS for the years ended December 31, 2013, 2012, and 2011 were \$277,974, \$251,464, and \$225,245.

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2013 AND 2012

The total payroll for the year ended December 31, 2013, 2012, and 2011 was \$2,444,356, \$2,399,588, and \$2,536,103. Payroll covered by PERS was \$893,312, \$1,169,398, and \$1,108,683. Covered payroll by PFRS was \$1,122,319, \$1,104,187, and \$1,044,687.

#### Significant Legislation

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

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

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

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

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

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED DECEMBER 31, 2013 AND 2012**

the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7<sup>th</sup> of the required amount, beginning in fiscal years 2012.

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

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

#### **Note 13: POST-RETIREMENT BENEFITS**

**Plan Description** - Egg Harbor City contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under NJSA 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

It is the policy of the City to pay for the health care coverage for any retired police officers hired prior to 1993 or firefighter, subject to certain requirements. All other retirees are offered benefits through COBRA.

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

Plan Coverage – City employees are currently covered by the Policemen Benevolent Association Mainland Local 77 or Teamsters Local #331. Department heads are not included in either union but have separate employment agreements. It is the policy of the City to pay for the health care coverage for any retired police officers hired prior to 1993 or firefighter, subject to certain requirements. All other retirees are offered benefits through COBRA.

The City's contributions to SHBP for post-retirement benefits for the years ended December 31, 2013, 2012 and 2011, were \$43,142, \$25,761, and \$20,724, respectively, which equaled the required contribution for the year.

#### **Note 14: DEFERRED COMPENSATION**

Employees of Egg Harbor City may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED DECEMBER 31, 2013 AND 2012**

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

The deferred compensation plan is administered by an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the employees.

As part of its fiduciary role, the City has an obligation of due care in selecting the third party administrator. In the opinion of the City's legal counsel, the City has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

#### **Note 15: ACCRUED SICK AND VACATION BENEFITS**

The City has permitted employees to accrue unused sick time, which may be taken as time off or paid at a later date at an agreed upon rate. It is estimated that the cost for the most current calendar year of such unpaid compensation would approximate \$332,584 in 2013 and \$344,372 in 2012. This amount is not reported either as an expenditure or liability due to the likelihood of all employees terminating in one fiscal year being improbable. Employees covered by the PBA contract, as well as non-union employees, will be paid for a maximum of 45 days of accumulated sick time, but no vacation time, time upon retirement. Employees covered under the Teamsters The policy of not reflecting the accrued benefit is not in agreement with GASB Statement No. 12 but is required by the State of New Jersey. Effective January 1, 2002, the State of New Jersey is allowing municipalities to accrue a compensated absences liability. As of December 31, 2013 and 2012 the total amount accumulated was \$32,497 and \$46,212, respectively.

#### **Note 16: ECONOMIC DEPENDENCY**

The Egg Harbor City is not economically dependent on any one business or industry as a major source of tax revenue for the City.

#### **Note 17: RISK MANAGEMENT**

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

**Property and Liability Insurance** – The City maintains commercial insurance coverage for property, liability and surety bonds. During the years ended December 31, 2013 and 2012 the City did not incur claims in excess of the coverage and the amount of coverage did not significantly decrease.

The City is a member of the Statewide Joint Insurance Fund which also includes other municipalities throughout the State. The City is obligated to remit insurance premiums into this fund for sufficient insurance coverage. There is an unknown contingent liability with the Statewide Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The City has a coverage limitation of \$10,000,000. There was no reduction in coverage and no claims in excess of coverage during 2013 or 2012. The Statewide Insurance Fund issues its own financial report which may be obtained from the Statewide Insurance Fund, 30A Vreeland Road, Florham Park, NJ 07932-0678.

**New Jersey Unemployment Compensation Insurance** – The City has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the City is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The City is billed quarterly for amounts due to the

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2013 AND 2012

State. The following is a summary of City contributions, employee contributions, reimbursements to the State for benefits and the ending balance of the City's trust fund for the previous three years.

<u>Calendar Year</u>	<u>City Contributions</u>	<u>Interest</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2013	21,000	5	3,749	22,890	5,067
2012	26,000	19	3,591	33,783	3,203
2011	13,000	49	4,039	47,075	7,376

#### **Note 18: TAX ABATEMENT PROGRAM**

The tax abatement program was established to encourage commercial and industrial development in Egg Harbor City. It is a five year program where real estate taxes on the approved buildings are abated and payments are made in lieu. The value of the building improvements must exceed \$100,000 for commercial and the properties are tax exempt until the project is complete. Once completed, the taxpayer pays no tax in the first year after completion. Beginning in the second year, the taxpayer is assessed taxes on 20% of the assessed value, with annual increases of 20% until the end of five years.

The tax exemption program was established to encourage residential property improvements in Egg Harbor City. This exemption is permitted on properties that are more than twenty (20) years old as well as new dwellings. This is also a five year program. The Assessor's full and true value of the home improvements must not exceed \$15,000 and will not increase the value of the property for five years.

#### **Note 19: LITIGATION**

From time to time, the City is a defendant in legal proceedings relating to its operations as a municipality. In the best judgment of the City's management, the outcome of any present legal proceedings will not have any adverse material effect on the accompanying financial statements.

#### **Note 20: UNION CONTRACTS**

City employees are organized into two collective bargaining units; the Policeman's Benevolent Association, Inc. and Teamster's Local #331. The PBA contract was re-negotiated during 2008 for another five year period, expiring December 31, 2012. When the City became a member of the State Health Benefits Plan, effective May 1, 2009, the contract was extended for an additional year and will now expire December 31, 2013. The Teamster's contract expired December 31, 2013.

Effective January 1, 2014, new three year contracts were entered into for both the PBA and Teamster's unions. The PBA contract covers all uniformed police excluding the Director of Public Safety. The Teamsters contract covers all full-time and regular part-time blue collar employees except managerial executives, confidential employees, police officers, supervisors, professionals, craft employees and all other employees of the City.

#### **Note 21: RELATED PARTY TRANSACTIONS**

The seven members of the Egg Harbor City Cemetery Board of Trustees are appointed by the Common Council of Egg Harbor City. During the 2013 and 2012 calendar years, the City paid \$30,400 and \$32,219, respectively for salaries and related benefits for Cemetery employees. In addition, they charged the Cemetery \$15,000 for maintenance services performed at the Cemetery during 2013 and 2012. The Cemetery has reimbursed the City for all expenses.

# NOTES TO FINANCIAL STATEMENTS

## YEARS ENDED DECEMBER 31, 2013 AND 2012

### Note 22: CONTINGENCIES, GRANTS AND CONTRACTS

The City awarded contracts in 2013 and 2012 for various acquisitions and improvements throughout the City. The balance remaining on these contracts as of December 31, 2013 is as follows:

Contract	Funding Source	Balance at 12/31/13
Construction of Water Treatment Plant	US Rural Develop. Grant & Loan	805,707

### Note 23: LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The City is the owner of a non operating landfill. The State of New Jersey Department of Environmental Protection is the organization that monitors all activity related to landfills. Prior to closing the landfill certain fees were placed into an escrow which has a balance of \$8,322 and \$8,318 on December 31, 2013 and 2012. 100% of the landfill capacity has been used and, therefore the landfill has no remaining useful life. The recognition of liability for closure and post closure costs is generally based on the landfill capacity used to date. However, the cost to close the landfill and to cover future post closure costs has not been determined. The City anticipates meeting the post closure requirements on a pay as you go basis. The \$8,322 certificate of deposit is restricted for post closure use.

### Note 24: INTERFUND BALANCE

As of December 31, 2013, the following interfunds were included on the balance sheets of the various funds of Egg Harbor City:

	Due From	Due To
Current Fund: Grant Fund	\$	83,763
Grant Fund: Current Fund Trust Fund	83,763	68,137
Trust Fund: Grant Fund	68,137	

The amount due to the Grant Fund from the Current Fund is the result of funds received on the various grants that have not yet been expended. The amounts due to the trust funds is the result of prior housing rehabilitation loans that were repaid and construction fees collected in the current fund that are due to the third party inspectors.

