

EGG HARBOR CITY

ATLANTIC COUNTY

NEW JERSEY

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2015**

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, 2015

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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, 2015 and 2014, 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, 2015, 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, 2015 and 2014, 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, 2015 and 2014, 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, 2015 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2016 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 24, 2016

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EXHIBIT A - CURRENT FUND

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

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Regular Fund:		
Cash:		
Treasurer	\$ 546,294.20	611,742.52
Change	300.00	300.00
Investment in Bond Anticipation Notes	151,664.00	263,331.00
Total Cash	<u>698,258.20</u>	<u>875,373.52</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	19,961.63	5,845.51
Tax Title and Other Liens	708,331.30	623,171.75
Code Enforcement Charges Receivable	900.00	900.00
Property Acquired for Taxes - at Assessed Valuation	491,289.00	491,289.00
Revenue Accounts Receivable	8,329.73	8,071.45
Total Receivables and Other Assets	<u>1,228,811.66</u>	<u>1,129,277.71</u>
Deferred Charges:		
Emergency Appropriation	-	22,000.00
Special Emergency NJSA 40:A;4-53	12,000.00	24,000.00
Total Deferred Charges	<u>12,000.00</u>	<u>46,000.00</u>
Total Regular Fund	<u>1,939,069.86</u>	<u>2,050,651.23</u>
Federal and State Grant Fund:		
Federal and State Grants Receivable	1,023,757.88	370,713.02
Due from Current Fund	105,107.33	202,255.72
Total Federal and State Grant Fund	<u>1,128,865.21</u>	<u>572,968.74</u>
Total Current Fund	<u>\$ 3,067,935.07</u>	<u>2,623,619.97</u>

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

	<u>2015</u>	<u>2014</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 42,461.99	62,172.27
Reserve for Encumbrances	71,185.87	86,534.00
Accounts Payable	6,223.91	1,885.90
Taxes Collected in Advance	109,589.11	125,525.73
Overpaid Taxes	48,098.88	15,632.12
Payroll Taxes Payable	27,624.76	4,296.07
Special Emergency Note Payable	12,000.00	24,000.00
County Added Tax Payable	1,636.00	5,245.73
Regional High School District-Taxes	34,871.37	52,011.37
Due to State:		
Veterans and Senior Citizens	13,640.91	15,270.36
Marriage Licence Fees	175.00	300.00
Burial Permit Fees	5.00	15.00
DCA Training Fees	688.00	301.00
Interfund Payable:		
Grant Fund	105,107.33	202,258.00
Animal Control Fund	7.20	-
Other Reserve for		
Land Sales	-	58,500.00
Curbs and Sidewalks	7,651.71	7,651.71
	<u>480,967.04</u>	<u>661,599.26</u>
Reserve for Receivables and Other Assets	1,228,811.66	1,129,277.71
Fund Balance	<u>229,291.16</u>	<u>259,774.26</u>
Total Regular Fund	<u>1,939,069.86</u>	<u>2,050,651.23</u>
Federal and State Grant Fund:		
Unappropriated Reserves	2,998.72	11,196.56
Appropriated Reserves	891,349.56	195,049.91
Encumbrances Payable	131,030.56	298,584.90
Due to Capital Fund	35,349.00	-
Due to Trust Fund	68,137.37	68,137.37
Total Federal and State Grant Fund	<u>1,128,865.21</u>	<u>572,968.74</u>
Total Current Fund	<u>\$ 3,067,935.07</u>	<u>2,623,619.97</u>

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

	<u>2015</u>	<u>2014</u>
Revenue and Other Income Realized		
Fund Balance	\$ 237,000.00	182,000.00
Miscellaneous Revenue Anticipated	2,078,808.79	1,328,459.00
Receipts from Delinquent Taxes	19,512.85	14,683.00
Receipts from Current Taxes	9,445,215.47	9,326,389.00
Non Budget Revenue	40,112.92	38,070.00
Other Credits to Income:		
Premium on Tax Anticipation Note	-	875.00
Unexpended Balance of Appropriation Res.	45,073.69	41,394.00
Cancellation of Prior Year Liabilities	136.00	675.00
Total Income	<u>11,865,859.72</u>	<u>10,932,545.00</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	2,031,202.00	2,061,562.00
Other Expenses	2,395,626.00	2,377,052.00
Deferred Charges & Statutory Expenditures	567,658.00	554,790.00
Appropriations Excluded from "CAPS"		
Operations:		
Other Expenses	112,399.34	51,234.00
Capital Improvements	735,921.00	25,000.00
Debt Service	341,757.48	328,055.00
Deferred Charges	34,000.00	91,250.00
Transferred to Board of Education for use by		
Local and Regional High School Districts	18,423.00	18,222.00
Local District School Tax	3,097,713.00	2,841,100.00
County Tax	1,057,452.00	1,138,469.00
County Share of Added Tax	1,636.00	5,246.00
Regional High School Tax	1,265,513.00	1,304,495.00
Refund of Prior Year's Revenue	42.00	-
Total Expenditures	<u>11,659,342.82</u>	<u>10,796,475.00</u>
Excess in Revenue	<u>206,516.90</u>	<u>136,070.00</u>

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

	<u>2015</u>	<u>2014</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by		
Statute Deferred Charges to Budgets of		
Succeeding Year		
Emergency Appropriation	-	22,000.00
Total Adjustments	<u>-</u>	<u>22,000.00</u>
Statutory Excess to Fund Balance	206,516.90	158,070.00
Fund Balance January 1	<u>259,774.26</u>	<u>283,704.26</u>
	466,291.16	441,774.26
Decreased by:		
Utilization as Anticipated Revenue	<u>237,000.00</u>	<u>182,000.00</u>
Fund Balance December 31	<u>\$ 229,291.16</u>	<u>259,774.26</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budget	Anticipated N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	\$ 213,000.00		213,000.00	
Surplus Anticipated with Prior Written Consent of Local Government Services	24,000.00		24,000.00	
Total Fund Balance Anticipated	237,000.00	-	237,000.00	-
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Alcoholic Beverages	22,500.00		25,375.74	2,875.74
Other	56,000.00		49,403.00	(6,597.00)
Fines and Costs:				
Municipal Court	90,000.00		107,692.45	17,692.45
Interest and Costs on Taxes	50,000.00		51,116.02	1,116.02
Interest Earned on Investments	2,100.00		1,689.78	(410.22)
Rental of Municipal Property	12,800.00		169,500.00	156,700.00
Lake Parking Fees	48,000.00		65,612.00	17,612.00
Campground Royalty	4,200.00		3,328.00	(872.00)
Total Section A: Local Revenues	285,600.00	-	473,716.99	188,116.99
Section B: State Aid Without Offsetting Appropriations				
Consolidated Municipal Property Tax Relief Act	41,226.00		41,226.00	-
Energy Receipts Tax	432,235.00		432,235.00	-
Total Section B: State Aid Without Offsetting Appropriations	473,461.00	-	473,461.00	-
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	31,000.00		56,455.00	25,455.00
Total Section C: Uniform Construction Code Fees	31,000.00	-	56,455.00	25,455.00

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
N.J. Transportation Trust Fund Authority Act - FY 2014				
Diesterweg Reconstruction	199,921.00		199,921.00	-
N.J. Transportation Trust Fund Authority Act - FY 2015				
Diesterweg Reconstruction		190,000.00	190,000.00	-
N.J. Transportation Trust Fund Authority Act - FY 2015				
Transportation Alternatives		296,000.00	296,000.00	-
N.J. Transportation Trust Fund Authority Act - FY 2015				
Safe Routes to Schools		35,349.00	35,349.00	-
Recycling Tonnage Grant	9,122.00		9,122.00	-
Clean Communities Program	13,837.00		13,837.00	-
Municipal Alliance on Alcoholism and Drug Abuse	12,963.00		12,963.00	-
Sustainable Jersey Capacity Growing Grant	2,000.00		2,000.00	-
Body Armor Fund	1,681.00		1,681.00	-
Bulletproof Vest	393.00		393.00	-
AtlantiCare Garden Grant	500.00		500.00	-
AtlantiCare Farmer's Market Grant	1,000.00		1,000.00	-
Drunk Driving Enforcement Fund		24,882.57	24,882.57	-
JIF Safety Grant		1,431.00	1,431.00	-
Total Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations	241,417.00	547,662.57	789,079.57	-

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	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	11,500.00		165.13
Sale of EMS Building Additional Land	35,000.00		(35,000.00)
Rental Registrations	55,000.00		575.00
Payment in Lieu of Taxes	32,000.00		1,475.10
Cemetery Contribution	15,000.00		-
Reserve for Land Sales	58,500.00		-
Conifer PILOT	33,434.00		1,262.00
Forman Land Sale	35,000.00		-
JIF Dividend	42,185.00		-
Total Section G: Other Special Items	317,619.00	-	(31,522.77)
Total Miscellaneous Revenues:	1,349,097.00	547,662.57	182,049.22
Receipts from Delinquent Taxes	17,550.00		1,962.85
Amount to be Raised by Taxes for Support of Municipal Budget	4,202,979.00		(63,348.53)
Local Tax for Municipal Purposes			
Total Amount to be Raised by Taxes for Support of Municipal Budget	4,202,979.00	-	(63,348.53)
Budget Totals	5,806,626.00	547,662.57	120,663.54
Non- Budget Revenues:			
Other Non- Budget Revenues:			40,112.92
\$	5,806,626.00	547,662.57	160,776.46

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	9,445,215.47
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Allocated to:

School, County and Other Taxes	5,422,314.00
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Balance for Support of Municipal Budget Appropriations	4,022,901.47
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Increased by:

Appropriation "Reserved for Uncollected Taxes"	116,729.00
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Amount for Support of Municipal Budget Appropriations	4,139,630.47
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	7,537.36
Tax Title Lien Collections	11,975.49

Total Receipts from Delinquent Taxes	19,512.85
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Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Cable Franchise Fee	12,466.39
Sale of Property	1,600.00
Code Enforcement	7,100.00
Police Department	2,956.85
Vacant Property Registrations	8,541.49
Prior year refunds	4,657.28
Other Miscellaneous	2,788.10

Subtotal Miscellaneous Revenue - Cash	40,110.11
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Non-cash Miscellaneous Revenue	2.81
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Total Miscellaneous Revenue Not Anticipated	\$	40,112.92
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CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT						
Administrative and Executive						
Salaries and Wages	\$ 27,500.00	27,500.00	27,500.00	-	-	-
Governing Body	95,000.00	93,400.00	93,160.11		239.89	
Municipal Clerk (Other)						
Other Expenses	17,200.00	18,300.00	17,232.72	530.95	536.33	
City Clerk	9,420.00	9,520.00	9,389.98	117.84	12.18	
Governing Body						
Financial Administration	76,000.00	72,600.00	72,117.45		482.55	
Salaries and Wages	30,000.00	32,900.00	31,362.68		151.50	
Other Expenses	26,500.00	26,500.00	26,500.00	1,385.82		
Audit Services						
Assessment of Taxes						
Salaries and Wages	19,477.00	19,477.00	19,477.00			
Other Expenses	9,500.00	9,500.00	9,039.46	8.06	452.48	
Tax Collector						
Salaries and Wages	34,500.00	34,000.00	33,869.67		130.33	
Other Expenses:						
Tax Sale Costs	500.00	500.00	500.00			
Miscellaneous Other Expenses	5,500.00	5,000.00	3,894.87	218.10	887.03	
Liquidation of Tax Title Liens and						
Foreclosed Property						
Other Expenses	100.00	100.00	-	80.00	20.00	
Legal Services and Costs						
Other Expenses	100,000.00	133,500.00	115,325.63	14,110.25	4,064.12	
Municipal Prosecutor						
Salaries and Wages	11,500.00	11,500.00	11,500.00			
Engineering Services and Costs						
Other Expenses	4,500.00	5,000.00	3,759.70	1,171.00	69.30	
Public Buildings and Grounds						
Other Expenses	23,000.00	26,000.00	25,179.46	458.66	361.88	
Municipal Land Use Law (NJSA 40:55D-1)						
Combined Planning & Zoning/Code Board						
Salaries and Wages	60,000.00	55,500.00	54,788.75		711.25	
Other Expenses	9,550.00	10,300.00	10,138.37	17.78	143.85	
Zoning/Code Board of Adjustment						
Salaries and Wages	-	-	-			
Other Expenses	-	-	-			
Economic Development						
Other Expenses	100.00	100.00	-	-	100.00	