### Note 25: SUBSEQUENT EVENTS

On March 27, 2014, the City adopted an ordinance authorizing the appropriation of \$17,000 from capital improvement fund for the purchase of various equipment.

Project	Amount
Purchase of Equipment	
Police-helmets and masks	\$ 6,500
Public Works-plow/leaf box	6,500
Metal Detector for Municipal Court	4,000
	<u>\$ 17,000</u>



**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

In addition, the City adopted a resolution authorizing the appropriation of \$10,000 from the capital improvement fund for preliminary costs to determine the scope and cost of a redevelopment plan on the EMS building located on Philadelphia Avenue.

The City has evaluated subsequent events through June 26, 2014, the date which the financial statements were available to be issued and no additional items, except as noted above, were noted for disclosure or adjustment.

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## **SUPPLEMENTARY DATA**

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# FORD - SCOTT

& ASSOCIATES, L.L.C.

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## Independent Auditor's Report

The Honorable Mayor and  
Members of Common Council  
Egg Harbor City, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated June 26, 2014, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

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

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

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

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

### **Compliance and Other Matters**

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

## **Purpose of this Report**

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

Very truly yours,

*Ford, Scott & Associates, L.L.C.*

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

*Leon P. Costello*

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

**June 26, 2014**



# FORD - SCOTT

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## Independent Auditor's Report

The Honorable Mayor and  
Members of Common Council  
Egg Harbor City, NJ

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

We have audited Egg Harbor City's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey OMB State Grant Compliance Supplement* that could have a direct and material effect on each of Egg Harbor City's major federal and state programs for the year ended December 31, 2013. Egg Harbor City's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

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

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

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

In our opinion, Egg Harbor City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2013.

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

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

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

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

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

Very truly yours,

*Ford, Scott & Associates, L.L.C.*

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

*Leon P. Costello*

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

**June 26, 2014**



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal or State Grantor/Pass - Through Grantor/Program Title	Grant Period	CFDA # or Pass-Through Grantor's #	Program or Award Amount	Balance Dec. 31, 2012	Receipts or Revenue Recognized	Disbursements/ Expenditures	Encumbrances	Prior Year Encumbrances Reversed/ Adjustment	Balance Dec. 31, 2013
<b>Federal:</b>									
United States Rural Development Construction of Water Treatment Plan	1/1/12 - 12/31/13	10.760	3,124,100 \$	-	-	2,903,855	-	2,903,855	-
Total United States Rural Development						2,903,855	-	2,903,855	-
US Department of Agriculture Community Facilities Loans and Grants Purchase of Equipment-Public Works	1/1/13 - 12/31/13	10.766	27,750	-	27,750	2,611	-	-	25,139
Total US Department of Agriculture					27,750	2,611	-	-	25,139
Department of Housing and Urban Development Passed through State of New Jersey Department of Community Affairs Division of Housing-Small Cities Community Development									
Housing Rehabilitation	1/1/01 - 12/31/01	14.228	350,000	1,853					1,853
Transit Hub-Parking Facility	1/1/09 - 12/31/09	14.228	365,000	1,843		1,843			
Reconstruction of Properties for Affordable Housing	1/1/12 - 12/31/12	14.228	382,982	365,552		6,340		(359,212)	
Reconstruction of Buffalo and Cincinnati Avenues near Elementary School	1/1/13 - 12/31/14	14.228	400,000		400,000	400,000			-
Total Dept of Housing and Urban Development				369,248	400,000	408,183	-	(359,212)	1,853
US House Transportation and Infrastructure Transit Hub - Parking Facility	1/1/09 - 12/31/09	20.205	237,500	716		716			300,000
Pedestrian and Bicycle School Access	1/1/13 - 12/31/13	20.205	300,000		300,000				300,000
Total US House Transportation and Infrastructure				716	300,000	716	-	-	300,000
U.S. Department of Justice Local Law Enforcement Block Grant	1/1/05 - 12/31/05	16.592	15,780	481			481		
Bulleproof Vest Program	1/1/09 - 12/31/09	N/A	2,400	383		383			425
Bulleproof Vest Program	1/1/12 - 12/31/12	N/A	795	795	560	370			560
Bulleproof Vest Program	1/1/13 - 12/31/13	N/A	560						
Total U.S. Department of Justice				1,659	560	753	481	-	985
Department of Human Services Federal Emergency Management Assistance Pre-Disaster Mitigation Planning Grant	1/1/13 - 12/31/13	97.047	60,000		60,000		52,020		7,980
Total Department of Human Services				-	60,000	-	52,020	-	7,980
Total Federal Awards			\$	371,623	788,310	3,316,118	52,501	2,544,643	335,957

The Accompanying Notes To The Schedule of Expenditures of Federal Awards and State Financial Assistance Are An Integral Part of This Statement

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal or State Grantor/Pass - Through Grantor/Program Title	Grant Period	Pass-Through Grantor's #	Program or Award Amount	Balance Dec. 31, 2012	Receipts or Revenue Recognized	Disbursements/ Expenditures	Encumbrances	Adjustment	Balance Dec. 31, 2013	(Memo Only) Total Cumulative State Expenditures
<b>State of New Jersey</b>										
Department of Environmental Protection	1/1/04-12/31/04			332		332			143,518	38,912
Pollution Discharge Elimination System	1/1/04-12/31/04	NA	280,057	143,518						18,923
Municipal Stormwater General Permit		NA								
Hazardous Discharge Site Remediation										
				143,850	-	332	-	-	143,518	
<b>Solid Waste Administration</b>										
Clean Communities Program	1/1/11-12/31/11	4900-765-178910-60	10,532	6,323		6,323				10,532
Clean Communities Program	1/1/12-12/31/12	4900-765-178910-60	10,342	10,342		3,821	1,046		5,475	3,821
Clean Communities Program	1/1/13-12/31/13	4900-765-178910-60	12,142		12,142				12,142	
Green Communities	1/1/13-12/31/13	N/A	3,000		3,000	3,000				3,000
Recycling Tonnage	1/1/10-12/31/10	4830-752-050580-50	8,281	843		843				3,131
Recycling Tonnage	1/1/11-12/31/11	4830-752-050580-50	2,872	2,872		2,872				2,872
Recycling Tonnage	1/1/12-12/31/12	4830-752-050580-50	9,169	9,169		9,169				9,169
Recycling Tonnage	1/1/13-12/31/13	4830-752-050580-50	5,172		5,172	916			4,256	916
				29,549	20,314	26,944	1,046	-	21,873	
<b>Division of Law &amp; Public Safety</b>										
Body Armor Fund	1/1/11-12/31/11	N/A	1,604	323		323				1,604
Body Armor Fund	1/1/12-12/31/12	N/A	1,693	1,693		430			1,263	430
Body Armor Fund	1/1/13-12/31/13	N/A	1,726		1,726				1,726	
				2,016	1,726	753	-	-	2,989	
<b>Division of Motor Vehicles</b>										
Drunk Driving Enforcement Fund	1/1/08-12/31/08	1110-101-030000-129040	5,119	1,553		178	325	165	1,215	3,579
Drunk Driving Enforcement Fund	1/1/09-12/31/09	1110-101-030000-129040	64	64					64	
Drunk Driving Enforcement Fund	1/1/11-12/31/11	1110-101-030000-129040	6,412	6,412					6,412	
				8,029	-	178	325	165	7,691	
<b>New Jersey Department of Transportation</b>										
Reconstruction of Diesterweg Street	1/1/13-12/31/13	6320-480-601381-61	187,000		187,000	1,539	19,161		166,300	1,539
Reconstruction of New Orleans Avenue	1/1/11-12/31/11	6320-480-601381-61	190,000	189,800		189,800				190,000
Reconstruction of New Orleans Avenue	1/1/12-12/31/12	6320-480-601381-61	180,000	180,000		141,800	26	(22)	38,374	141,800
Local Aid Centers - Streetscape	1/1/10-12/31/10	6300-480-601381-61	475,000	22				(22)	204,674	474,978
				369,822	187,000	332,939	19,187			
				553,266	209,040	361,146	20,558	143	380,745	
<b>Total State Assistance</b>				\$ 924,889	997,350	3,677,264	73,059	2,544,786	716,702	
<b>Total Federal Awards and State Financial Assistance</b>										

The Accompanying Notes To The Schedule of Expenditures of Federal Awards and State Financial Assistance Are An Integral Part of This Statement

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS AND STATE FINANCIAL ASSISTANCE  
DECEMBER 31, 2013**

**Note 1: BASIS OF PRESENTATION**

The accompanying schedule of federal awards and state financial assistance includes the federal and state grant activity of Egg Harbor City, New Jersey and is presented on the basis of accounting prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, which is a comprehensive basis of accounting other than generally accepted accounting principles. Encumbrances are considered in determining the single audit threshold on major programs.

In calculating the total federal programs expended, the U.S. Department of Agriculture loans have been excluded. Although the Federal government is at risk for these funds, the loan proceeds were received and expended in prior years and there are no compliance requirements other than to repay the loans.

**Note 2: RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedule agree with amounts reported in the City's financial statement. Receipts from federal and state grants are realized as revenue when anticipated in the City's budget. Expenditures are recognized when they become payable. Financial assistance revenue and expenditures are reported in the City's financial statements on the basis of accounting prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, as follows:

	State	Federal
Expenditures per Schedule of State Financial		
Assistance and Federal Awards	\$ 361,146	3,316,118
Less: United States Rural Development - Construction of Water Treatment Plant		(2,903,855)
Less: Amounts Charged to Capital Ordinances Reconstruction of Buffalo and Cincinnati Avenues Near Elementary School		(400,000)
Expenditures reported in Basic Financial Statements	\$ 361,146	12,263

The Balance remaining on U.S. Department of Agriculture Rural Development Loans as of December 31, 2013 amounted to \$10,132,900.

## Part I -- Summary of Auditor's Results

## Type of auditor's report issued:

Adverse GAAP - Unqualified Regulatory

1) Material weakness(es) identified?

yes                      X                      no

yes                      X                      no

yes                      X                      no

Material weakness(es) identified?

yes                      X                      no

Significant deficiency(ies) identified?

yes                      X                      no

Unqualified

yes                      X                      no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.760

## Water & Waste Disposal Systems for Rural Communities

14.228

HUD - Community Development Block Grants

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

\$300,000

Auditee qualified as low-risk auditee?

X	yes	no
---	-----	----

n/a

**EGG HARBOR CITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

***Part I -- Summary of Auditor's Results***

**State Awards Section**

Not Applicable

Internal Control over compliance:

Material weakness(es) identified?

\_\_\_\_\_ yes \_\_\_\_\_ no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes \_\_\_\_\_ no

Type of auditor's report on compliance for  
major programs

\_\_\_\_\_

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

\_\_\_\_\_ yes \_\_\_\_\_ no

Identification of major programs:

GMIS Number(s)

Name of State Program

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

\_\_\_\_\_

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes \_\_\_\_\_ no \_\_\_\_\_ n/a

***Part 2 - Schedule of Financial Statement Findings***

**NONE**

***Part 3 – Schedule of Federal and State Award Findings and Questioned Costs***

**NONE**

**CURRENT FUND  
SCHEDULE OF CASH - TREASURER**

	<u>Current Fund</u>	
Balance December 31, 2012	\$	185,349
Increased by Receipts:		
Tax Collector	9,132,241	
Revenue Accounts Receivable	841,053	
Miscellaneous Revenue	28,780	
Petty Cash	150	
State of New Jersey		
Senior Citizens and Veterans	43,665	
Homestead Benefit Credit	212,381	
Marriage License Fees	600	
Burial Permit Fees	25	
DCA Training Fees	3,893	
Amounts Due From		
Cemetery	4,092	
Fire Department	15,126	
General Capital	2,103,029	
Utility Operating	250,000	
Utility Capital	7,297,126	
Trust Funds Other	103,157	
Unemployment Trust Fund	22,890	
Grant Fund		
Current year Grants Receivable	665,744	
Unappropriated Reserves	8,979	
Appropriation Refunds	1,166	
Atlantic County - Cleaning Reimbursement	5,823	
Lake Security Deposits	150	
Reserve for Sale of Municipal Assets	84,500	
Special Emergency Note Rollover	56,000	
	<u>20,880,570</u>	
		21,065,919

**CURRENT FUND  
SCHEDULE OF CASH - TREASURER**

	<u>Current Fund</u>	
Decreased by Disbursements:		
Current Year Appropriation	5,261,693	
Appropriations Reserves	86,688	
Petty Cash	350	
County Taxes	1,190,030	
Local District School Tax	2,841,129	
Regional High School Tax	1,285,940	
Lake Security Deposits	62	
Refund Overpayments	21,553	
Special Emergency Note	88,000	
State of New Jersey		
Marriage License Fees	550	
Burial Permit Fees	30	
DCA Training Fees	2,907	
Amounts Due To		
Cemetery	4,092	
Fire Department	15,126	
Trust Funds Other	103,157	
Grant Fund	660,254	
Unemployment Trust Fund	22,890	
General Capital	2,030,429	
Utility Capital	6,497,127	
Utility Operating	243,333	
Atlantic County-Cleaning Reimbursement	6,133	
	<u>20,361,473</u>	
Balance December 31, 2013	\$	<u><u>704,446</u></u>



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

Balance December 31, 2012		\$	-
Increased by Receipts:			
Prepaid Taxes	105,559		
Taxes Receivable	8,863,437		
Revenue Accounts Receivable	97,676		
Tax Title and Other Liens	<u>65,569</u>		
			<u>9,132,241</u>
			9,132,241
Payments to Treasurer			<u>9,132,241</u>
Balance December 31, 2013		\$	<u><u>-</u></u>

## Analysis of Current Year Tax Levy

**Tax Yield:**

General Property Tax  
Added Taxes (54:4-63.1 et. Seq.)

Tax Levy:

General County Taxes  
County Library Taxes  
County Open Space Taxes  
County Health Taxes  
County Added and Omitted Taxes  
Total County Taxes

### Local School District Tax

Regional High School District Tax

Local Tax for Municipal Purposes  
Add: Additional Tax Levied

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

Balance December 31, 2012		\$	555,883
Increased by:			
Transfers from Taxes Receivable	90,834		
Interest and Costs Accrued by Sale of December 17, 2013	1,358		
Added Tax Title Liens			
Demolition & Code Enforcement	1,294		
			<u>93,486</u>
			649,369
Decreased by:			
Collections	65,569		
Transfers to Property Acquired for Taxes	63,760		
			<u>129,329</u>
Balance December 31, 2013		\$	<u><u>520,040</u></u>

**CURRENT FUND**  
**SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2012	Accrued in 2013	Collected by		Balance Dec. 31, 2013
			Collector	Treasurer	
<b>Tax Collector:</b>					
Interest and Costs on Taxes	\$	50,615	50,615		
Lake Parking Fees		47,061	47,061		
<b>Treasurer:</b>					
Licenses:					
Alcoholic Beverage		21,067		21,067	
Other		47,825		47,825	
Construction Code Fees		58,879		58,879	
Fines and Costs:					
Municipal Court	6,467	85,526		86,554	5,439
Interest Earned on Investments		2,656		2,656	
Consolidated Municipal Property					
Tax Relief					
Energy Receipts Tax		51,155		51,155	
Rental Registration Fees		422,306		422,306	
Campground Royalty		31,725		31,725	
EMS Rental Property		3,819		3,819	
Rental of Municipal Property		9,336		9,336	
Payment in Lieu of Taxes		16,073		16,073	
Uniform Fire Safety Act		14,127		14,127	
Cemetery Contribution		9,439		9,439	
FEMA Prior Year Reimbursements -		15,000		15,000	
Snow Emergency					
Hurricane Sandy		26,229		26,229	
		24,863		24,863	
	\$	937,701	97,676	841,053	5,439