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, 2015

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
PUBLIC SAFETY						
Fire						
Salaries and Wages	2,700.00	2,700.00	2,700.00	-	-	-
Other Expenses:						
Aid to Volunteer Companies	30,000.00	30,000.00	30,000.00	-	-	-
Fire Prevention						
Salaries and Wages	13,500.00	13,500.00	13,500.00	-	210.37	-
Other Expenses	1,500.00	500.00	289.63	-	-	-
Right to Know Act/Safety Coordinator						
Salaries and Wages	1,500.00	1,500.00	1,500.00	-	250.00	-
Other Expenses	250.00	250.00	-	-	-	-
Police						
Salaries and Wages	1,345,000.00	1,335,000.00	1,330,044.47	-	4,955.53	-
Other Expenses:						
Purchase of Police Car	16,689.00	16,689.00	16,689.00	-	-	-
Miscellaneous Other Expenses	35,000.00	41,500.00	36,134.09	5,331.25	34.66	-
Police Radio and Communications						
Salaries and Wages	3,875.00	3,875.00	3,875.00	-	-	-
Other Expenses	178,742.00	178,742.00	177,861.04	-	880.96	-
Municipal Court						
Salaries and Wages	77,000.00	73,500.00	72,744.53	-	755.47	-
Other Expenses	10,000.00	8,000.00	7,285.25	26.10	688.65	-
Public Defender						
Salaries and Wages	4,500.00	4,500.00	4,500.00	-	-	-
Emergency Management Services						
Salaries and Wages	1,050.00	1,050.00	1,050.00	-	-	-
Other Expenses	900.00	900.00	843.84	11.99	44.17	-
PUBLIC WORKS						
Solid Waste Collection (Public Works)						
Salaries and Wages	247,500.00	243,500.00	241,447.15	-	2,052.85	-
Other Expenses:						
Hauling Fee (Tipping and Hauling Fee)	265,000.00	261,500.00	261,004.28	-	495.72	-
Miscellaneous Other Expenses	66,000.00	93,150.00	88,324.77	4,288.54	536.69	-
Solid Waste Disposal Cost	130,000.00	135,000.00	134,086.85	-	913.15	-
City Garage						
Salaries and Wages	100.00	100.00	-	-	100.00	-
Other Expenses	90.00	90.00	-	-	90.00	-

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, 2015

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
HEALTH AND WELFARE						
Animal Control (Dog Regulation)						
Other Expenses	10,200.00	10,200.00	10,200.00	-	-	-
RECREATION AND EDUCATION						
Parks and Playgrounds						
Salaries and Wages	35,400.00	34,250.00	34,243.53		6.47	
Other Expenses:						
Lining of Kern Field	25.00	25.00	-	-	25.00	
Miscellaneous Other Expenses	10,400.00	11,550.00	9,570.73	1,944.75	34.52	
Anniversary or Holiday						
Other Expenses	4,432.00	4,432.00	4,223.95	208.05	-	
Youth Program						
Other Expenses:						
Key Rec Youth Group	5,000.00	5,000.00	5,000.00	-	-	
Crusaders Youth Program	14,000.00	14,000.00	-	14,000.00	-	
INSURANCE						
Group Insurance Plans for Employees	618,500.00	612,500.00	608,341.98		4,158.02	
Firemen's Group Insurance Premiums	25,000.00	25,000.00	24,697.46		302.54	
Surety Bond Premiums	1,000.00	250.00	-	-	250.00	
Other Insurance Premiums:						
Liability Insurance (JIF)	128,823.00	128,823.00	128,823.00		-	
Workers Compensation (JIF)	105,855.00	105,855.00	105,855.00		-	
Health Benefits Waiver	2,500.00	-	-	-	-	
UNIFORM CONSTRUCTION CODE						
Construction Official						
Salaries and Wages	60,000.00	59,250.00	59,116.00		134.00	
Other Expenses	1,350.00	1,350.00	55.00	772.08	522.92	

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Appropriations		Paid or		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Charged	Charged	Encumbered	Reserved	
UNCLASSIFIED							
Street Lighting	122,000.00	122,000.00	107,677.90		13,135.85	1,186.25	
Gasoline	68,000.00	45,500.00	38,383.09		2,150.71	4,966.20	
Electric	106,500.00	111,500.00	100,386.83		8,571.85	2,541.32	
Natural Gas	40,000.00	40,000.00	32,993.15		2,324.49	4,682.36	
Telephone	35,000.00	28,500.00	27,178.11		321.75	1,000.14	
Fire Hydrant Service	15,000.00	15,000.00	15,000.00		-	-	
Accumulated Absences	22,500.00	15,000.00	15,000.00		-	-	
TOTAL OPERATIONS WITHIN "CAPS"	4,422,228.00	4,426,728.00	4,315,361.48		71,185.87	40,180.65	-
Contingent	100.00	100.00				100.00	
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	4,422,328.00	4,426,828.00	4,315,361.48		71,185.87	40,280.65	-
Detail:							
Salaries and Wages	2,116,102.00	2,086,702.00	2,022,344.91		-	8,857.09	
Other Expenses	2,306,226.00	2,340,126.00	2,293,016.57		71,185.87	31,423.56	
DEFERRED CHARGES AND STATUTORY EXPENDITURES:							
Deferred Charges:							
None							
Statutory Expenditures:							
Contributions to:							
Public Employees' Retirement System	111,283.00	111,283.00	111,283.00			-	
Social Security System (O.A.S.I.)	165,000.00	160,500.00	159,177.83			1,322.17	
Consolidated Police and Firemen's Pension Fund	288,375.00	288,375.00	288,375.00			-	
Unemployment Compensation Insurance	7,500.00	7,500.00	7,500.00			-	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	572,158.00	567,658.00	566,335.83		-	1,322.17	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	4,994,486.00	4,994,486.00	4,881,697.31		71,185.87	41,602.82	-

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, 2015

	Appropriations		Paid or		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Charged	Reserved	Encumbered	Reserved	
OPERATIONS - EXCLUDED FROM "CAPS"							
(A) Operations - Excluded from "CAPS"							
Recycling Tax Appropriation	6,000.00	6,000.00	5,140.83	859.17			
	<u>6,000.00</u>	<u>6,000.00</u>	<u>5,140.83</u>	<u>859.17</u>	<u>-</u>	<u>-</u>	<u>-</u>
(A) Public and Private Programs Off-Set by Revenues							
Clean Communities Act (NJSA 13:13-99.1 et. seq.)	13,837.00	13,837.00	13,837.00	-			
Recycling Tonnage Grant	9,122.00	9,122.00	9,122.00	-			
Sustainable Jersey Capacity Growing Grant	2,000.00	2,000.00	2,000.00	-			
Atlantcare Farmers Market Grant	1,000.00	1,000.00	1,000.00	-			
Body Armor Fund	1,681.00	1,681.00	1,681.00	-			
Bulletproof Vest Partnership Grant	393.00	393.00	393.00	-			
Drug Abuse Resistance Education (July-June)	12,963.00	12,963.00	12,963.00	-			
Drug Abuse Resistance Education - Local Match	3,241.00	3,241.00	3,241.00	-			
AtlantiCare Growing Green Initiative	500.00	500.00	500.00	-			
Drunk Driving Enforcement Fund	24,882.57	24,882.57	24,882.57	-			
NJDOT-Safe Routes to School	35,349.00	35,349.00	35,349.00	-			
JIF Safety Grant	1,430.77	1,430.77	1,430.77	-			
Total Public and Private Programs Off-Set by Revenues	<u>44,737.00</u>	<u>106,399.34</u>	<u>106,399.34</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operations - Excluded from "CAPS"	<u>50,737.00</u>	<u>112,399.34</u>	<u>111,540.17</u>	<u>859.17</u>	<u>-</u>	<u>-</u>	<u>-</u>
Detail:							
Salaries and Wages	-	-	-	-			
Other Expenses	50,737.00	112,399.34	111,540.17	859.17			
(C) Capital Improvements							
Down Payments on Improvements	25,000.00	25,000.00	25,000.00	-			
Capital Improvement Fund	25,000.00	25,000.00	25,000.00	-			
NJDOT Trust Fund Authority Act							
FY 14-Diesterweg Reconstruction	199,921.00	199,921.00	199,921.00	-			
FY 15-Diesterweg Reconstruction		190,000.00	190,000.00	-			
FY 15-Transportation Alternatives		296,000.00	296,000.00	-			
Total Capital Improvements	<u>249,921.00</u>	<u>735,921.00</u>	<u>735,921.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Appropriations		Paid or		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Charged	Charged	Encumbered	Reserved	
(D) Debt Service							
Payment of Bond Principal	190,000.00	190,000.00	190,000.00			-	
Payment of Bond Anticipation Notes and Capital Notes	81,250.00	81,250.00	81,250.00			-	
Interest on Bonds	48,080.00	48,080.00	48,080.00			-	
Interest on Notes	23,000.00	23,000.00	22,427.48			-	572.52
Total Debt Service	<u>342,330.00</u>	<u>342,330.00</u>	<u>341,757.48</u>		<u>-</u>	<u>-</u>	<u>572.52</u>
(E) Deferred Charges							
Emergency Authorizations	22,000.00	22,000.00	22,000.00			-	
Special Emergency Authorizations - 5 years	12,000.00	12,000.00	12,000.00			-	
Total Deferred Charges	<u>34,000.00</u>	<u>34,000.00</u>	<u>34,000.00</u>		<u>-</u>	<u>-</u>	<u>-</u>
(N) Transferred to Board of Education for Use of Local Schools (NUSA 40:48-17.1 & 17.3)	<u>18,423.00</u>	<u>18,423.00</u>	<u>18,423.00</u>			<u>-</u>	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	<u>695,411.00</u>	<u>1,243,073.34</u>	<u>1,241,641.65</u>		<u>-</u>	<u>859.17</u>	<u>572.52</u>
SUBTOTAL GENERAL APPROPRIATIONS	<u>5,689,897.00</u>	<u>6,237,559.34</u>	<u>6,123,338.96</u>		<u>71,185.87</u>	<u>42,461.99</u>	<u>572.52</u>
(M) Reserve for Uncollected Taxes	<u>116,729.00</u>	<u>116,729.00</u>	<u>116,729.00</u>				
TOTAL GENERAL APPROPRIATIONS	<u>\$ 5,806,626.00</u>	<u>6,354,288.34</u>	<u>6,240,067.96</u>		<u>71,185.87</u>	<u>42,461.99</u>	<u>572.52</u>
Budget		5,806,626.00				Cancelled	572.52
Appropriations by 40A:4-87		547,662.34				Overexpended	-
Emergency Appropriations		<u>6,354,288.34</u>					<u>572.52</u>
Reserve for Uncollected Taxes			116,729.00				
Federal and State Grants			842,320.34				
Deferred Charges			34,000.00				
Disbursements			5,247,018.62				
			<u>6,240,067.96</u>				

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,

	2015	2014
ASSETS		
Animal Control Fund:		
Cash	\$ 779.86	2,210.39
Due from Current Fund	7.20	-
	<u>787.06</u>	<u>2,210.39</u>
Other Funds:		
Cash - Treasurer	305,095.61	315,212.85
Cash - Collector	292,799.56	87,751.72
Due from Grant Fund	68,137.37	68,137.37
	<u>666,032.54</u>	<u>471,101.94</u>
	<u><u>666,819.60</u></u>	<u><u>473,312.33</u></u>
LIABILITIES, RESERVES AND FUND BALANCE		
Animal Control Fund:		
Due to State of NJ-Animal Control	7.20	-
Reserve for Expenditures	779.86	2,210.39
	<u>787.06</u>	<u>2,210.39</u>
Other Funds:		
Reserve for Recreation Fees - Developers	55,000.00	58,000.00
Reserve for Program Loan Repayment	85,494.00	85,494.00
Reserves - Miscellaneous	525,538.54	327,607.94
	<u>666,032.54</u>	<u>471,101.94</u>
	<u><u>\$ 666,819.60</u></u>	<u><u>473,312.33</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>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Cash	\$ 1,224.35	138,342.54
Grants Receivable	213,168.29	300,000.00
Due from Grant Fund	35,349.00	-
Deferred Charges to Future Taxation -		
Funded	1,012,000.00	1,202,000.00
Unfunded	2,375,129.00	1,981,379.00
	<u>3,636,870.64</u>	<u>3,621,721.54</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	516,283.83	165,988.59
Bond Anticipation Notes Payable	2,009,879.00	1,775,129.00
Serial Bonds Payable	1,012,000.00	1,202,000.00
Improvement Authorizations:		
Funded	2,518.53	149,423.53
Unfunded	82,622.20	312,162.95
Reserves for:		
Demolition of Property	4,353.00	4,353.00
Development of City Airport	-	1,920.00
Design Expenses for Diesterweg Walkway/ Bikepath Phase II	-	10.50
Diesterweg St Recon-Phil/Buf		
Preliminary Expense-Diesterweg Road Reconstruction (Bremen to New Orleans Avenue)	-	0.12
Preliminary Expense-Atlantic Avenue		
Capital Improvement Fund	4.60	5,274.10
Fund Balance	9,209.48	5,459.75
	<u>\$ 3,636,870.64</u>	<u>3,621,721.54</u>