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

	Balance Dec. 31, 2012	Balance After Transfers	Paid or Charged		Balance Lapsed	Over- Expended
			Cash	Accounts Payable		
<b>OPERATIONS WITHIN "CAPS"</b>						
<b>GENERAL GOVERNMENT</b>						
Administrative and Executive						
Other Expenses						
City Clerk	1,260	1,760	660		1,100	
Financial Administration						
Other Expenses	2,749	3,749	2,794		955	
Assessment of Taxes						
Other Expenses	727	727	600		127	
Tax Collector						
Other Expenses:						
Miscellaneous Other Expenses	1,002	1,002	317		685	
Legal Services and Costs						
Other Expenses	10,342	8,592	8,191	400	1	
Engineering Services and Costs						
Other Expenses	498	2,498	2,000		498	
Public Buildings and Grounds						
Other Expenses	13,422	13,422	1,277	526	11,619	
Municipal Land Use Law (NJSA 40:55D-1)						
Planning Board						
Miscellaneous Other Expenses	587	587	553		34	
<b>PUBLIC SAFETY</b>						
Police						
Salaries and Wages	5,554	54			54	
Other Expenses:						
Miscellaneous Other Expenses	4,712	10,212	5,084		5,128	
Municipal Court						
Other Expenses	27	277	89		188	
Emergency Management Services						
Other Expenses	436	436	167		269	

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

	Balance Dec. 31, 2012	Balance After Transfers	Cash	Paid or Charged Accounts Payable	Balance Lapsed	Over- Expended
<b>PUBLIC WORKS</b>						
Solid Waste Collection (Public Works)						
Other Expenses:						
Hauling Fee (Tipping and Hauling Fee)	5,383	5,383	4,351		1,032	
Miscellaneous Other Expenses	12,481	12,481	11,961		520	
Solid Waste Disposal Cost	17,031	17,031	11,949		5,082	
<b>RECREATION AND EDUCATION</b>						
Parks and Playgrounds						
Other Expenses:						
Miscellaneous Other Expenses	5,932	5,932	2,787	3,145		
Anniversary or Holiday						
Other Expenses	1,000	1,000	500		500	
Youth Program						
Other Expenses:						
Crusaders Youth Program	12,095	12,095	12,095			
<b>INSURANCE</b>						
Group Insurance Plans for Employees	3,042	1,042	24		1,018	
Firemen's Group Insurance Premiums	1,661	1,661	386		1,275	
<b>UNIFORM CONSTRUCTION CODE</b>						
Construction Official						
Other Expenses	147	147	8		139	
<b>UNCLASSIFIED</b>						
Street Lighting	10,175	10,175	9,419		756	
Gasoline	15,497	15,497	5,084		10,413	
Electric	10,694	10,694	1,972		8,722	
Natural Gas	13,928	13,928	3,717		10,211	
Telephone	7,952	7,952	703		7,249	
Other Accounts - No Changes	8,719	8,719			8,719	
<b>\$</b>	<b>167,053</b>	<b>167,053</b>	<b>86,688</b>	<b>4,071</b>	<b>76,294</b>	<b>-</b>

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

Balance December 31, 2012	\$	-
Increased by:		
Levy - Calendar Year 2013		<u>2,841,129</u>
		2,841,129
Decreased by:		
Payments		<u>2,841,129</u>
Balance December 31, 2013	\$	<u><u>-</u></u>

**CURRENT FUND  
SCHEDULE OF REGIONAL HIGH SCHOOL TAX**

Balance December 31, 2012		
School Tax Payable	\$	82,456
School Tax Deferred		<u>485,108</u>
		567,564
Increased by:		
Levy - School Year July 1, 2013 to June 30, 2014		<u>1,215,436</u>
		1,783,000
Decreased by:		
Payments		<u>1,285,940</u>
Balance December 31, 2013		
School Tax Payable		11,952
School Tax Deferred		<u>485,108</u>
		<u>497,060</u>
2013 Liability for Regional High School Tax		
Tax Paid		1,285,940
Tax Payable @ December 31, 2013		<u>11,952</u>
		1,297,892
Less: Tax Payable @ December 31, 2012		<u>82,456</u>
Amount Charged to 2013 Operations	\$	<u>1,215,436</u>



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

<u>Purpose</u>	<u>Balance Dec. 31, 2012</u>	<u>Transferred From 2013 Revenues</u>	<u>Received</u>	<u>Adjustments</u>	<u>Balance Dec. 31, 2013</u>
<b>FEDERAL GRANTS:</b>					
Small Cities Community Development Block Grant					
Senior Affordable Housing	\$ 382,982	27,750	14,755	368,227	27,750
USDA Community Facilities Grant					
Federal Emergency Management Assistance (FEMA)					
Pre-Disaster Mitigation Plan Grant		60,000			60,000
Bulletproof Vest		560			560
<b>Total Federal</b>	<b>382,982</b>	<b>88,310</b>	<b>14,755</b>	<b>368,227</b>	<b>88,310</b>
<b>STATE GRANTS:</b>					
NJ Transportation Trust Fund Authority					
Reconstruction of-					
Diesterweg Street - 2010	121,868		121,868		187,000
Diesterweg Street - 2013		187,000			
New Orleans Avenue-2011	190,000		190,000		71,560
New Orleans Avenue-2012	180,000		108,440		
NJ Department of Transportation Discretionary Aid-					
Diesterweg Walkway	62,500		37,500		25,000
DOT Local Aid Centers-Streetscape					
Phase I	47,708		47,686	22	
Phase II	126,000		126,000		
NJDEP Hazardous Discharge Site Remediation					
NJEDA Environmental Clean up	3,272			3,272	217,086
Clean Communities	217,086	12,142	12,142		
Body Armor Fund		1,726	1,726		
Green Communities		3,000			3,000
Recycling Tonnage Grant		5,172	5,172		
<b>Total State</b>	<b>948,434</b>	<b>209,040</b>	<b>650,534</b>	<b>3,294</b>	<b>503,646</b>

See Accompanying Auditor's Report

See Accompanying Auditor's Report

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

	Balance December 31, 2012	2013	Reverse	Encumbrances	Refunds/	Balance
	Appropriated	Appropriations	Prior Year		(Canceled)	Dec. 31, 2013
	Encumbrances	Disbursed	Encumbrances			
<b>FEDERAL GRANTS:</b>						
Small Cities Community Development Block Grant	\$					
Parking Facility (Transit Hub)	1,843					1,853
Housing Rehabilitation	1,853					
Senior Affordable Housing	365,552		(9,015)		(368,227)	
USDA Community Facilities Grant						
Purchase of Equipment - Public Works		27,750				25,139
Federal Emergency Management Assistance						
Pre-Disaster Mitigation Planning Grant		60,000		52,020		7,980
US Department of Justice						
Local Law Enforcement Block Grant	481					
Bulletproof Vest Program	1,178	560		481		985
US House Transportation and Infrastructure	716					
Total Federal	371,623	88,310	(9,015)	52,501	(368,227)	35,957
<b>STATE GRANTS:</b>						
Department of Transportation						
Reconstruction of New Orleans Avenue-2011	189,800					
Reconstruction of New Orleans Avenue-2012	180,000			26		38,374
Reconstruction of Diesterweg Avenue-2013		187,000		19,161		166,300
Local Aid Centers-Streetscape					(22)	
Phase I	22					
NJ DEP-NJ Pollution Discharge Elimination						
System Muni Stormwater General Permit	332					
NJ DEP-Hazardous Discharge	143,518		(117,616)	117,616		143,518
Body Armor Fund	2,016	1,726				2,989
Drunk Driving Enforcement Fund	8,029		(165)	325		7,691
Clean Communities Program	16,665	12,142		1,046		17,617
Green Communities		3,000				
Recycling Tonnage Grant	12,884	5,172		13,800		4,256
Total State	553,266	209,040	(117,781)	138,174	(22)	380,745

See Accompanying Auditor's Report

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

<u>Purpose</u>	<u>Balance</u> Dec. 31, 2012	<u>Transferred</u> To 2013 Appropriations	<u>Received</u>	<u>Balance</u> Dec. 31, 2013
<b>STATE GRANTS:</b>				
Body Armor	\$ 1,726	1,726	2,098	2,098
Recycling Tonnage Grant	5,172	5,172	6,881	6,881
<b>Total State</b>	<u>6,898</u>	<u>6,898</u>	<u>8,979</u>	<u>8,979</u>
	<u>\$ 6,898</u>	<u>6,898</u>	<u>8,979</u>	<u>8,979</u>

**TRUST FUND  
SCHEDULE OF CASH - TREASURER**

	<u>Animal Control</u>	<u>Other</u>
Balance December 31, 2012	\$ 2,325	312,168
Increased By:		
State Dog License Fees	174	
Municipal License Fees	1,010	
Developers Escrow		57,709
Unemployment Trust		24,749
Construction Code Fees		58,879
Law Enforcement		9,621
Street Opening Escrow		96,478
Accumulated Absences		25,000
Community Events		4,400
Police MDT		2,000
Recreation - Developer's Fees		26,000
Program Loan Repayments		7,744
Interest Earned		372
	<u>1,184</u>	<u>312,952</u>
	3,509	625,120
Decreased By:		
Paid to State of NJ	174	
Dog Fund Expenditures	2,163	
Unemployment Trust		22,890
Current Fund - Construction Code Fees		58,879
Developers Escrow		58,711
Law Enforcement		4,576
Street Opening Escrow		96,714
Accumulated Absences		38,748
Maintenance Bonds		21,847
Community Events		3,035
Police MDT		1,000
	<u>2,337</u>	<u>306,400</u>
Balance December 31, 2013	\$ <u><u>1,172</u></u>	<u><u>318,720</u></u>

**TRUST FUND  
SCHEDULE OF CASH - TREASURER**

	<u>Dog Licenses</u>	<u>Other</u>
<b>Analysis of December 31, 2013 Balance</b>		
Unemployment Trust Fund	\$	5,067
POAA Trust		85
Law Enforcement Trust Fund		21,703
Sanitary Landfill Escrow		8,322
Developer's Escrow		40,792
Maintenance Bonds		
Shocky Pure Water Systems		2,999
World Class Flowers		12,845
Atlantic County Council Education		5,054
Cedar Creek Partners		113,789
Rite Aid		3,862
Street Opening Permits		2,471
Program Loans		23,717
Community Events		1,985
Recreation Trust Fund		42,532
Accumulated Absences		32,497
Police MDT		1,000
	\$	<u>318,720</u>

**TRUST FUND  
SCHEDULE OF CASH - COLLECTOR**

Balance December 31, 2012	\$	40,934
Increased by Receipts:		
Deposits for Redemption of Tax Sale Certificates	424,357	
Premiums Received at Tax Sale	103,900	
	<hr/>	<hr/>
		528,257
		569,191
Decreased by Disbursements:		
Tax Sale Redemptions	446,845	
Premiums Returned	19,900	
	<hr/>	<hr/>
		466,745
Balance December 31, 2013	\$	<hr/> <hr/> 102,446

ANALYSIS OF BALANCE - DECEMBER 31, 2013

Tax Title Lien Redemption	546
Tax Sale Premium	<hr/> 101,900
	<hr/> <hr/> 102,446
	\$

See Accompanying Auditor's Report



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

Balance December 31, 2012	\$	2,325
Increased by:		
Dog License Fees Collected	680	
Cat License Fees Collected	135	
Late Fees	195	
	<hr/>	<hr/>
		1,010
		3,335
Decreased by:		
Expenditures under N.J.S.A. 4:19-15.11:		
Cash	2,163	
	<hr/>	<hr/>
		2,163
Balance December 31, 2013	\$	<hr/> <hr/> 1,172

License Fees Collected

<u>Year</u>	<u>Amount</u>
2012	1,381
2011	1,327
	<hr/>
	2,708
	<hr/> <hr/>

**TRUST - OTHER FUNDS**  
**SCHEDULE OF MISCELLANEOUS RESERVES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>Reserve</u>	<u>Increased by</u>		<u>Decreased by</u>		<u>Balance Dec. 31, 2013</u>
	<u>Balance Dec. 31, 2012</u>	<u>Receipts</u>	<u>Other</u>	<u>Disbursements</u>	<u>Payments made by Current Fund</u>
Unemployment	\$ 3,203	24,749	5	22,890	5,067
Construction Code Official	-	58,879		58,879	-
Sanitary Landfill Closure	8,318		4		8,322
Developer's Escrow	41,784	57,709	10	58,699	40,792
Law Enforcement Trust	16,658	9,621		4,576	21,703
Recreation Trust	2,532				2,532
Parking Offense Adjudication Fund	79		6		85
Street Opening Escrows	2,707	96,478		96,714	2,471
Accumulated Absences	46,212	25,000	33	38,748	32,497
Maintenance Bonds	160,082		314	21,847	138,549
Community Events	620	4,400		3,035	1,985
Police MDT		2,000		1,000	1,000
Tax Title Lien Redemptions	23,034	424,357		446,845	546
Tax Sale Premiums	17,900	103,900		19,900	101,900
	<u>\$ 323,129</u>	<u>807,093</u>	<u>372</u>	<u>773,133</u>	<u>357,449</u>
					<u>12</u>

See Accompanying Auditor's Report

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

Balance December 31, 2012		\$	46,386
Increased by:			
Capital Improvement Fund	21,750		
Amounts Raised in Operating Budget:			
Deferred Charge			
Improvements to Philadelphia Avenue	20,000		
Due from Current Fund	885,579		
			<u>927,329</u>
			973,715
Decreased by:			
Improvement Authorizations	931,485		
Expenditures Charged to Reserves:			
Preliminary Expense-Diesterweg Road			
Reconstruction	7,344		
			<u>938,829</u>
Balance December 31, 2013		\$	<u><u>34,886</u></u>

**GENERAL CAPITAL FUND  
ANALYSIS OF CASH**

	Balance Dec. 31, 2012	Receipts		Improvement Authorizations	Disbursements		Transfers	Balance Dec. 31, 2013
		Miscellaneous	Debt Issued		Miscellaneous		From	To
<b>\$</b>								
Fund Balance	365							365
Capital Improvement Fund	5,000						26,450	300
Encumbrances Payable	315,944	21,750					315,944	60,755
Reserves for:								
Demolition of Property	4,353							4,353
Development of City Airport	1,920							1,920
Design Expenses for Diesterweg								
Walkway/Bikepath Phase II	2,260							2,260
Preliminary Expenses-Diesterweg Road								
Reconstruction					7,344		700,000	2,356
Grants Receivable		400,000						(300,000)
<b>Improvement Authorizations:</b>								
#15-1989 Revitalization of Philadelphia Avenue	(20,000)							
#05-2006 Purchase of Radios, Computers, and Ambulance	601							
#19-2008 Reconstruction of St. Louis Avenue and Acquisition of Street Sweeper	(26,852)		34,329	2,598			2,266	269
#9-2009 Lake Improvements/EHC North Preliminary Expense				1,246				6,231
a - Lake Improvements	1,025						741	284
b - EHC North Preliminary Expenses	32							32
#11-2010 EHC North Preliminary Expenses	837							837
#4-2011 Various General Improvements	17,114							15,975
#10-2011 Reconstruction of Various Roads	2,870						2,422	4,942
#9-2012 Reconstruction of Various Roads	(237,500)		237,500	3,561			55,380	
#14-2012 Various General Improvements	(23,233)		213,750	220,697			942	
#15-2012 EHC North Preliminary Study	1,650			103,760			16,328	102,129
#8-2013 Various General Improvements				110			2,427	1,650
				546,205			40,317	130,228
<b>\$</b>	46,386	441,750	485,579	931,485	7,344		1,103,149	34,886

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

Balance December 31, 2012		\$	5,000
Increased by:			
Budget Appropriation	21,750		
	<u>                    </u>		<u>21,750</u>
			26,750
Decreased by:			
Improvement Authorizations Funded	16,750		
Preliminary Expenses:			
Diesterweg Reconstruction	<u>9,700</u>		<u>26,450</u>
Balance December 31, 2013		\$	<u>300</u>

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

Balance December 31, 2012		\$	1,562,000
Decreased by:			
Serial Bonds Paid	<u>175,000</u>		<u>175,000</u>
Balance December 31, 2013		\$	<u><u>1,387,000</u></u>