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

2014	206,250.00
2015	365,250.00

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

	<u>2015</u>	<u>2014</u>
Beginning Balance January 1	\$ 5,459.75	364.75
Increased by:		
Premiums on sale of Bonds & Notes	3,749.73	5,095.00
Ending Balance December 31	\$ <u>9,209.48</u>	<u>5,459.75</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>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Operating Fund:		
Cash - Treasurer	\$ 456,949.82	617,837.96
Change Fund	200.00	200.00
Due from State-NJDOT Reimbursement	342.00	-
	<u>457,491.82</u>	<u>618,037.96</u>
Receivables and Other Assets with Full Reserves:		
Consumer Accounts Receivable	675.19	24,706.00
Water and Sewer Utility Liens	7,987.29	6,654.75
	<u>8,662.48</u>	<u>31,360.75</u>
Deferred Charges:		
Emergency Appropriation	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Total of Operating Fund	\$ <u>466,154.30</u>	<u>649,398.71</u>

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

	<u>2015</u>	<u>2014</u>
Capital Fund:		
Cash	\$ 508,281.61	128,887.28
Grants Receivable	-	-
Deferred Charge to future rates	7,113.00	-
Fixed Capital - Sewer	12,902,365.44	12,902,365.44
Fixed Capital - Water	10,771,712.44	10,771,712.44
Fixed Capital - Authorized & Uncomp.	6,938,100.00	6,938,100.00
	<u>31,127,572.49</u>	<u>30,741,065.16</u>
Total of Capital Fund	<u><u>31,593,726.79</u></u>	<u><u>31,390,463.87</u></u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Liabilities:		
Appropriation Reserves	37,291.14	17,667.49
Reserve for Encumbrances	6,643.90	35,490.00
Accrued Interest on Bonds	84,092.81	89,924.37
Utility Rent Overpayments	2,638.23	2,508.42
Utility Rents & Fire Receipts Paid in Advance	153,132.96	147,105.06
	<u>283,799.04</u>	<u>292,695.34</u>
Reserve for Receivables	8,662.48	31,360.75
Fund Balance	173,692.78	325,342.62
	<u>466,154.30</u>	<u>649,398.71</u>
Total of Operating Fund	\$ <u>466,154.30</u>	<u>649,398.71</u>

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

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

	<u>2015</u>	<u>2014</u>
Capital Fund:		
Bond Anticipation Notes	\$ 6,465,664.00	5,742,831.00
Serial Bonds-Water and Sewer	11,793,638.00	11,998,245.00
Encumbrances Payable/Contracts Awarded	3,863.89	251,129.00
Accrued Interest on Notes	57,396.47	63,737.12
Improvement Authorizations		
Unfunded	1,460,037.23	1,527,361.61
Reserves for:		
Amortization - Water	5,337,114.43	5,241,810.93
Amortization - Sewer	3,607,144.50	3,463,561.00
Amortization - Deferred	2,338,516.54	2,338,516.54
Reserve for Land Sales	1,012.45	1,012.45
Reserve to Pay Debt	431.96	35,432.08
Fund Balance	62,753.02	77,428.43
Total of Capital Fund	<u>31,127,572.49</u>	<u>30,741,065.16</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 31,593,726.79</u>	<u>31,390,463.87</u>

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

2014	1,348,100.00
2015	1,070,100.00

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

	<u>2015</u>	<u>2014</u>
<u>Revenue and Other Income Realized</u>		
Fund Balance Anticipated	\$ 208,147.00	7,000.00
Rents	1,228,097.26	1,205,454.00
Miscellaneous Revenue Anticipated	41,578.77	41,470.00
Fire Hydrant Service	15,000.00	15,000.00
Increase in Rental Fees	9,000.00	9,000.00
Reserve to Pay Debt	35,000.00	237,000.00
Reserve for Land Sales	-	-
Capital Fund Balance	26,588.00	
EHC North Land Sale	-	58,500.00
Conifer Connection Fee	-	307,314.00
FEMA Reimbursement	-	4,336.00
Other Credits to Income:		
Apply Prepaid Fire Receipts		2,312.00
Unexpended Balance of Appropriation Reserves	30,520.26	17,911.00
Total Income	<u>1,593,931.29</u>	<u>1,905,297.00</u>
<u>Expenditures</u>		
Operating	914,707.00	922,691.00
Capital Improvements	2,500.00	-
Debt Service	599,227.13	643,968.00
Deferred Charges and Statutory Expenditures	21,000.00	91,560.00
Total Expenditures	<u>1,537,434.13</u>	<u>1,658,219.00</u>
Excess in Revenue	56,497.16	247,078.00
Statutory Excess to Fund Balance	56,497.16	247,078.00
Fund Balance January 1	325,342.62	85,264.62
Decreased by:		
Utilization as Anticipated Revenue	208,147.00	7,000.00
Fund Balance December 31	\$ <u><u>173,692.78</u></u>	<u><u>325,342.62</u></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>2015</u>	<u>2014</u>
Balance Beginning of Year	\$ 77,428.43	39,115.00
Increased by:		
Premium on Sale of Bonds & Notes	11,912.59	38,314.00
Decreased by:		
Appropriated as Revenue in the Utility Operating Fund	26,588.00	-
Balance End of Year	\$ <u><u>62,753.02</u></u>	<u><u>77,429.00</u></u>

**WATER AND SEWER OPERATING FUND
STATEMENT OF REVENUES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Anticipated Budget	Realized	Excess or (Deficit)
Surplus Anticipated	\$ 208,147.00	208,147.00	
Water and Sewer Rents	1,202,000.00	1,228,097.26	26,097.26
Miscellaneous	42,000.00	41,578.77	(421.23)
Fire Hydrant Services	15,000.00	15,000.00	
Increase in Rental Fees	9,000.00	9,000.00	
FEMA Reimbursement			
Conifer Connection Fee			-
EHC North Land Sale			-
Reserve to Pay Debt	35,000.00	35,000.00	
Capital Fund Balance	26,588.00	26,588.00	
	<u>\$ 1,537,735.00</u>	<u>1,563,411.03</u>	<u>25,676.03</u>

Analysis of Realized Revenue**Rents**

Consumer Accounts Receivable	1,236,994.61
Tax Title Liens	232.46
Overpayments Created	<u>(129.81)</u>
Total Collections	<u>1,237,097.26</u>

Miscellaneous

Interest and Penalties	10,859.35
Water Tap Fee	2,200.00
Sewer Tap Fee	3,200.00
Fire	17,037.99
Miscellaneous Other	<u>8,281.43</u>
Total Revenue Realized	<u>\$ 41,578.77</u>

**WATER AND SEWER OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
OPERATING					
Salaries and Wages	\$ 247,500.00	243,500.00	241,498.17		2,001.83
Other Expenses	335,000.00	342,000.00	313,892.25	6,643.90	21,463.85
Engineering Fees	5,000.00	5,000.00	1,131.00		3,869.00
Legal Fees	9,500.00	6,500.00	3,500.04		2,999.96
Atlantic County Sewerage Authority - Contractual	317,707.00	317,707.00	315,425.00		2,282.00
	914,707.00	914,707.00	875,446.46	6,643.90	32,616.64
CAPITAL IMPROVEMENTS					
Down Payments on Improvements	2,500.00	2,500.00			2,500.00
	2,500.00	2,500.00	-	-	-
DEBT SERVICE					
Payment of Bond Principal	204,607.00	204,607.00	204,607.00		-
Payment of Bond Anticipation Notes and Capital Notes	27,167.00	27,167.00	27,167.00		-
Interest on Bonds	367,754.00	367,754.00	367,453.13		300.87
	599,528.00	599,528.00	599,227.13	-	300.87
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
Deferred Charges:					
Emergency Authorization		-			
Statutory Expenditures					
Contribution to:					
Social Security System (O.A.S.I.)	20,000.00	20,000.00	17,825.50		2,174.50
Unemployment Compensation Insurance	1,000.00	1,000.00	1,000.00		-
	21,000.00	21,000.00	18,825.50	-	2,174.50
					-
\$	1,537,735.00	1,537,735.00	1,493,499.09	6,643.90	300.87
		Interest on Bonds and Notes	367,453.13		
		Emergency Authorization	-		
		Disbursed	1,126,045.96		
			1,493,499.09		

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>2015</u>	<u>2014</u>
General Fixed Assets:		
Land	\$ 859,675.00	859,675.00
Buildings	1,548,321.11	1,548,321.00
Improvements Other than Buildings	561,682.50	561,682.00
Equipment	738,375.21	738,375.00
Vehicles	1,685,759.48	1,621,010.00
Furniture	<u>12,332.00</u>	<u>12,332.00</u>
Total General Fixed Assets	<u>5,406,145.30</u>	<u>5,341,395.00</u>
Investment in General Fixed Assets	\$ <u>5,406,145.30</u>	<u>5,341,395.00</u>

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NOTES TO FINANCIAL STATEMENTS

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

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, 2015 AND 2014

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, 2015 AND 2014

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.

The following schedule is a summarization of the changes in general fixed assets for the calendar years ended December 31, 2015 and 2014.

	Balance 12/31/2014	Additions/ Transfers	Disposals/ Transfers	Balance 12/31/2015
Land	\$ 859,675.00			\$ 859,675.00
Buildings	\$ 1,548,321.00	\$ 0.11		\$ 1,548,321.11
Improvements	\$ 561,682.00	\$ 0.50		\$ 561,682.50
Equipment	\$ 738,375.00	\$ 0.21		\$ 738,375.21
Furniture	\$ 12,332.00			\$ 12,332.00
Vehicles	\$ 1,621,010.00	\$ 64,749.48		\$ 1,685,759.48
	<u>\$ 5,341,395.00</u>	<u>\$ 64,750.30</u>	<u>\$ -</u>	<u>\$ 5,406,145.30</u>

	Balance 12/31/2013	Additions/ Transfers	Disposals/ Transfers	Balance 12/31/2014
Land	\$ 859,675.00			\$ 859,675.00
Buildings	\$ 1,548,321.00			\$ 1,548,321.00
Improvements	\$ 561,682.00			\$ 561,682.00
Equipment	\$ 709,786.00	\$ 28,589.00		\$ 738,375.00
Furniture	\$ 12,332.00			\$ 12,332.00
Vehicles	\$ 1,621,010.00			\$ 1,621,010.00
	<u>\$ 5,312,806.00</u>	<u>\$ 28,589.00</u>	<u>\$ -</u>	<u>\$ 5,341,395.00</u>

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

The following schedule is a summarization of the changes in utility capital fixed assets for the calendar years ended December 31, 2015 and 2014. Under the New Jersey Regulatory Basis of Accounting no depreciation is taken on these assets.

	Balance 12/31/2014	Additions	Adjustments/ Disposals	Balance 12/31/2015
Sewer Assets	\$ 12,902,365.00			12,902,365.00
Water Assets	10,771,713.00			10,771,713.00
Authorized Assets				
Water	6,938,100.00			6,938,100.00
	<u>\$ 30,612,178.00</u>	<u>-</u>	<u>-</u>	<u>30,612,178.00</u>

	Balance 12/31/2013	Additions	Adjustments/ Disposals	Balance 12/31/2014
Sewer Assets	\$ 12,952,875.00		50,510.00	12,902,365.00
Water Assets	10,822,223.00		50,510.00	10,771,713.00
Authorized Assets				
Water	6,938,100.00			6,938,100.00
	<u>\$ 30,713,198.00</u>	<u>-</u>	<u>101,020.00</u>	<u>30,612,178.00</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 2015 and 2014 the City charged 8% of the first \$1,500.00 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 \$10,000.00 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 \$48,080.00 in 2015 and \$54,555.00 in 2014. For utility capital projects, the City elects on a project by project basis the decision to capitalize interest. Total interest charged to the utility operating budget was \$367,453.13 in 2015 and \$355,687.37 in 2014. During the years ended December 31, 2015 and 2014, \$61,962.71 and \$71,223.35, respectively, was charged to utility capital projects.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

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 February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, "Fair Value Measurement and Application". This statement is effective for fiscal periods beginning after June 15, 2015, and will not have any effect on the City's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68". This statement is effective for fiscal periods beginning after June 30, 2016, and will not have any effect on the City's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". This statement is effective for fiscal periods beginning after June 30, 2016, and establishes new accounting and financial reporting requirements for OPEB plans. It is anticipated that this statement will not have any effect on the City's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement is effective for fiscal periods beginning after June 30, 2017. Although not determinable, the impact of this statement on the net position of the entity is anticipated to be significant.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". This statement is effective for fiscal periods beginning after June 30, 2015, and will not have any effect on the City's financial reporting.

In August 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 77 "Tax Abatement Disclosures". This statement, which is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the City's financial reporting.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 78 "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans". This statement, which

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the City's financial reporting.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 79 "Certain External Investment Pools and Pool Participants". This statement, which is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the City's financial reporting.