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

Ord #	Improvement Description	Balance Dec. 31, 2012	2013 Authorizations	Raised in 2013 Budget	Debt Issued	Balance Dec. 31, 2013	Analysis of Balance		
							Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
15-1989	Construction of Sidewalks	\$ 20,000		20,000		-			-
9-2006	Various General Improvements	337,458		27,721		309,737	309,737		
7-2007	Various General Improvements	330,742		22,279		308,463	308,463		
19-2008	Reconstruction of St. Louis Avenue and Acquisition of Street Sweeper	106,929				106,929	106,929		
11-2009	Reconstruction of Various Roads	427,500		22,500		405,000	405,000		
10-2011	Reconstruction of Various Roads	118,750				118,750	118,750		
9-2012	Reconstruction of Various Roads	237,500				237,500	237,500		
14-2012	Various General Improvements	213,750				213,750	213,750		
8-2013	Various General Improvements		185,250			185,250			185,250
		<u>\$ 1,792,629</u>	<u>185,250</u>	<u>92,500</u>	<u>-</u>	<u>1,885,379</u>	<u>1,700,129</u>	<u>-</u>	<u>185,250</u>
Improvement Authorizations Unfunded									
Less:									
Unexpended Proceeds of Bond									
Anticipation Notes Issued:									
		<b>Ord. Number</b>							
		19-2008						6,231	
		10-2011						4,942	
		14-2012						102,129	
									<u>113,302</u>
									185,250

931,485	
(313,873)	
<u>60,755</u>	
	<u>678,367</u>



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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2013		Interest Rate	Balance Dec. 31, 2012	Increased	Decreased	Balance Dec. 31, 2013
			Date	Amount					
General Obligation Bonds of 2005	12/1/2005	2,317,000	12/1/2014	185,000	3.500%	\$ 1,562,000		175,000	1,387,000
			12/1/2015	190,000	4.000%				
			12/1/2016	200,000	4.000%				
			12/1/17-19	210,000	4.000%				
			12/1/2020	182,000	4.000%				
					\$	1,562,000	-	175,000	1,387,000

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

Improvement Description	Ordinance Number	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2012	Increased	Decreased	Balance Dec. 31, 2013
Various Capital Improvements	9-06	7/26/2006	2/5/2013	2/3/2014	0.750% \$	337,458		27,721	309,737
Various Capital Improvements	7-07	6/1/2007	2/5/2013	2/3/2014	0.750%	330,742		22,279	308,463
Various Capital Improvements	19-08	2/9/2011	2/5/2013	2/3/2014	0.750%	72,600	34,329		106,929
Various Capital Improvements	11-09	12/31/2009	2/5/2013	2/3/2014	0.750%	65,500		22,500	43,000
Various Capital Improvements	11-09	2/10/2010	2/5/2013	2/3/2014	0.750%	362,000			362,000
Various Capital Improvements	10-11	2/6/2012	2/5/2013	2/3/2014	0.750%	118,750			118,750
Various Capital Improvements	9-12	2/5/2013	2/5/2013	2/3/2014	0.750%		237,500		237,500
Various Capital Improvements	14-12	2/5/2013	2/5/2013	2/3/2014	0.750%		213,750		213,750
					\$	<u>1,287,050</u>	<u>485,579</u>	<u>72,500</u>	<u>1,700,129</u>

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2012	2013 Authorizations	Debt Issued	Paid Through Budget	Balance Dec. 31, 2013
15-89	Revitalization of Philadelphia Avenue	\$ 20,000			20,000	
19-08	Reconstruction of St. Louis Avenue and Acquisition of Street Sweeper	34,329		34,329		
9-12	Reconstruction of Various Roads	237,500		237,500		
14-12	Various Capital Improvements	213,750		213,750		
8-13	Various Capital Improvements		185,250			185,250
		<u>\$ 505,579</u>	<u>185,250</u>	<u>485,579</u>	<u>20,000</u>	<u>185,250</u>

**WATER AND SEWER FUND**  
**SCHEDULE OF CASH - TREASURER**

	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2012	\$ 445,869	553,336
Increased by Receipts:		
Collector	1,211,404	
Miscellaneous	42,354	
Fire Hydrants	15,000	
EHC North Land Sale	84,500	
FEMA Reimbursement	4,272	
Petty Cash	200	
Due from Current Fund		6,485,958
Due from Utility Operating		800
Due from Utility Capital	55,055	
USDA Grant		1,421,816
	<u>1,412,785</u>	<u>7,908,574</u>
	1,858,654	8,461,910
Decreased by Disbursements:		
Appropriations - Current	1,081,956	
Appropriations - Prior Year	13,869	
Accrued Interest on Bonds	420,199	
Petty Cash	200	
Improvement Authorizations		6,862,930
Due to Current Fund		850,000
Due to Utility Operating		55,055
	<u>1,516,224</u>	<u>7,767,985</u>
Balance December 31, 2013	\$ <u><u>342,430</u></u>	<u><u>693,925</u></u>

**WATER AND SEWER OPERATING FUND  
SCHEDULE OF CASH - COLLECTOR**

Balance December 31, 2012		\$ -
Increased by Receipts:		
Consumer Accounts Receivable	1,059,484	
Utility Liens	2,625	
Prepaid Utility Rents	146,983	
Prepaid Fire Receipts	<u>2,312</u>	
		<u>1,211,404</u>
		1,211,404
Decreased by Disbursements:		
Payment to Treasurer		<u>1,211,404</u>
Balance December 31, 2013		\$ <u><u>-</u></u>

**WATER AND SEWER OPERATING FUND  
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE**

Balance December 31, 2012	\$	11,975
Increased by Receipts:		
Utility Rents Levied	<u>1,208,531</u>	<u>1,208,531</u>
		1,220,506
Decreased by Collections:		
Collections - 2013	1,059,484	
Collections - 2012	140,581	
Transfers to Lien	1,285	
Cancellations	877	
Overpayments applied	<u>188</u>	<u>1,202,415</u>
Balance December 31, 2013		<u><u>18,091</u></u>

**WATER AND SEWER OPERATING FUND  
SCHEDULE OF LIENS**

Balance December 31, 2012		5,017
Increased by:		
Transfers from Accounts Receivable	1,285	
Fire Subcode Fines	1,250	
Penalties and Costs Accrued by Sale of December 17, 2013	<u>-</u>	<u>2,535</u>
		7,552
Decreased by:		
Collections	<u>2,625</u>	<u>2,625</u>
Balance December 31, 2013	\$	<u><u>4,927</u></u>

**WATER AND SEWER OPERATING FUND  
SCHEDULE OF DEFERRED CHARGES**

	Balance Dec. 31, 2012	Added in 2013	2013 Budget	Balance Dec. 31, 2013
Emergency Appropriation	\$ -	70,560	-	70,560
	\$ -	70,560	-	70,560

**WATER AND SEWER CAPITAL FUND  
SCHEDULE OF FIXED CAPITAL - SEWER**

<u>ACCOUNT</u>	Balance Dec. 31, 2012	Additions by		Deduction Facilities Abandoned	Balance Dec. 31, 2013
		Budget Capital Outlay	By Ordinance		
Sewer Mains	\$ 161,073				161,073
Engineering and Superintendents	13,131				13,131
General Equipment	4,726				4,726
Sewer Line Extension	73,542				73,542
Sewer Improvements	87,500				87,500
Erection of Fence	4,361				4,361
Various Improvements to Sewer System	3,693,400				3,693,400
8th Terrace Sewer Replacement	65,000				65,000
Extension of Sanitary Sewers in Buerger Street, Beethoven Street, Baltimore Avenue and Claudius Street	680,000				680,000
Extension or Replacement of Sanitary Sewers and/or Water Mains on Various City Streets	100,000				100,000
Sanitary Sewer Replacement and Extension	1,002,066				1,002,066
#13-03 Sewer Extensions and Replacements	150,582				150,582
Sewer Extensions - 2004	160,800				160,800
Sewer Plant Demolition	135,000				135,000
#13-04 Hamburg Avenue Sanitary Sewer Expansion	3,100,000				0
#14-06 Various Sewer Utility Improvements	106,235				3,100,000
#11-07 Various Sewer Utility Improvements	250,000				106,235
#20-08 EHC North Utility Improvements	2,948,430		67,571		250,000
#21-08 Various Sewer Utility Improvements	38,219		111,239		3,016,001
#05-13 Refunding Bond Issue					38,219
					111,239
	\$ 12,774,065	-	178,810	-	12,952,875



**WATER AND SEWER CAPITAL FUND  
SCHEDULE OF FIXED CAPITAL - WATER**

<u>ACCOUNT</u>	Additions by			Deduction Facilities Abandoned	Balance Dec. 31, 2013
	Balance Dec. 31, 2012	Budget Capital Outlay	By Ordinance		
\$	4,417				4,417
Reservation Land					
Filters	12,281				12,281
Chemical Treatment Plant	3,308				3,308
Pumping Station Structures	50,136				50,136
Electric Power Pumping Equipment	55,975				55,975
Other Power Pumping Equipment	755				755
Storage Reservoirs, Tanks and Sandpipes	153,918				153,918
Distribution Mains and Accessories	289,769				289,769
Service Pipes and Stops	13,559				13,559
Meters, Meter Boxes and Vaults	22,846				22,846
Fire Hydrants and Fire Cisterns	9,385				9,385
General Structures	16,699				16,699
General Equipment	16,219				16,219
Chlorinator	1,575				1,575
Water Plant Improvements	51,000				51,000
Repairs to Water System	25,000				25,000
General Improvements	124,373				124,373
Refinishing Water Tower	25,000				25,000
New Wells and Filters	205,327				205,327
Various Improvements to Water System	2,356,600				2,356,600
Improvements to Monitoring Wells	10,000				10,000
Replacement of Well #3	260,000				260,000
Purchase of Automated Meter Reading System	15,000				15,000
#9-03 Water Tank Renovations	269,021				269,021
Land for Water Plant - 2008	221,487				221,487
#11-06 Improvements to Hamburg Avenue Water Service	2,950,000				2,950,000
#14-06 Various Water Utility Improvements	83,114				83,114
#11-07 Various Water Utility Improvements	250,000				250,000
#20-08 EHC North Utility Improvements	2,948,430		67,570		3,016,000
#21-08 Various Water Utility Improvements	38,219				38,219
#12-09 Acquisition of Land for Water Plan	160,000				160,000
#05-13 Refunding Bond Issue			111,240		111,240
\$	10,643,413	-	178,810	-	10,822,223

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**WATER AND SEWER UTILITY CAPITAL FUND**  
**SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED**

Improvement Description	Date	Amount	Balance Dec. 31, 2012	2013 Authorizations			To Fixed Capital	Balance Dec. 31, 2013
				Deferred Reserve for Amortization	Deferred Charges to Future Revenue			
#20-08 Construction of EHC North Utility Improvements	9/11/08	6,032,000 \$	135,141				135,141	
#12-09 Construction of Water Plant	9/10/09	10,000,000	6,938,100					6,938,100
		\$	7,073,241	-	-		135,141	6,938,100

**WATER AND SEWER OPERATING FUND  
SCHEDULE OF APPROPRIATION RESERVES**

	Balance Dec. 31, 2012	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
Operating:					
Other Expenses	\$ 60,259	60,259	13,869	46,390	
Other Accounts - No Change	23,865	23,865		23,865	
	<u>84,124</u>	<u>84,124</u>	<u>13,869</u>	<u>70,255</u>	<u>-</u>
\$					

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**WATER AND SEWER OPERATING FUND  
SCHEDULE OF ACCRUED INTEREST ON BONDS  
AND NOTES - ANALYSIS OF BALANCE -  
DECEMBER 31, 2013**

Balance December 31, 2012	\$ 128,465
Increased by:	
Budget Appropriation for	
Interest on Bonds and Notes	<u>417,856</u>
	546,321
Decreased by:	
Interest Paid - Treasurer	<u>420,199</u>
Balance December 31, 2013	<u>\$ 126,122</u>

**ANALYSIS OF ACCRUED INTEREST  
DECEMBER 31, 2013**

Principal Outstanding Dec. 31, 2013	Interest Rate	From	To	Period	Amount
Serial Bonds					
191,762	4.50%	9/26/13	12/31/13	97	2,325
755,051	4.50%	10/22/13	12/31/13	70	6,607
144,985	4.25%	12/1/13	12/31/13	31	531
460,000	3.72%	12/1/13	12/31/13	31	1,474
4,145,122	4.38%	8/15/13	12/31/13	138	69,517
1,545,000	3.32%	8/1/13	12/31/13	153	21,800
4,895,980	2.25%	10/14/13	12/31/13	78	<u>23,868</u>
					<u>126,122</u>
Bond Anticipation Notes - Charged Directly to Improvement Authorizations					
5,500,000	1.75%	2/4/13	12/31/13	331	<u>88,497</u>
					<u>88,497</u>
Total Accrued Interest					<u>\$ 214,619</u>

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**WATER AND SEWER OPERATING FUND  
SCHEDULE OF RENT OVERPAYMENTS**

Balance December 31, 2012	\$	2,189
Increased by:		
Adjustment to Actual		<u>416</u>
		2,605
Decreased by:		
Overpayments Applied		<u>188</u>
Balance December 31, 2013	\$	<u><u>2,417</u></u>

**WATER AND SEWER UTILITY CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

[illegible]

**SCHEDULE OF RESERVE FOR AMORTIZATION - WATER**

Balance December 31, 2012	\$	4,990,341
Increased by:		
Serial Bonds Paid	<u>132,993</u>	<u>132,993</u>
Balance December 31, 2013		<u><u>5,123,334</u></u>

**SCHEDULE OF RESERVE FOR AMORTIZATION - SEWER**

Balance December 31, 2012		3,161,000
Increased by:		
Serial Bonds Paid	125,290	
Bond Anticipation Notes Paid	6,667	
Cancellation of Amount Authorized But Not Issued	<u>800</u>	<u>132,757</u>
Balance December 31, 2013	\$	<u><u>3,293,757</u></u>

**WATER AND SEWER CAPITAL FUND  
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION**

Balance December 31, 2012	\$ 2,338,517
No Activity	
	<hr/>
Balance December 31, 2013	\$ <u>2,338,517</u>



**WATER AND SEWER UTILITY CAPITAL FUND  
SCHEDULE OF SERIAL BONDS**

Purpose	Date of Issue	Original Issue	Maturities Outstanding December 31, 2013		Int. Rate	Balance Dec. 31, 2012	Increased	Decreased	Balance Dec. 31, 2013
			Date	Amount					
Various Sewer Improvements	9/26/02	220,000	3/26/14	1,641					
			9/26/14	1,678					
			3/26/15	1,716					
			9/26/15	1,755					
			3/26/16	1,794					
			9/26/16	1,834					
			3/26/17	1,876					
			9/26/17	1,918					
			3/26/18	1,961					
			9/26/18	2,005					
			3/26/19- 9/26/42	173,585	4.500%	\$ 194,937		3,175	191,762
Sanitary Sewer Extension & Replacement	10/22/04	839,000	4/22/14	5,723					
			10/22/14	5,852					
			4/22/15	5,984					
			10/22/15	6,118					
			4/22/16	6,256					
			10/22/16	6,397					
			4/22/17	6,541					
			10/22/17	6,688					
			4/22/18	6,838					
			10/22/18	6,992					
			4/22/19- 10/22/44	691,663	4.500%	766,122		11,071	755,051
Various Sewer Improvements	9/1/05	160,800	6/10/14	1,118					
			12/10/14	1,142					
			6/10/15	1,166					
			12/10/15	1,191					
			6/10/16	1,216					
			12/10/16	1,242					
			6/10/17	1,268					
			12/10/17	1,295					
			6/10/18	1,323					
			12/10/18	1,351					
			6/10/19- 6/10/45	132,675	4.250%	147,152		2,167	144,985
Various Water and Sewer Improvements	12/1/05	715,000	12/1/14	60,000	3.500%				
			12/1/15-18	65,000	4.000%				
			12/1/19-20	70,000	4.000%	515,000		55,000	460,000
Various Water and Sewer Improvements	2/15/08	4,400,000	2/15/14	26,322					
			8/15/14	26,897					
			2/15/15	27,485					
			8/15/15	28,087					
			2/15/16	28,701					
			8/15/16	29,329					
			2/15/17	29,970					
			8/15/17	30,626					
			2/15/18	31,296					
			8/15/18	31,981					
			2/15/19 - 2/15/48	3,854,426	4.375%	4,196,086		50,964	4,145,122
Refunding Bond Issue	4/26/11	1,690,000	8/1/14	55,000	3.000%				
			8/1/15	55,000	2.000%				
			8/1/16	125,000	2.250%				
			8/1/17	125,000	2.500%				
			8/1/18	130,000	4.000%				
			8/1/19	135,000	4.000%				
			8/1/20	140,000	3.500%				
			8/1/22	295,000	3.750%				
			8/1/25	485,000	4.000%	1,600,000		55,000	1,545,000