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

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 2015 and 2014 statutory budgets included a reserve for uncollected taxes in the amount of \$116,729.00 and \$114,868.00. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2015 and 2014 statutory budgets was \$237,000.00 and \$182,000.00.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by City Council. The following significant budget transfers were approved in the 2015 and 2014 calendar years:

	2015	2014
Insurance		
Group Insurance for Employees	\$	(15,000.00)
Legal		
Other Expenses	30,000.00	51,000.00
Zoning/Code Enforcement		
Salaries and Wages		(13,000.00)
Police		
Salaries and Wages		(59,000.00)
Other Expenses		21,000.00
Municipal Court		
Salaries and Wages		(8,000.00)
Department of Public Works		
Salaries and Wages		(14,500.00)
Other Expenses	18,150.00	30,000.00
Street Lighting		16,500.00
Electric		11,500.00
Gasoline	(18,000.00)	(8,000.00)

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

determined at the time of budget adoption. During the 2015 and 2014 calendar years, City Council approved the following significant budget insertions:

	2015	2014
New Jersey Department of Transportation		
Safe Routes to School	\$ 35,349.00	-
Transportation Alternatives	296,000.00	-
Diesterweg Street	190,000.00	-
Clean Communities	-	11,390.00
Drunk Driving Enforcement Fund	24,882.57	-
JIF Safety Grant	1,431.00	-
	<u>\$ 547,662.57</u>	<u>11,390.00</u>

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 2015 or 2014. During the 2015 and 2014 calendar years, the following emergency appropriations were approved by the Common Council:

	2015	2014
Current Operating:		
Construction Code Official	\$	
Salaries and Wages	-	22,000.00

Note 3: INVESTMENTS

As of December 31, 2015 and 2014, the municipality has investments totaling \$151,664.00 and \$263,331.00.

During the period ended December 31, 2015 and 2014 the City held investments in Bond Anticipations Notes of the City in the amounts of \$151,664 and \$263,331. 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.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

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, 2015 and 2014, \$0 of the municipality's bank balance of \$2,412,843.00 and \$2,236,894.00 was exposed to custodial credit risk.

Note 5: LONG TERM DEBT

Long-term debt as of December 31, 2015 and 2014 consisted of the following:

	Balance 12/31/2014	Additions	Reductions	Balance 12/31/2015	Due in One Year
General	\$ 1,202,000.00		190,000.00	1,012,000.00	200,000.00
Water and Sewer Utility	11,998,245.00		204,607.00	11,793,638.00	276,522.00
Compensated Absences	353,809.28	312,651.83	190,994.26	475,466.85	112,376.42
Total	<u>13,554,054.28</u>	<u>312,651.83</u>	<u>585,601.26</u>	<u>13,281,104.85</u>	<u>588,898.42</u>

	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014	Due in One Year
General	1,387,000.00		185,000.00	1,202,000.00	190,000.00
Water and Sewer Utility	12,137,900.00	5,295,000.00	5,434,655.00	11,998,245.00	204,607.00
Compensated Absences	332,584.00	227,733.28	206,508.00	353,809.28	
Total	<u>\$ 13,857,484.00</u>	<u>5,522,733.28</u>	<u>5,826,163.00</u>	<u>13,554,054.28</u>	<u>394,607.00</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, 2015 was \$1,012,000.00.

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

\$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, 2015 was \$315,000.00.

\$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, 2015 was \$1,435,000.00.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

\$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, 2015 was \$4,728,637.88.

\$5,295,000 Water and Sewer Refunding Bonds dated 10/8/14 payable in annual installments commencing 10/15/17 and continuing through 10/15/43. Interest is paid semiannually at varying rates ranging from 2.0% to 4.0%. The total savings to the City was \$254,145, or 4.973% as a result of refunding the 2002, 2004, 2005, and 2008 USDA Loans. Refunding bonds maturing on or after 10/15/25 are subject to redemption prior to maturity at the option of the City on any date on or after 10/15/24. The remaining balance as of December 31, 2015 was \$5,295,000.00.

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

Year	General Capital		Utility Capital	
	Principal	Interest	Principal	Interest
2016	\$ 200,000.00	40,480.00	276,522.00	363,923.00
2017	210,000.00	32,480.00	333,479.00	356,553.00
2018	210,000.00	24,080.00	390,481.00	347,726.00
2019	210,000.00	15,680.00	402,529.00	335,778.00
2020	182,000.00	7,280.00	414,622.00	323,385.00
2021-2025			2,061,212.00	1,429,424.00
2026-2030			1,461,131.00	1,147,742.00
2031-2035			1,688,143.00	917,917.00
2036-2040			1,998,088.00	607,397.00
2041-2045			1,696,904.00	243,056.00
2046-2050			885,642.00	76,518.00
2051-2052			184,885.00	3,101.00
	<u>\$ 1,012,000.00</u>	<u>120,000.00</u>	<u>11,793,638.00</u>	<u>6,152,520.00</u>

As of December 31, 2015, the carrying value of the above bonds approximates the fair value of the bonds.

Summary of Municipal Debt

	Year 2015	Year 2014	Year 2013
Issued			
General - Bonds and Notes	\$ 3,021,879.00	2,977,129.00	3,087,129.00
Water & Sewer Utility - Bonds and Notes	18,259,301.88	17,741,076.00	17,657,898.00
Total Issued	<u>21,281,180.88</u>	<u>20,718,205.00</u>	<u>20,745,027.00</u>
Authorized But Not Issued			
General - Bonds and Notes	365,250.00	206,250.00	185,250.00
Water & Sewer Utility - Bonds and Notes	1,070,100.00	1,348,100.00	1,820,579.00
Total Authorized But Not Issued	<u>1,435,350.00</u>	<u>1,554,350.00</u>	<u>2,005,829.00</u>
Total	<u>\$ 22,716,530.88</u>	<u>22,272,555.00</u>	<u>22,750,856.00</u>

NOTES TO FINANCIAL STATEMENTS **YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 2.078%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 8,100,000.00	6,786,716.53	1,313,283.47
Regional High School District Debt	2,135,676.44	2,135,676.44	-
Water & Sewer Utility Debt	18,857,402.00	18,857,402.00	-
General Debt	3,387,129.00	-	3,387,129.00
	<u>\$ 32,480,207.44</u>	<u>27,779,794.97</u>	<u>4,700,412.47</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 \$4,700,412.47 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$226,223,884.33 =2.078%.

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 1/2% of Equalized Valuation Basis (Municipal)	\$ 7,917,835.95
Net Debt	<u>4,700,412.47</u>
Remaining Borrowing Power	<u>\$ 3,217,423.48</u>

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 6: SHORT TERM OBLIGATIONS

	Balance 12/31/2014	Additions	Reductions	Balance 12/31/2015
General Capital Notes	\$ 1,775,129.00	316,000.00	81,250.00	2,009,879.00
Utility Capital Notes	5,742,831.00	750,000.00	27,167.00	6,465,664.00
Special Emergency Notes	24,000.00	12,000.00	24,000.00	12,000.00
	<u>7,541,960.00</u>	<u>1,078,000.00</u>	<u>132,417.00</u>	<u>8,487,543.00</u>

	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014
General Capital Notes	1,700,129.00	1,775,129.00	1,700,129.00	1,775,129.00
Utility Capital Notes	5,519,998.00	5,742,831.00	5,519,998.00	5,742,831.00
Special Emergency Notes	56,000.00	24,000.00	56,000.00	24,000.00
Tax Anticipation Notes	-	2,300,000.00	2,300,000.00	-
	<u>\$ 7,276,127.00</u>	<u>9,841,960.00</u>	<u>9,576,127.00</u>	<u>7,541,960.00</u>

The City has outstanding at December 31, 2015 the following special emergency and bond anticipation notes:

	Amount	Issue Date	Maturity Date	Interest Rate
Current Fund:				
Ocean City Home Bank	\$ 12,000.00	3/12/15	3/11/16	1.25%
General Capital:				
Oppenheimer & Co.	1,864,879.00	1/29/15	1/28/16	1.00%
Egg Harbor City	145,000.00	1/29/15	1/28/16	0.00%
Water & Sewer Capital				
Oppenheimer & Co.	5,459,000.00	1/29/15	1/28/16	1.00%
Janney Montgomery Scott, LLC	1,000,000.00	7/13/15	1/28/16	1.00%
Egg Harbor City	6,664.00	4/30/15	4/29/16	0.00%

The City paid the special emergency note upon maturity. Upon maturity of the remaining notes, the City issued \$8,798,000 of new notes due 4/14/2016 bearing an interest rate of 1.50%, at which time the notes were permanently funded with bonds.

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NOTES TO FINANCIAL STATEMENTS **YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 7: LEASE OBLIGATIONS

During the year ended December 31, 2015, the City had lease agreements in effect for the following:

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 \$276.00 are due monthly.

Effective 7/1/13, the City has entered into an agreement for the lease of a mail system. The term of the lease is 60 months and the city has the option to purchase the equipment at fair market value upon expiration. Payments of \$79.00 are due monthly.

Future minimum payments under this lease are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 948.00
2017	948.00
2018	474.00
Total	<u>\$ 2,370.00</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>
2016	\$ 16,689.00
2017	16,689.00
Total Minimum Lease Payments	33,378.00
Less: Amount Representing Interest	3,116.77
Present Value of Net Minimum Lease Payments	<u>\$ 30,261.23</u>

The City is leasing One (1) police vehicles totaling \$13,735.00 under a capital lease. Annual payments are made to Kansas State Bank and include interest of 5.5% per annum. The following is a schedule of the future minimum lease payments under this capital lease.

<u>Year</u>	<u>Amount</u>
2016	\$ 5,090.84
2017	5,090.84
2018	5,090.84
Total Minimum Lease Payments	15,272.52
Less: Amount Representing Interest	1,537.52
Present Value of Net Minimum Lease Payments	<u>\$ 13,735.00</u>

Rental expenses charged to operations in 2015 and 2014 were \$20,949.00 and \$20,949.00, respectively.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2015 and 2014 which are anticipated to be appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2016 and 2015 were as follows:

	Year	Balance December 31st	Utilized in Budget of Succeeding Year	Percent Utilized
Current Fund	2015	\$ 229,291.16	229,000.00	99.87%
	2014	259,776.00	237,000.00	91.23%
	2013	283,706.00	182,000.00	64.15%
	2012	220,108.00	182,000.00	82.69%
	2011	92,952.00	90,552.00	97.42%
Water & Sewer Utility Fund	2015	173,692.78	173,000.00	99.60%
	2014	325,341.00	208,147.00	63.98%
	2013	85,263.00	7,000.00	8.21%
	2012	90,635.00	90,000.00	99.30%
	2011	-	-	0.00%

As of the date of this audit report, the City has not adopted the 2016 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 2016 budget is \$229,291.16 for the current fund and \$173,692.78 for the utility fund.

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, 2015, the following deferred charges are shown on the balance sheets of the various funds:

	Balance 12/31/2015	2016 Budget Appropriation	Balance to Succeeding Budgets
Current Fund:			
Special Emergency	\$		
NJSA 40A:4-55	12,000.00	-	12,000.00
	<u>\$ 12,000.00</u>	<u>-</u>	<u>12,000.00</u>

The appropriations in the 2016 Budget are not less than that required by statute.

Note 10: SCHOOL TAXES

Local District School Taxes in the amounts of \$3,097,713.00 and \$2,841,100.00 have been raised for the 2015 and 2014 calendar years and remitted to the local school district. Regional High School Tax in the amounts of \$1,265,513.00 and \$1,304,495.00 have been raised for the 2015 and 2014 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 fiscal year.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	Regional High School Tax	
	Balance	Balance
	12/31/2015	12/31/2014
Balance of Tax	\$ 519,979.37	537,119.00
Deferred	485,108.00	485,108.00
Tax Payable	\$ 34,871.37	52,011.00

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	Balance
	12/31/2015	12/31/2014
Prepaid Taxes	\$ 109,589.11	125,525.73
Cash Liability for Taxes Collected in Advance	109,589.11	125,525.73

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

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 6.92% through June 30, 2015 and 7.06% 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 12.46% of covered payroll. The City's contributions to PERS for the years ended December 31, 2015, 2014, and 2013 were \$111,283.00, \$105,842.00, and \$139,238.00.

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 current PFRS rate is 28.8% of covered payroll. The City's contributions to PFRS for the years ended December 31, 2015, 2014, and 2013 were \$288,375.00, \$281,948.00, and \$277,974.00.

The total payroll for the year ended December 31, 2015, 2014, and 2013 was \$2,402,854.18, \$2,384,560.00, and \$2,444,356.00. Payroll covered by PERS was \$807,587.00, \$848,118.00, and \$893,312.00. Covered payroll by PFRS was \$1,069,858.00, \$978,428.00, and \$1,122,319.00.