See Accompanying Auditor's Report

**WATER AND SEWER UTILITY CAPITAL FUND  
SCHEDULE OF SERIAL BONDS**

Purpose	Date of Issue	Original Issue	Maturities Outstanding		Int. Rate	Balance Dec. 31, 2012	Increased	Decreased	Balance Dec. 31, 2013
			December 31, 2013						
			Date	Amount					
Egg Harbor City North Utility Improvements	10/14/11	5,056,000	4/14/14	41,136					
			10/14/14	41,599					
			4/14/15	42,067					
			10/14/15	42,540					
			4/14/16	43,019					
			10/14/16	43,503					
			4/14/17	43,992					
			10/14/17	44,487					
			4/14/18	44,988					
			10/14/18	45,494					
			4/14/19 -						
			10/14/51	4,463,156	2.250%	4,976,885		80,905	4,895,980

**WATER AND SEWER UTILITY CAPITAL FUND  
SCHEDULE OF BOND ANTICIPATION NOTES**

Improvement Description	Date of Original Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2012	Increased	Decreased	Balance Dec. 31, 2013
Improvements to Sanitary Sewer	4/30/04	4/29/14	0.00%	\$ 26,665		6,667	19,998
Water Plant Construction	2/10/10	2/3/14	1.40%	800,000	5,500,000	800,000	5,500,000
Water Plant Construction	2/10/10	2/3/14	0.00%	800,000		800,000	
			\$	<u>1,626,665</u>	<u>5,500,000</u>	<u>1,606,667</u>	<u>5,519,998</u>

See Accompanying Auditor's Report

**WATER AND SEWER UTILITY CAPITAL FUND  
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

Improvement Description	Date of Ordinance	Balance Dec. 31, 2012	2013 Authorizations	Notes Issued	Paid Through Budget	Cancelled	Balance Dec. 31, 2013
#20-08 EHC North Utility Improvements	9/11/08	\$ 479,113				479,113	
#06-04 Sewer Extensions	5/13/04	800			800		
#12-09 Construction of Water Plant	9/10/09	5,498,100		3,900,000			1,598,100
#05-13 Refunding Bond Ordinance	5/9/13		222,479				222,479
		<u>\$ 5,978,013</u>	<u>222,479</u>	<u>3,900,000</u>	<u>800</u>	<u>479,113</u>	<u>1,820,579</u>

**EGG HARBOR CITY**

**PART II**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2013**

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## **GENERAL COMMENTS**

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

N.J.S. 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost of the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$36,000, except by contract or agreement".

The governing body of the municipality has the responsibility of determining whether the expenditures of any category will exceed \$36,000 within the calendar year. Where question arises as to whether any contract or agreement might result in violation of the statute, the City Counsel's opinion should be sought before a commitment is made.

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

Reconstruction of New Orleans Avenue  
Wheel Loader Backhoe  
Reconstruction of Buffalo and Cincinnati Avenues

The minutes indicate resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed.

My examination of expenditures did not reveal individual payments, contracts or agreements in excess of \$36,000 "for the performance of any work or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

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

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

The governing body on January 3, 2013 adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, NJSA 54:4-67 permits the governing body of each municipality to fix the rate of interest to be charged for nonpayment of taxes, assessments, and water and sewer bills subject to any abatement or discount for the late payment of taxes and water and sewer bills as provided by law; and

WHEREAS, NJSA 54:4-67 has been amended to permit the fixing of said rate of 8% per annum on the first \$1,500 of the delinquency and 18% per annum on any amount in excess of \$1,500 and allows an additional penalty of 6% to be collected against a delinquency in excess of \$10,000 on properties that fail to pay the delinquency prior to the end of the calendar year.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Common Council of Egg Harbor City, County of Atlantic, State of New Jersey as follows:

1. The Tax and Utility Collector's are hereby authorized and directed to charge 8% per annum on the first \$1,500 of taxes and water and sewer bills becoming delinquent after due date and 18% per annum on any amount of taxes and water and sewer bills in excess of \$1,500 becoming delinquent after due date and if a delinquency is in excess of \$10,000 and remains in arrears beyond December 31st, an additional penalty of 6% shall be charged against the delinquency.

2. There is a ten (10) day grace period of quarterly tax and water and sewer bill payments made by cash, check or money order.

3. Any payments not made in accordance with paragraph two of this resolution shall be charged interest from the due date as set forth in paragraph one of this resolution.

4. This resolution shall be published in its entirety once in an official newspaper of Egg Harbor City.

5. A certified copy of this resolution shall be provided by the City Clerk to the Utility Collector, City Attorney, and City Auditor for Egg Harbor City.

It appears from an examination of the collector's records that interest was collected in accordance with the resolution adopted by the governing body.

### **Delinquent Taxes and Tax Title Liens**

During the 2013 calendar year, the City held their tax sale on December 17, 2013. The sale was complete for all properties which could be included in the sale; however, there are several bankruptcies from prior years that could not be sold.

The following comparison is made of the number of the tax title liens receivable on December 31 of the last three years:

<u>Year</u>	<u>Number of Liens</u>
2013	3,758
2012	3,740
2011	3,738

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax-paying basis. Included in the December 31, 2013 balance are inactive tax title liens. These liens have been dormant since the early 1940's and represent approximately 3,300 liens.

### **Verification of Delinquent Taxes and Other Charges**

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

<u>Type</u>	<u>Number Mailed</u>
Payment of 2014 and 2013 Taxes	15
Municipal Tax Title Liens	14
Payment of 2013 Water & Sewer Utility Charges	15
Municipal Court	10

As of the date of this audit report, all verifications have not been returned. However, no problems were noted with those that have been returned.

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### Comparison of Tax Levies and Collections Currently

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

<u>Year</u>		Currently		
		Tax Levy	Cash Collections	Percent of Collections
2013	\$	9,319,821	9,207,597	98.79%
2012		8,899,870	8,761,796	98.44%
2011		8,912,450	8,776,894	98.47%
2010		8,211,613	8,078,866	98.38%
2009		7,857,419	7,794,440	99.19%

### Comparative Schedule of Tax Rate Information

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Tax Rate	4.13	3.96	2.98	2.72	2.62
Apportionment of Tax Rate:					
Municipal	1.80	1.71	1.28	1.20	1.14
County	0.53	0.43	0.36	0.33	0.33
Local School	1.26	1.21	0.89	0.77	0.75
Regional High School	0.54	0.61	0.45	0.42	0.40
Assessed Valuation	225,130,678	224,407,533	298,675,529	300,464,985	299,122,086

A revaluation of properties was performed in 2011 in order to bring the property values in line with their true value. This revaluation was effective for the 2012 tax year.

### Delinquent Taxes and Tax Title Liens

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

<u>Year</u>		Amount of Tax Title Liens	Amount of Delinquent Taxes	Total Delinquent	Percentage Of Tax Levy
2013	\$	520,040	1,610	521,650	5.60%
2012		555,883	15,206	571,089	6.42%
2011		489,262	8,671	497,933	5.59%
2010		393,236	5,110	398,346	4.85%
2009		274,638	19,114	293,752	3.74%

### Uniform Construction Code

The construction code official of Egg Harbor City is in compliance with uniform construction code rules NJAC 5:23.17(b)2 and NJAC 5:23.4.17(b)3.

***Schedule of Financial Statement Findings***

**NONE**

***Status of Prior Year Recommendations***

**NONE**

## RECOMMENDATIONS

NONE

The problems and weaknesses noted in my review were not of such magnitude that they would affect my ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to my comments or recommendations, or should you desire assistance in implementing my recommendations, please do not hesitate to call me.

Very truly yours,

*Ford, Scott & Associates, L.L.C.*

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

*Leon P. Costello*

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

**June 26, 2014**