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.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

- 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 1/60th from 1/55th, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1/7th 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: PENSION LIABILITIES

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

The following represents the municipality's pension liabilities as June 30, 2015:

Public Employees' Retirement System

The City has a liability of \$2,668,308 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the City's proportion is 0.01188661390%, which was a decrease of 6.66% from its proportion measured as of June 30, 2014.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

For the year ended December 31, 2015, the City would have recognized pension expense of \$131,827. At December 31, 2015, the City would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 286,555.00	
Net difference between projected and actual earnings on pension plan investments	63,656.00	(42,901.00)
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(199,855.00)
Total	\$ 350,211.00	(242,756.00)

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

Year ended June 30,		
2016	\$	37,444.15
2017	\$	37,444.15
2018	\$	37,444.15
2019	\$	37,444.15
2020	\$	(29,390.00)
Thereafter	\$	(12,931.60)
Total	\$	107,455.00

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014. This actuarial valuation used the following assumptions, applied to all period in the measurement:

Inflation rate	3.04%
Salary increases:	
2012-2021	2.15% - 4.40% (based on age)
Thereafter	3.15% - 5.40% (based on age)
Investment rate of return:	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) with adjustments for mortality improvements from the base year of 2012 based on Projections Scale AA.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

		Long-Term	
	Target	Expected Real	
Asset Class	Allocation	Rate of Return	
Cash	5.00%	1.04%	
U.S. Treasuries	1.75%	1.64%	
Investment Grade Credit	10.00%	1.79%	
Mortgages	2.10%	1.62%	
High Yield Bonds	2.00%	4.03%	
Inflation-Indexed Bonds	1.50%	3.25%	
Broad US Equities	27.25%	8.52%	
Developed Foreign Equities	12.00%	6.88%	
Emerging Market Equities	6.40%	10.00%	
Private Equity	9.25%	12.41%	
Hedge Funds/Absolute Return	12.00%	4.72%	
Real Estate (Property)	2.00%	6.83%	
Commodities	1.00%	5.32%	
Global Debt ex US	3.50%	-0.40%	
REIT	4.25%	5.12%	

Discount Rate

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 4.90%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.90%) or 1-percentage point higher (5.90%) than the current rate:

	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
City's proportionate share of the net pension liability	\$ 3,316,378.65	2,668,308.00	2,124,967.72

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

Pension plan fiduciary net position.

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

Police and Firemen's Retirement System

The City has a liability of \$5,144,959 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the City's proportion is 0.03088856980%, which is a decrease of 13.44% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City would have recognized pension expense of \$56,280.00. At December 31, 2015, the City would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 949,887.00	
Net difference between projected and actual earnings on pension plan investments		(133,920.00)
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(619,453.00)
Total	<u>\$ 949,887.00</u>	<u>\$ (753,373.00)</u>

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

Year ended June 30,	
2016	\$ 56,449.09
2017	\$ 56,449.09
2018	\$ 56,449.09
2019	\$ 56,449.09
2020	\$ (25,027.67)
Thereafter	<u>\$ (4,254.70)</u>
Total	<u>\$ 196,514.00</u>

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following assumptions, applied to all period in the measurement:

Inflation rate	3.04%
Salary increases:	
2012-2021	2.60% - 9.48% (based on age)
Thereafter	3.60% - 10.48% (based on age)
Investment rate of return:	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and one year using Projection Scale BB for male service retirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB for female service retirements and beneficiaries with adjustments for mortality improvements from the base year of 2014 based on Projection Scale BB.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

Discount Rate

The discount rate used to measure the total pension liability was 5.79% and 6.32% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2045. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2015, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (4.79%)	Current Discount Rate (5.79%)	1% Increase (6.79%)
City's proportionate share of the net pension liability	\$ 7,377,508.48	5,144,959.00	4,143,619.78

In addition to the PFRS liabilities listed above, a special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The June 30, 2015 and June 30, 2014 State special funding situation net pension liability amounts of \$1,460,720,421.00 and \$1,354,554,686.00, respectively, are the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2015 State special funding situation pension expense of \$182,203,735.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2015. The pension expense is deemed to be a State administrative expense due to the special funding situation.

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the City of Egg Harbor was 0.03088856980% and 0.035684030505% for 2015 and 2014 respectively. The net pension liability amounts allocated to the City were \$451,196.00 and \$483,360.00 respectively. For the fiscal year ending June 30, 2015 State special funding situation pension expense of \$56,280 is allocated to the City.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

Pension plan fiduciary net position.

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

Note 14: 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, 2015, 2014 and 2013, were \$61,145.45, \$59,747.00, and \$43,142.00, respectively, which equaled the required contribution for the year.

Note 15: 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).

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

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 16: 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 \$475,466.85 in 2015 and \$353,809.28 in 2014. 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 will be paid for unused vacation days and up to 45 days of accumulated sick time upon retirement. Employees covered under the Teamsters, as well as non-union employees, will be paid for the number of vacation days accumulated from the current year plus any days remaining from the prior year, along with a maximum of 45 sick days. 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, 2015 and 2014 the total amount accumulated was \$15,157.32 and \$21,886.89, respectively.

Note 17: 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 18: 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, 2015 and 2014 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 2015 or 2014. 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 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.

Calendar Year	City Contributions	Interest	Employee Contributions	Amount Reimbursed	Ending Balance
2015	8,500.00	5.31	3,598.00	10,278.43	5,006.44
2014	8,500.00	12.87	3,680.60	14,079.08	3,181.56
2013	21,000.00	5.17	3,749.00	22,890.00	5,067.17

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 19: 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 20: 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 21: UNION CONTRACTS

City employees are organized into two collective bargaining units; the Policeman's Benevolent Association, Inc. and Teamster's Local #331. The current three year contracts are effective for the period of January 1, 2014 through December 31, 2016.

Bargaining Unit	Job Category	Members
PBA Mainland Local No. 77	Police	Full time police personnel with arrest powers, with the exception of the Chief of Police and Police Clerk
Teamsters Local #331	General	All full time and regular part time blue collar employees and white collar employees; Excludes all managerial executives, confidential employees, police employees, supervisors, professional employees, craft employees and all other employees of the City

Note 22: 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 2015 and 2014 calendar years, the City paid \$44,003.00 and \$33,073.00, respectively for salaries and related benefits for Cemetery employees. In addition, they charged the Cemetery \$15,000.00 for maintenance services performed at the Cemetery during 2015 and 2014. The Cemetery has reimbursed the City for all expenses.

NOTES TO FINANCIAL STATEMENTS **YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 \$8,324.86 and \$8,324.92 on December 31, 2015 and 2014. 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 \$8,324.86 certificate of deposit is restricted for post closure use.

Note 24: INTERFUND BALANCE

As of December 31, 2015, the following interfunds were included on the balance sheets of the various funds of Egg Harbor City:

	<u>Due From</u>	<u>Due To</u>
Current Fund:		
Grant Fund		105,107.33
Animal Control Fund		7.20
Grant Fund:		
Current Fund	105,107.33	
Trust Fund		68,137.37
Capital Fund		35,349.00
Trust Fund:		
Grant Fund	68,137.37	
Animal Control Fund		
Current Fund	7.20	
Capital Fund:		
Grant Fund	35,349.00	

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.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 25: LITIGATION

The City is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the City, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Note 26: SUBSEQUENT EVENTS

The City has evaluated subsequent events through June 24, 2016, 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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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, 2015, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated June 24, 2016, 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 24, 2016

FINDINGS AND RECOMMENDATIONS

NONE

STATUS OF PRIOR RECOMMENDATIONS

NONE

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	<u>Current Fund</u>
Balance December 31, 2014	\$ 611,742.52
Increased by Receipts:	
Tax Collector	9,521,437.53
Revenue Accounts Receivable	1,173,001.20
Miscellaneous Revenue	40,110.11
State of New Jersey	
Senior Citizens and Veterans	42,452.74
Marriage License Fees	650.00
Burial Permit Fees	15.00
DCA Training Fees	4,767.00
Amounts Due From	
General Capital	2,120,318.91
Utility Operating	500,000.00
Animal Control Fund	4,503.33
Unemployment Trust Fund	10,278.43
Grant Fund	
Current year Grants Receivable	110,102.44
Unappropriated Reserves	2,998.72
Bond Anticipation Note Redeemed	263,331.00
	<u>13,793,966.41</u>
	14,405,708.93

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	<u>Current Fund</u>
Decreased by Disbursements:	
Current Year Appropriation	5,247,018.62
Appropriations Reserves	99,158.67
County Taxes	1,062,697.73
Local District School Tax	3,097,713.00
Regional High School Tax	1,282,653.00
Purchase of Bond Anticipation	151,664.00
Refund Overpayments	2,769.92
Special Emergency Note	12,000.00
State of New Jersey	
Marriage License Fees	775.00
Burial Permit Fees	25.00
DCA Training Fees	4,380.00
Amounts Due To	
Animal Control Trust	4,496.13
Unemployment Trust	10,278.43
Grant Fund	263,466.32
General Capital	2,120,318.91
Utility Operating	500,000.00
	<u>13,859,414.73</u>
Balance December 31, 2015	\$ <u><u>546,294.20</u></u>

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

Balance December 31, 2014		\$	-
Increased by Receipts:			
Prepaid Taxes	109,589.11		
Taxes Receivable	9,283,144.91		
Revenue Accounts Receivable	116,728.02		
Tax Title and Other Liens	11,975.49		
			<u>9,521,437.53</u>
			9,521,437.53
Payments to Treasurer			<u>9,521,437.53</u>
Balance December 31, 2015		\$	<u><u>-</u></u>

Local Tax for Municipal Purposes
Add: Additional Tax Levied

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

Balance December 31, 2014		\$	623,171.75
Increased by:			
Transfers from Taxes Receivable	93,542.90		
Interest and Costs Accrued by Sale of December 15, 2015	1,892.14		
Added Tax Title Liens			
Demolition & Code Enforcement	1,700.00		
			<u>97,135.04</u>
			720,306.79
Decreased by:			
Collections	11,975.49		
Cancelations			
			<u>11,975.49</u>
Balance December 31, 2015		\$	<u><u>708,331.30</u></u>

CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2014	Accrued in 2015	Collected by		Balance Dec. 31, 2015
			Collector	Treasurer	
Tax Collector:					
Interest and Costs on Taxes	\$	51,116.02	51,116.02		
Lake Parking Fees		65,612.00	65,612.00		
Treasurer:					
Licenses:					
Alcoholic Beverage		25,375.74		25,375.74	
Other		49,403.00		49,403.00	
Construction Code Fees		56,455.00		56,455.00	
Fines and Costs:					
Municipal Court	8,071.45	107,950.73		107,692.45	8,329.73
Interest Earned on Investments		1,689.78		1,689.78	
Consolidated Municipal Property					
Tax Relief					
Energy Receipts Tax		41,226.00		41,226.00	
Rental Registration Fees		432,235.00		432,235.00	
Campground Royalty		55,575.00		55,575.00	
Rental of Municipal Property		3,328.00		3,328.00	
Payment in Lieu of Taxes		169,500.00		169,500.00	
Uniform Fire Safety Act		33,475.10		33,475.10	
Cemetery Contribution		11,665.13		11,665.13	
Reserve for Land Sales		15,000.00		15,000.00	
Proceeds from Forman Land Sales		58,500.00		58,500.00	
Jif Dividend		35,000.00		35,000.00	
Conifer Pilot		42,185.00		42,185.00	
		34,696.00		34,696.00	
	\$	1,289,987.50	116,728.02	1,173,001.20	8,329.73

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

OPERATIONS WITHIN "CAPS"
GENERAL GOVERNMENT

	Balance Dec. 31, 2014	Balance After Transfers	Paid or Charged		Balance Lapsed	Over- Expended
			Cash	Accounts Payable		
Governing Body						
Other Expenses	132.43	132.43	57.33		75.10	
Administrative and Executive						
Other Expenses						
City Clerk	1,600.68	1,600.68	1,133.06	300.00	167.62	
Financial Administration						
Other Expenses	4,764.01	4,764.01	3,667.25	1,079.00	17.76	
Assessment of Taxes						
Other Expenses	175.27	175.27	81.99		93.28	
Tax Collector						
Other Expenses:						
Miscellaneous Other Expenses	327.23	327.23	198.15		129.08	
Tax Sale Costs		-			-	
Legal Services and Costs						
Other Expenses	26,886.34	36,886.34	34,724.63	2,094.91	66.80	
Engineering Services and Costs						
Other Expenses	280.00	280.00	200.00		80.00	
Public Buildings and Grounds						
Other Expenses	5,181.36	6,681.36	5,882.04		799.32	
Municipal Land Use Law (NJSA 40:55D-1)						
Planning Board						
Miscellaneous Other Expenses	1,224.21	1,224.21	1,025.41		198.80	
Zoning/Code Board of Adjustment						
Other Expenses	567.63	567.63	447.12		120.51	
PUBLIC SAFETY						
Fire Prevention						
Other Expenses	2,340.00	2,340.00		1,000.00	1,340.00	
Police						
Salaries and Wages	2,300.11	2,300.11	-		2,300.11	
Other Expenses:						
Miscellaneous Other Expenses	20,236.38	20,236.38	18,338.07		1,898.31	
Municipal Court						
Salaries and Wages	1,710.80	710.80			710.80	
Other Expenses	1,533.61	1,533.61	1,092.21		441.40	

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2014	Balance After Transfers	Cash	Accounts Payable	Balance Lapsed	Over- Expended
Emergency Management Services						
Other Expenses	239.66	239.66	90.00		149.66	
PUBLIC WORKS						
Solid Waste Collection (Public Works)						
Other Expenses:						
Miscellaneous Other Expenses	8,255.42	13,755.42	8,380.32		5,375.10	
Solid Waste Disposal Cost	485.24	485.24	-		485.24	
RECREATION AND EDUCATION						
Parks and Playgrounds						
Other Expenses:						
Miscellaneous Other Expenses	4,702.90	4,702.90	510.00		4,192.90	
Anniversary or Holiday						
Other Expenses	821.80	821.80	500.00		321.80	
INSURANCE						
Group Insurance Plans for Employees	13,751.16	3,751.16	-		3,751.16	
Firemen's Group Insurance Premiums	1,759.36	259.36			259.36	
UNCLASSIFIED						
Street Lighting	11,617.54	11,617.54	10,629.28		988.26	
Gasoline	6,452.86	3,952.86	3,724.26		228.60	
Electric	14,108.99	14,108.99	4,578.88		9,530.11	
Natural Gas	916.94	916.94			916.94	
Telephone	3,219.49	1,219.49	914.11		305.38	

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2014	Balance After Transfers	Paid or Charged		Balance Lapsed	Over- Expended
			Cash	Accounts Payable		
Statutory Expenditures						
Contribution to:						
Social Security	793.17	793.17	-		793.17	
Recycling Tax	4,000.00	4,000.00	2,984.56		1,015.44	
Other Accounts - No Changes	8,321.68	8,321.68			8,321.68	
	<u>148,706.27</u>	<u>148,706.27</u>	<u>99,158.67</u>	<u>4,473.91</u>	<u>45,073.69</u>	<u>-</u>
\$						

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

Balance December 31, 2014	\$	-
Increased by:		
Levy - Calendar Year 2015		<u>3,097,713.00</u>
		3,097,713.00
Decreased by:		
Payments		<u>3,097,713.00</u>
Balance December 31, 2015	\$	<u><u>-</u></u>

CURRENT FUND
SCHEDULE OF REGIONAL HIGH SCHOOL TAX

Balance December 31, 2014		
School Tax Payable	\$	52,011.37
School Tax Deferred		<u>485,108.00</u>
		537,119.37
Increased by:		
Levy - School Year July 1, 2015 to June 30, 2016		<u>1,265,513.00</u>
		1,802,632.37
Decreased by:		
Payments		<u>1,282,653.00</u>
Balance December 31, 2015		
School Tax Payable		34,871.37
School Tax Deferred		<u>485,108.00</u>
		<u>519,979.37</u>
2015 Liability for Regional High School Tax		
Tax Paid		1,282,653.00
Tax Payable @ December 31, 2015		<u>34,871.37</u>
		1,317,524.37
Less: Tax Payable @ December 31, 2014		<u>52,011.37</u>
Amount Charged to 2015 Operations	\$	<u><u>1,265,513.00</u></u>

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

Purpose	Balance Dec. 31, 2014	Transferred From 2015 Revenues	Received	Adjustments	Balance Dec. 31, 2015
FEDERAL GRANTS:					
Transportation Alternatives	\$ -	296,000.00			296,000.00
Total Federal	-	296,000.00	-	-	296,000.00
STATE GRANTS:					
NJ Transportation Trust Fund Authority					
Reconstruction of-					
Diesterweg Street - 2013	46,750.00				46,750.00
Diesterweg Street - 2014	-	199,921.00			199,921.00
Diesterweg Street - 2015		190,000.00			190,000.00
New Orleans Avenue-2012	68,915.02		68,915.02		-
NJ Department of Transportation Discretionary Aid-					
Diesterweg Walkway	25,000.00				25,000.00
NJDOT_Safe Routes to School	-	35,349.00			35,349.00
NJEDA Environmental Clean up	217,084.75				217,084.75
Clean Communities	0.25	13,837.00	13,837.25		-
Drunk Driving Enforcement Fund	-	24,882.57	24,882.57		-
2015 Sustainable Jersey- Capacity Grant	-	2,000.00	2,000.00		-
Total State	357,750.02	463,989.57	107,634.84	-	714,104.75

See Accompanying Auditor's Report

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

<u>Purpose</u>	<u>Balance Dec. 31, 2014</u>	<u>Transferred From 2015 Revenues</u>	<u>Received</u>	<u>Adjustments</u>	<u>Balance Dec. 31, 2015</u>
Local Grants:					
Municipal Alliance-Drug Abuse Resistance Education	12,963.00	12,963.00	13,164.16	108.71	12,653.13
Atlanticare Garden Grant	-	500.00	500.00		-
Atlanticare Farmers Market Grant	-	1,000.00			1,000.00
Total State	<u>12,963.00</u>	<u>14,463.00</u>	<u>13,664.16</u>	<u>108.71</u>	<u>13,653.13</u>
\$	<u>370,713.02</u>	<u>774,452.57</u>	<u>121,299.00</u>	<u>108.71</u>	<u>1,023,757.88</u>
		Cash	110,102.44		
		Unappropriated Reserves	11,196.56		
			<u>121,299.00</u>		

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS

	Balance December 31, 2014		2015 Appropriations	Disbursed	Reverse Prior Year Encumbrances	Encumbrances	Refunds/ (Canceled)	Balance Dec. 31, 2015
	Appropriated	Reserve for Encumbrances						
FEDERAL GRANTS:								
Small Cities Community Development Block Grant								
Housing Rehabilitation	\$ 1,853.50							1,853.50
US Department of Justice								
Bulletproof Vest Program	673.14		393.00					1,066.14
Transportation Alternatives	-		296,000.00					296,000.00
Safe Routes to School	-		35,349.00					-
US House Trans & Infrastr-Transit Hub	0.09							0.09
Total Federal	2,526.73	-	331,742.00	35,349.00	-	-	-	298,919.73
STATE GRANTS:								
Department of Transportation								
Reconstruction of Diesterweg Avenue-2013	-	180,844.88		168,627.94		12,216.94		0.00
Reconstruction of Diesterweg Avenue-2014			199,921.00					199,921.00
Reconstruction of Diesterweg Avenue-2015			190,000.00					190,000.00
NJ DEP-Hazardous Discharge	143,518.13	117,616.03				117,616.03		143,518.13
NJDOT - Safe Routes to School	-		35,349.00					-
Body Armor Fund	4,326.03		1,681.00					3,367.03
Drunk Driving Enforcement Fund	4,150.01		24,882.57					7,201.94
Clean Communities Program	16,424.46	123.99	13,837.00					15,514.93
Recycling Tonnage Grant	10,954.53		9,122.00			123.99		17,190.09
2015 Sustainable Jersey- Capacity Grant			2,000.00			1,115.25		884.75
Total State	179,373.16	298,584.90	476,792.57	247,195.80	-	129,956.96	-	577,597.87

CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS

	Balance December 31, 2014		2015 Appropriations	Disbursed	Reverse Prior Year Encumbrances	Encumbrances	Refunds/ (Canceled)	Balance Dec. 31, 2015
	Appropriated	Reserve for Encumbrances						
LOCAL GRANTS:								
Drug Abuse Resistance Education	11,895.80		16,204.00	13,409.74		1,073.60	(108.71)	13,507.75
Egg Harbor City Board of Education	1,226.38							1,226.38
Rittenberg School Demolition	27.84		500.00	430.01				97.83
Atlanticare Garden Grant	-		1,430.77	1,430.77				-
2015 Statewide Safety Grant	-		1,000.00	1,000.00				-
Atlanticare Farmers Market Grant	-							-
Total Local	<u>13,150.02</u>	<u>-</u>	<u>19,134.77</u>	<u>16,270.52</u>	<u>-</u>	<u>1,073.60</u>	<u>(108.71)</u>	<u>14,831.96</u>
\$	<u>195,049.91</u>	<u>298,584.90</u>	<u>827,669.34</u>	<u>298,815.32</u>	<u>-</u>	<u>131,030.56</u>	<u>(108.71)</u>	<u>891,349.56</u>
			Current Expenditures	298,815.32			(108.71)	
			Cancel by Resolution					
			Cash	298,815.32			(108.71)	

CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES

<u>Purpose</u>	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Transferred</u> <u>To 2015</u> <u>Appropriations</u>	<u>Received</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
STATE GRANTS:				
Body Armor	\$ 1,681.56	1,681.56	1,678.72	1,678.72
Bulletproof Vest	393.00	393.00	1,320.00	1,320.00
Recycling Tonnage Grant	9,122.00	9,122.00	-	-
Total State	<u>11,196.56</u>	<u>11,196.56</u>	<u>2,998.72</u>	<u>2,998.72</u>
\$	<u>11,196.56</u>	<u>11,196.56</u>	<u>2,998.72</u>	<u>2,998.72</u>

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

	<u>Animal Control</u>	<u>Other</u>
Balance December 31, 2014	\$ 2,210.39	315,212.85
Increased By:		
Municipal License Fees	1,382.80	
Developers Escrow		38,560.72
Unemployment Trust		12,103.31
Construction Code Fees		303.82
Law Enforcement		2,695.50
Street Opening Escrow		7,730.00
Accumulated Absences		15,018.54
Community Events		4,651.50
Maintenance Bonds		308.96
Storm Recovery		9,500.00
Parking Offences Adjudication Fund		32.00
Recreation Dedicated Trust		510.00
Reserve For Police MDT Trust Donations		100.00
	<u>1,382.80</u>	<u>91,514.35</u>
	3,593.19	406,727.20
Decreased By:		
Dog Fund Expenditures	2,813.33	
Unemployment Trust		10,278.43
Developers Escrow		33,205.23
Law Enforcement		3,233.25
Street Opening Escrow		9,670.00
Recreation-Developers		3,000.00
Recreation Dedicated Trust		2,400.00
Accumulated Absences		21,748.11
Storm Recovery		12,654.67
Community Events		5,423.90
Parking Offences Adjudication Fund		18.00
	<u>2,813.33</u>	<u>101,631.59</u>
Balance December 31, 2015	\$ <u><u>779.86</u></u>	<u><u>305,095.61</u></u>

TRUST FUND
SCHEDULE OF CASH - TREASURER

	Dog Licenses	Other
Analysis of December 31, 2015 Balance		
Unemployment Trust Fund	\$	5,006.44
POAA Trust		113.29
Law Enforcement Trust Fund		6,444.15
Sanitary Landfill Escrow		8,324.86
Developer's Escrow		51,559.14
Maintenance Bonds		
Shocky Pure Water Systems		3,004.77
World Class Flowers		12,870.13
Atlantic County Council Education		5,064.20
Cedar Creek Partners		114,357.42
Rite Aid		3,869.65
Street Opening Permits		21.16
Program Loans		17,356.63
Reserve For Police MDT Trust Donations		100.00
Community Events		2,427.34
Recreation Trust Fund		56,518.82
Accumulated Absences		15,157.32
Snow Removal		93.59
Fire Prevention Penalty		2,806.70
	\$	<u>305,095.61</u>

**TRUST FUND
SCHEDULE OF CASH - COLLECTOR**

Balance December 31, 2014	\$	87,751.72
Increased by Receipts:		
Deposits for Redemption of		
Tax Sale Certificates	1,162,892.64	
Premiums Received at Tax Sale	<u>256,400.00</u>	
		<u>1,419,292.64</u>
		1,507,044.36
Decreased by Disbursements:		
Tax Sale Redemptions	1,150,744.80	
Premiums Returned	<u>63,500.00</u>	
		<u>1,214,244.80</u>
Balance December 31, 2015	\$	<u><u>292,799.56</u></u>

ANALYSIS OF BALANCE - DECEMBER 31, 2015

Tax Title Lien Redemption	13,399.56
Tax Sale Premium	<u>279,400.00</u>
	<u><u>292,799.56</u></u>

\$

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

Balance December 31, 2014	\$	2,210.39
Increased by:		
Dog License Fees Collected	992.00	
Cat License Fees Collected	200.00	
Late Fees	190.80	
	<hr/>	<hr/>
		1,382.80
		3,593.19
Decreased by:		
Expenditures under N.J.S.A. 4:19-15.11:		
Cash	2,813.33	
	<hr/>	<hr/>
		2,813.33
Balance December 31, 2015	\$	<hr/> <hr/> 779.86

License Fees Collected

<u>Year</u>	<u>Amount</u>
2014	1,572.00
2013	1,010.00
	<hr/>
	2,582.00
	<hr/> <hr/>

TRUST - OTHER FUNDS
SCHEDULE OF MISCELLANEOUS RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2015

Reserve	Balance Dec. 31, 2014	Increased by		Decreased by		Balance Dec. 31, 2015
		Receipts	Other	Disbursements	Payments made by Current Fund	
Unemployment	\$ 3,181.56	12,103.31		10,278.43		5,006.44
Fire Prevention Penalty	2,502.88	303.82				2,806.70
Sanitary Landfill Closure	8,324.86					8,324.86
Developer's Escrow	46,203.65	38,560.72		33,205.23		51,559.14
Law Enforcement Trust	6,981.90	2,695.50		3,233.25		6,444.15
Recreation Trust	3,408.82	510.00		2,400.00		1,518.82
Parking Offense Adjudication Fund	99.29	32.00		18.00		113.29
Street Opening Escrows	1,961.16	7,730.00		9,670.00		21.16
Accumulated Absences	21,886.89	15,018.54		21,748.11		15,157.32
Maintenance Bonds	138,857.21	308.96				139,166.17
Community Events	3,199.74	4,651.50		5,423.90		2,427.34
Snow Removal	3,248.26	9,500.00		12,654.67		93.59
Reserve For Police MDT Trust Donations	-	100.00				100.00
Tax Title Lien Redemptions	1,251.72	1,162,892.64		1,150,744.80		13,399.56
Tax Sale Premiums	86,500.00	256,400.00		63,500.00		279,400.00
	<u>\$ 327,607.94</u>	<u>1,510,806.99</u>	<u>-</u>	<u>1,312,876.39</u>	<u>-</u>	<u>525,538.54</u>

See Accompanying Auditor's Report

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

Balance December 31, 2014		\$	138,342.54
Increased by:			
Capital Improvement Fund	25,000.00		
Grant Receipts	86,831.71		
Due from Current Fund	28,748.41		
Bond Anticipation Notes Issued	316,000.00		
			<u>456,580.12</u>
			594,922.66
Decreased by:			
Improvement Authorizations	529,314.19		
Expenditures Charged to Reserves:			
Preliminary Expense			
Diesterweg Road Reconstruction Phil/Buf	2,355.12		
Atlantic Avenue	13,280.00		
Diesterweg Road Reconstruction			
(Bremen to New Orleans Avenue)	13,400.00		
Due from Grant Fund	35,349.00		
			<u>593,698.31</u>
Balance December 31, 2015		\$	<u><u>1,224.35</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2014	Receipts		Disbursements		Transfers		Balance Dec. 31, 2015
		Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 5,459.75	3,748.41					1.32	9,209.48
Capital Improvement Fund	5,274.10	25,000.00				32,200.00	1,930.50	4.60
Encumbrances Payable	165,988.59					165,988.59	516,283.83	516,283.83
Reserves for:								
Demolition of Property	4,353.00					1,920.00		4,353.00
Development of City Airport	1,920.00							-
Design Expenses for Diesterweg Walkway/Bikepath Phase II	10.50					2,260.50	2,250.00	-
Preliminary Expenses								
Diesterweg Road Reconstruction								
St Recon-Phil/Buf	-							-
Atlantic Avenue					2,355.12			-
Diesterweg Road Reconstruction					13,280.00	5,520.00	18,800.00	-
(Bremen to New Orleans Avenue)								
EMS Building Redevelopment					13,400.00		13,400.00	-
Grants Receivable	(300,000.00)	86,831.71						(213,168.29)
Interfund Receivable	-				35,349.00			(35,349.00)
Improvement Authorizations:								
#05-2006 Purchase of Radios, Computers, and Ambulance	-							
#19-2008 Reconstruction of St. Louis Avenue and Acquisition of Street Sweeper	3,730.68			330.10				3,400.58
#11-2010 EHC North Preliminary Expenses	868.53			-				868.53
#14-2012 Various General Improvements	55,530.39			65,857.28		9,293.02	43,214.20	23,594.29
#15-2012 EHC North Pinelands Preliminary Study	1,650.00					2,427.00	2,427.00	1,650.00
#8-2013 Various General Improvements	296,905.00			178,960.93		144,904.47	2,581.00	(24,379.40)
#3-2014 Various General Improvements	(103,348.00)			813.27			813.27	-
#12-2014 Various General Improvements		25,000.00	171,000.00	133,703.11		5,941.46	112,348.00	40,355.43
#11-2015 Various Road Reconstructions			145,000.00	149,649.50		345,949.20		(325,598.70)
	\$ 138,342.54	140,580.12	316,000.00	529,314.19	64,384.12	716,404.24	716,404.24	1,224.35

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

Balance December 31, 2014		\$ 5,274.10
Increased by:		
Budget Appropriation - 2015	25,000.00	
Cancelled Reserve for Preliminary Expenses	<u>1,930.50</u>	
		<u>26,930.50</u>
		32,204.60
Decreased by:		
Improvement Authorizations Funded	-	
Preliminary Expenses:		
Diesterweg	13,400.00	
Atlantic Avenue	<u>18,800.00</u>	
		<u>32,200.00</u>
Balance December 31, 2015		\$ <u><u>4.60</u></u>

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

Balance December 31, 2014		\$	1,202,000.00
Decreased by:			
Serial Bonds Paid	<u>190,000.00</u>		<u>190,000.00</u>
Balance December 31, 2015		\$	<u><u>1,012,000.00</u></u>

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

Ord #	Improvement Description	Balance Dec. 31, 2014	2015 Authorizations	Raised in 2015 Budget	Debt Issued	Balance Dec. 31, 2015	Analysis of Balance		
							Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
9-2006	Various General Improvements	\$ 282,022.00		27,715.00		254,307.00	254,307.00		
7-2007	Various General Improvements	286,193.00		22,270.00		263,923.00	263,923.00		
19-2008	Reconstruction of St. Louis Avenue and Acquisition of Street Sweeper	104,414.00		2,515.00		101,899.00	101,899.00		
11-2009	Reconstruction of Various Roads	382,500.00		22,500.00		360,000.00	360,000.00		
10-2011	Reconstruction of Various Roads	118,750.00		6,250.00		112,500.00	112,500.00		
9-2012	Reconstruction of Various Roads	237,500.00				237,500.00	237,500.00		
14-2012	Various General Improvements	213,750.00				213,750.00	213,750.00		
8-2013	Various General Improvements	185,250.00				185,250.00	150,000.00	24,379.40	10,870.60
12-2014	Various General Equipment	171,000.00	-			171,000.00	171,000.00		
11-2015	Various Road Reconstruction		475,000.00			475,000.00	145,000.00	325,598.70	4,401.30
		<u>\$ 1,981,379.00</u>	<u>475,000.00</u>	<u>81,250.00</u>	<u>-</u>	<u>2,375,129.00</u>	<u>2,009,879.00</u>	<u>349,978.10</u>	<u>15,271.90</u>
							Improvement Authorizations Unfunded		
							Less:		
							Unexpended Proceeds of Bond		
							Anticipation Notes Issued:		
							Ord. Number		
							19-2008	3,400.58	
							14-2012	23,594.29	
							12-2014	40,355.43	
								<u>67,350.30</u>	
									<u>15,271.90</u>

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2015		Interest Rate	Balance Dec. 31, 2014	Increased	Decreased	Balance Dec. 31, 2015
			Date	Amount					
General Obligation Bonds of 2005	12/1/2005	2,317,000	12/1/2016	200,000.00	4.000% \$	1,202,000.00		190,000.00	1,012,000.00
			12/1/17-19	210,000.00	4.000%				
			12/1/2020	182,000.00	4.000%				
					\$	1,202,000.00	-	190,000.00	1,012,000.00

See Accompanying Auditor's Report

**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, 2014	Increased	Decreased/ Adjustment	Balance Dec. 31, 2015
Various Capital Improvements	9-06	7/26/2006	1/29/2015	1/28/2016	1.000% \$	282,022.00		27,715.00	254,307.00
Various Capital Improvements	7-07	6/1/2007	1/29/2015	1/28/2016	1.000%	286,193.00		22,270.00	263,923.00
Various Capital Improvements	19-08	2/9/2011	1/29/2015	1/28/2016	1.000%	104,414.00		2,515.00	101,899.00
Various Capital Improvements	11-09	12/31/2009	1/29/2015	1/28/2016	1.000%	40,611.00		40,611.00	-
Various Capital Improvements	11-09	2/10/2010	1/29/2015	1/28/2016	1.000%	341,889.00		(18,111.00)	360,000.00
Various Capital Improvements	10-11	2/6/2012	1/29/2015	1/28/2016	1.000%	118,750.00		6,250.00	112,500.00
Various Capital Improvements	9-12	2/5/2013	1/29/2015	1/28/2016	1.000%	237,500.00			237,500.00
Various Capital Improvements	14-12	2/5/2013	1/29/2015	1/28/2016	1.000%	213,750.00			213,750.00
Various Capital Improvements	8-13	1/31/2014	1/29/2015	1/28/2016	1.000%	150,000.00			150,000.00
Various Capital Improvements	12-14	1/29/2015	1/29/2015	1/28/2016	1.000%	-	171,000.00		171,000.00
Various Capital Improvements	11-2015	1/29/2015	1/29/2015	1/28/2016	0.000%	-	145,000.00		145,000.00
						<u>\$ 1,775,129.00</u>	<u>316,000.00</u>	<u>81,250.00</u>	<u>2,009,879.00</u>

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2014	2015 Authorizations	Debt Issued	Paid Through Budget	Balance Dec. 31, 2015
8-13	Various Capital Improvements	\$ 35,250.00				35,250.00
12-14	Various Capital Equipment	171,000.00		171,000.00		-
11-2015	Various Road Reconstruction	-	475,000.00	145,000.00		330,000.00
		<u>\$ 206,250.00</u>	<u>475,000.00</u>	<u>316,000.00</u>	<u>-</u>	<u>365,250.00</u>
						-

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

	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2014	\$ 617,837.96	128,887.28
Increased by Receipts:		
Collector	1,246,317.47	
Miscellaneous	38,516.27	
Fire Hydrants	15,000.00	
Reserve to Pay Debt	35,000.00	
Capital Fund Balance	26,588.00	
Due from Current Fund		
City Issued Bond Anticipation Note		750,000.00
Premium on Sale of Bonds/Notes		<u>11,912.59</u>
	<u>1,361,421.74</u>	<u>761,912.59</u>
	1,979,259.70	890,799.87
Decreased by Disbursements:		
Appropriations - Current	1,126,045.96	
Appropriations - Prior Year	22,637.23	
Accrued Interest on Bonds	373,284.69	
Petty Cash		
Due from State-Route 30 Improvements	342.00	
Improvement Authorizations		320,930.26
Due to Utility Operating		
Transfer Budgeted Revenue	<u>-</u>	<u>61,588.00</u>
	<u>1,522,309.88</u>	<u>382,518.26</u>
Balance December 31, 2015	\$ <u><u>456,949.82</u></u>	<u><u>508,281.61</u></u>

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

Balance December 31, 2014		\$	-
Increased by Receipts:			
Consumer Accounts Receivable	1,092,952.05		
Utility Liens	232.46		
Prepaid Utility Rents	<u>153,132.96</u>		
			<u>1,246,317.47</u>
			1,246,317.47
Decreased by Disbursements:			
Payment to Treasurer			<u>1,246,317.47</u>
Balance December 31, 2015		\$	<u><u>-</u></u>

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

Balance December 31, 2014	\$	24,706.00
Increased by Receipts:		
Utility Rents Levied		<u>1,216,983.71</u>
		1,241,689.71
Decreased by Collections:		
Collections - 2015	1,092,952.05	
Collections - 2014	144,042.56	
Overpayments Created	(129.81)	
Cancellations	3,834.72	
Transfers to Lien	<u>315.00</u>	
		<u>1,241,014.52</u>
Balance December 31, 2015		<u><u>675.19</u></u>

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

Balance December 31, 2014		6,654.75
Increased by:		
Transfers from Accounts Receivable	315.00	
Penalties and Costs Accrued by Sale of December 15, 2015	<u>1,250.00</u>	
		<u>1,565.00</u>
		8,219.75
Decreased by:		
Collections	<u>232.46</u>	
		<u>232.46</u>
Balance December 31, 2015	\$	<u><u>7,987.29</u></u>

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

	Balance Dec. 31, 2014	Added in 2015	2015 Budget	Balance Dec. 31, 2015
Emergency Appropriation	\$ -	-	-	-
	\$ -	-	-	-
	\$ -	-	-	-

See Accompanying Auditor's Report

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

<u>ACCOUNT</u>	Balance Dec. 31, 2014	Additions by		Cancelled	Balance Dec. 31, 2015
		Budget Capital Outlay	By Ordinance		
\$	161,073.44				161,073.44
Sewer Mains	13,131.00				13,131.00
Engineering and Superintendants	4,726.00				4,726.00
General Equipment	73,542.00				73,542.00
Sewer Line Extension	87,500.00				87,500.00
Sewer Improvements	4,361.00				4,361.00
Erection of Fence	3,693,400.00				3,693,400.00
Various Improvements to Sewer System	65,000.00				65,000.00
8th Terrace Sewer Replacement					
Extension of Sanitary Sewers in Buerger					
Street, Beethoven Street, Baltimore					
Avenue and Claudius Street	680,000.00				680,000.00
Extension or Replacement of Sanitary					
Sewers and/or Water Mains on Various					
City Streets	100,000.00				100,000.00
Sanitary Sewer Replacement and					
Extension	1,002,066.00				1,002,066.00
#13-03 Sewer Extensions and Replacements	150,582.00				150,582.00
Sewer Extensions - 2004	160,800.00				160,800.00
Sewer Plant Demolition	135,000.00				135,000.00
#13-04 Hamburg Avenue Sanitary					
Sewer Expansion	3,100,000.00				3,100,000.00
#14-06 Various Sewer Utility Improvements	106,235.00				106,235.00
#11-07 Various Sewer Utility Improvements	250,000.00				250,000.00
#20-08 EHC North Utility Improvements	3,016,001.00				3,016,001.00
#21-08 Various Sewer Utility Improvements	38,219.00				38,219.00
#05-13 Refunding Bond Issue	60,729.00				60,729.00
\$	12,902,365.44	-	-	-	12,902,365.44

See Accompanying Auditor's Report

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

ACCOUNT	Additions by			Balance Dec. 31, 2015
	Budget Capital Outlay	By Ordinance	Cancelled	
	Balance Dec. 31, 2014			
	\$ 4,416.44			4,416.44
Reservation Land	12,281.00			12,281.00
Filters	3,308.00			3,308.00
Chemical Treatment Plant	50,136.00			50,136.00
Pumping Station Structures	55,975.00			55,975.00
Electric Power Pumping Equipment	755.00			755.00
Other Power Pumping Equipment	153,918.00			153,918.00
Storage Reservoirs, Tanks and Sandpipes	289,769.00			289,769.00
Distribution Mains and Accessories	13,559.00			13,559.00
Service Pipes and Stops	22,846.00			22,846.00
Meters, Meter Boxes and Vaults	9,385.00			9,385.00
Fire Hydrants and Fire Cisterns	16,699.00			16,699.00
General Structures	16,219.00			16,219.00
General Equipment	1,575.00			1,575.00
Chlorinator	51,000.00			51,000.00
Water Plant Improvements	25,000.00			25,000.00
Repairs to Water System	124,373.00			124,373.00
General Improvements	25,000.00			25,000.00
Refinishing Water Tower	205,327.00			205,327.00
New Wells and Filters	2,356,600.00			2,356,600.00
Various Improvements to Water System	10,000.00			10,000.00
Improvements to Monitoring Wells	260,000.00			260,000.00
Replacement of Well #3	15,000.00			15,000.00
Purchase of Automated Meter Reading System	269,021.00			269,021.00
#9-03 Water Tank Renovations	221,487.00			221,487.00
Land for Water Plant - 2008				
#11-06 Improvements to Hamburg				
Avenue Water Service	2,950,000.00			2,950,000.00
#14-06 Various Water Utility Improvements	83,114.00			83,114.00
#11-07 Various Water Utility Improvements	250,000.00			250,000.00
#20-08 EHC North Utility Improvements	3,016,000.00			3,016,000.00
#21-08 Various Water Utility Improvements	38,219.00			38,219.00
#12-09 Acquisition of Land for Water Plan	160,000.00			160,000.00
#05-13 Refunding Bond Issue	60,730.00			60,730.00
	\$ 10,771,712.44	-	-	10,771,712.44

See Accompanying Auditor's Report

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

Improvement Description	Date	Amount	Balance Dec. 31, 2014	2015 Authorizations		To Fixed Capital	Balance Dec. 31, 2015
				Deferred Reserve for Amortization	Deferred Charges to Future Revenue		
#12-09 Construction of Water Plant	9/10/09	10,000,000	\$ 6,938,100.00				6,938,100.00
		\$	<u>6,938,100.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,938,100.00</u>

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

	Balance Dec. 31, 2014	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
Operating:					
Other Expenses	\$ 37,597.83	37,597.83	22,637.23	14,960.60	
Other Accounts - No Change	15,559.66	15,559.66		15,559.66	
	<u>\$ 53,157.49</u>	<u>53,157.49</u>	<u>22,637.23</u>	<u>30,520.26</u>	<u>-</u>

**WATER AND SEWER OPERATING FUND
SCHEDULE OF ACCRUED INTEREST ON BONDS
AND NOTES - ANALYSIS OF BALANCE -
DECEMBER 31, 2015**

Balance December 31, 2014	\$ 89,924.37
Increased by:	
Budget Appropriation for	
Interest on Bonds and Notes	<u>367,453.13</u>
	457,377.50
Decreased by:	
Interest Paid - Treasurer	<u>373,284.69</u>
Balance December 31, 2015	<u>\$ 84,092.81</u>

**ANALYSIS OF ACCRUED INTEREST
DECEMBER 31, 2015**

Principal Outstanding Dec. 31, 2015	Interest Rate	From	To	Period	Amount
Serial Bonds					
335,000.00	4.00%	12/1/2015	12/31/2015	31	1,153.89
1,435,000.00	3.32%	8/1/2015	12/31/2015	153	20,247.85
4,728,637.88	2.25%	10/14/2015	12/31/2015	78	23,052.11
5,295,000.00	3.50%	10/15/2015	12/31/2015	77	<u>39,638.96</u>
					<u>84,092.81</u>
Bond Anticipation Notes - Charged Directly to Improvement Authorizations					
5,459,000.00	1.00%	1/28/2015	12/31/2015	347	52,618.69
1,000,000.00	1.00%	7/13/2015	12/31/2015	172	<u>4,777.78</u>
					<u>57,396.47</u>
Total Accrued Interest					<u>\$ 141,489.28</u>

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

Balance December 31, 2014	\$	2,508.42
Increased by:		
Overpayments Created		<u>129.81</u>
		2,638.23
Decreased by:		
Overpayments Refunded		<u>-</u>
Balance December 31, 2015	\$	<u><u>2,638.23</u></u>

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

Improvement Authorization	Ordinance Date	Amount	Balance Dec. 31, 2014		Authorizations			Paid or Charged Current Year Encumbered	Prior Year Encumbered	Cancelled	Balance Dec. 31, 2015	
			Funded	Unfunded	Down Payment or Capital Improv. Fund	Deferred Charged to Future Revenue	Funded				Unfunded	
#12-09 Construction of Water Plant	9/10/09	10,000,000		1,527,361.61				3,863.89	(251,129.00)			1,460,037.23

SCHEDULE OF RESERVE FOR AMORTIZATION - WATER

Balance December 31, 2014	\$	5,241,810.93
Increased by:		
Serial Bonds Paid	74,803.50	
Bond Anticipation Notes Paid	<u>20,500.00</u>	
		<u>95,303.50</u>
Balance December 31, 2015		<u><u>5,337,114.43</u></u>

SCHEDULE OF RESERVE FOR AMORTIZATION - SEWER

Balance December 31, 2014		3,463,561.00
Increased by:		
Serial Bonds Paid	129,803.50	
Adjustment	7,113.00	
Bond Anticipation Notes Paid	<u>6,667.00</u>	
		<u>143,583.50</u>
Balance December 31, 2015	\$	<u><u>3,607,144.50</u></u>

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

Balance December 31, 2014	\$ 2,338,516.54
No Activity	
	<hr/>
Balance December 31, 2015	\$ <u><u>2,338,516.54</u></u>

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

Purpose	Date of Issue	Original Issue	Maturities Outstanding December 31, 2015				Int. Rate	Balance Dec. 31, 2014	Increased	Decreased	Balance Dec. 31, 2015
			Date	Amount							
Various Water and Sewer Improvements	12/1/05	715,000	12/1/16-18	65,000	4.000%						
			12/1/19-20	70,000	4.000%	400,000.00		65,000.00	335,000.00		
Refunding Bond Issue	4/26/11	1,690,000	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%	1,490,000.00		55,000.00	1,435,000.00		

See Accompanying Auditor's Report

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

Purpose	Date of Issue	Original Issue	Maturities Outstanding December 31, 2015		Int. Rate	Balance Dec. 31, 2014	Increased	Decreased	Balance Dec. 31, 2015
			Date	Amount					
Egg Harbor City North Utility Improvements	10/14/11	5,056,000	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%	4,813,244.88		84,607.00	4,728,637.88

See Accompanying Auditor's Report

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities Outstanding December 31, 2015		Int. Rate	Balance Dec. 31, 2014	Increased	Decreased	Balance Dec. 31, 2015
			Date	Amount					
General Obligation Refunding Bonds, Series 2014	10/8/2014	5,295,000	10/15/2017	55,000.00	2.000%				
			10/15/2018-19	105,000.00	2.000%				
			10/15/2020	110,000.00	3.000%				
			10/15/2021	145,000.00	3.000%				
			10/15/2022	150,000.00	2.500%				
			10/15/2023	155,000.00	2.750%				
			10/15/2024	160,000.00	3.000%				
			10/15/2025	165,000.00 (1)	3.250%				
			10/15/2026	165,000.00 (1)	3.250%				
			10/15/2027	175,000.00 (1)	3.250%				
			10/15/2028	180,000.00 (1)	3.250%				
			10/15/2029	185,000.00 (1)	3.250%				
			10/15/2030	190,000.00 (2)	3.500%				
			10/15/2031	195,000.00 (2)	3.500%				
			10/15/2032	205,000.00 (2)	3.500%				
			10/15/2033	210,000.00 (2)	3.500%				
			10/15/2034	220,000.00 (2)	3.500%				
			10/15/2035	225,000.00 (3)	4.500%				
			10/15/2036	235,000.00 (3)	4.500%				
			10/15/2037	245,000.00 (3)	4.500%				
			10/15/2038	260,000.00 (3)	4.500%				
			10/15/2039	270,000.00 (3)	4.500%				
			10/15/2040	280,000.00 (4)	4.000%				
			10/15/2041	295,000.00 (4)	4.000%				
			10/15/2042-43	305,000.00 (4)	4.000%		5,295,000.00		
						\$ 11,998,244.88	-	204,607.00	11,793,637.88

- (1) \$870,000 3.25% Term Bond due October 15, 2029
(2) \$1,020,000 3.50% Term Bond due October 15, 2034
(3) \$1,235,000 4.50% Term Bond due October 15, 2039
(4) \$1,185,000 4.0% Term Bond due October 15, 2043

See Accompanying Auditor's Report

**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, 2014	Increased	Decreased	Balance Dec. 31, 2015
Improvements to Sanitary Sewer	4/30/04	4/29/16	0.00%	\$ 13,331.00		6,667.00	6,664.00
Water Plant Construction	2/10/10	1/29/2016	1.25%	5,479,500.00		20,500.00	5,459,000.00
Water Plant Construction	12/31/14	1/29/2016	1.00%	250,000.00	750,000.00		1,000,000.00
				<u>\$ 5,742,831.00</u>	<u>750,000.00</u>	<u>27,167.00</u>	<u>6,465,664.00</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, 2014	2015 Authorizations	Notes Issued	Paid Through Budget	Adjustment	Balance Dec. 31, 2015
#12-09 Construction of Water Plant	9/10/09	\$ 1,348,100.00		750,000.00		472,000.00	1,070,100.00
		<u>\$ 1,348,100.00</u>	<u>-</u>	<u>750,000.00</u>	<u>-</u>	<u>472,000.00</u>	<u>1,070,100.00</u>

See Accompanying Auditor's Report

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EGG HARBOR CITY

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2015

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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 \$40,000, except by contract or agreement".

The governing body of the municipality has the responsibility of determining whether the expenditures of any category will exceed \$40,000 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:

Various Road Reconstruction Projects
Safe Routes to School Pedestrian and Bicycle School Access Project

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 \$40,000 "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 5, 2015 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 2015 calendar year, the City held their tax sale on December 15, 2015. 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>
2015	4,108
2014	4,103
2013	3,758

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, 2015 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 2015 Taxes	10
Municipal Tax Title Liens	5
Payment of 2015 Water & Sewer Utility Charges	10
Municipal Court	15

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>		<u>Currently</u>		
		<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percent of Collections</u>
2015	\$	9,463,096.00	9,445,215.00	97.99%
2014		9,436,728.00	9,326,389.00	98.83%
2013		9,319,821.00	9,207,597.00	98.79%
2012		8,899,870.00	8,761,796.00	98.44%
2011		8,912,450.00	8,776,894.00	98.47%

Comparative Schedule of Tax Rate Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Tax Rate	4.28	4.18	4.13	3.96	2.98
Apportionment of Tax Rate:					
Municipal	1.87	1.83	1.80	1.71	1.28
County	0.47	0.51	0.53	0.43	0.36
Local School	1.38	1.26	1.26	1.21	0.89
Regional High School	0.56	0.58	0.54	0.61	0.45
Assessed Valuation	225,081,400	224,833,752	225,130,678	224,407,533	298,675,529

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>		<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage Of Tax Levy</u>
2015	\$	708,331.30	15,961.63	728,292.93	7.70%
2014		623,171.00	5,846.00	629,017.00	6.67%
2013		520,040.00	1,610.00	521,650.00	5.60%
2012		555,883.00	15,206.00	571,089.00	6.42%
2011		489,262.00	8,671.00	497,933.00	5.59%

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.

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 24, 2016