

**CITY OF OCEAN CITY
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2011**

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CITY OF OCEAN CITY
PART I
REPORT ON AUDIT OF
FINANCIAL STATEMENTS - REGULATORY BASIS
DECEMBER 31, 2011

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheets – regulatory basis of the various funds and account groups of the City of Ocean City, State of New Jersey (the “City”), as of December 31, 2011 and 2010 and the related statements 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 for the year ended December 31, 2011, as listed in the accompanying table of contents. These financial statements – regulatory basis are the responsibility of the City’s management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

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

In our opinion, because of the City’s policy to prepare its financial statements on the prescribed basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the various funds and account groups of the City, as of December 31, 2011 and 2010 and the results of operations and changes in fund balance of such funds for the years then ended, and the statement of revenues and statement of expenditures of the various funds for the year ended December 31, 2011.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City, as of December 31, 2011 and 2010 and the results of operations and changes in fund balances of such funds for the years then ended and the statement of revenues and statement of expenditures of the various funds for the year ended December 31, 2011 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 16, 2012 on our consideration of the City's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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

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

Leon P. Costello

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

July 16, 2012

**EXHIBIT - A
CURRENT FUND**

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

	<u>Ref.</u>	<u>Balance Dec. 31, 2011</u>	<u>Balance Dec. 31, 2010</u>
<u>Assets</u>			
Regular Fund:			
Cash:			
Treasurer	A-4	\$ 8,237,858.03	\$ 8,394,424.52
Collector	A-5	828,754.30	436,179.88
Change and Petty Cash Funds		<u>5,775.00</u>	<u>6,075.00</u>
		<u>9,072,387.33</u>	<u>8,836,679.40</u>
Other Receivables:			
Due from State of New Jersey		<u>207.28</u>	<u>4,040.37</u>
		<u>207.28</u>	<u>4,040.37</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-7	1,003,281.36	1,266,835.61
Tax Title Liens Receivable	A-8	1,464.09	1,460.34
Property Acquired for Taxes at Assessed Valuation		<u>262,576.00</u>	<u>262,576.00</u>
		<u>1,267,321.45</u>	<u>1,530,871.95</u>
Deferred Charges:			
Special Emergency Authorization 5 Years (40A:4-55) - Revaluation		-	206,000.00
		<u>-</u>	<u>206,000.00</u>
		<u>10,339,916.06</u>	<u>10,577,591.72</u>
Federal and State Grant Fund:			
Cash	A-4	169,955.08	97,378.28
Grant Receivables	A-11	<u>1,088,760.64</u>	<u>2,255,966.79</u>
		<u>1,258,715.72</u>	<u>2,353,345.07</u>
		<u>\$ 11,598,631.78</u>	<u>\$ 12,930,936.79</u>

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

	<u>Ref.</u>	<u>Balance Dec. 31, 2011</u>	<u>Balance Dec. 31, 2010</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-10	\$ 934,757.86	\$ 587,988.62
Reserve for Encumbrances	A-3	664,212.18	616,624.82
Accounts Payable		26,868.27	26,573.27
Escrow - Blue Water Marina		33,059.76	33,059.76
Prepaid Taxes		1,737,735.17	1,619,608.93
Tax Overpayments		17,139.66	12,852.12
County Added Tax Payable		64,681.90	39,177.78
Special Emergency Note Payable		-	206,000.00
Reserve for Revaluation		2,361.00	2,361.00
Reserve for Revaluation - 2006		86,061.68	108,149.03
Reserve for Tax Maps		15,817.50	15,817.50
Prepaid Beach Fees		42,104.00	37,959.00
Reserve for Tax Appeals		150,000.00	150,000.00
Payroll Taxes Payable		241,948.71	147,774.05
Reserve for Health Insurance Claims		23,238.57	11,437.07
		<u>4,039,986.26</u>	<u>3,615,382.95</u>
Reserve for Receivables and Other Assets		1,267,321.45	1,530,871.95
Fund Balance	A-1	<u>5,032,608.35</u>	<u>5,431,336.82</u>
		<u>10,339,916.06</u>	<u>10,577,591.72</u>
Federal and State Grant Fund:			
Unappropriated Reserves	A-12	32,840.23	47,852.39
Appropriated Reserves	A-13	1,145,841.36	1,146,072.46
Encumbrances Payable		80,034.13	1,159,420.22
		<u>1,258,715.72</u>	<u>2,353,345.07</u>
		<u>\$ 11,598,631.78</u>	<u>\$ 12,930,936.79</u>

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

	<u>Ref.</u>	<u>Year 2011</u>	<u>Year 2010</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$	2,550,000.00	\$ 2,327,075.00
Miscellaneous Revenue Anticipated		18,199,530.98	15,908,389.71
Receipts from Delinquent Taxes		1,241,680.85	1,116,977.15
Receipts from Current Taxes		95,107,229.56	92,990,423.33
Non-Budget Revenue		537,384.60	345,966.19
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		480,268.56	449,262.55
Interfunds Returned		-	75,000.00
Cancellation of Reserve for Tax Appeals		150,000.00	150,000.00
Cancellation of Taxes		2.93	-
Total Income		<u>118,266,097.48</u>	<u>113,363,093.93</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Appropriations Within "CAP"			
Operations:			
Salaries and Wages		27,791,619.00	27,042,979.00
Other Expenses		16,299,561.39	15,569,670.54
Deferred Charges & Statutory Expenditures		5,744,380.39	5,076,415.94
Appropriations Excluded from "CAP"			
Operations:			
Salaries and Wages		205,981.00	198,059.00
Other Expenses		4,748,873.40	6,498,098.69
Capital Improvements		1,020,000.00	906,000.00
Municipal Debt Service		11,224,983.81	7,795,700.11
Deferred Charges & Statutory Expenditures		227,417.39	286,957.15
County Taxes		24,544,778.39	23,968,857.48
County Added and Omitted Taxes		64,681.90	39,177.78
Local District School Tax		24,057,997.00	23,274,539.00
Special Improvement District Taxes		184,552.28	184,713.00
Total Expenditures		<u>116,114,825.95</u>	<u>110,841,167.69</u>

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

	<u>Ref.</u>	<u>Year 2011</u>	<u>Year 2010</u>
Excess In Revenue		\$ 2,151,271.53	\$ 2,521,926.24
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by			
Statute Deferred Charges to Budget of			
Succeeding Year		-	-
		-	-
Statutory Excess to Fund Balance		2,151,271.53	2,521,926.24
Fund Balance January 1	A	<u>5,431,336.82</u>	<u>5,236,485.58</u>
		7,582,608.35	7,758,411.82
Decreased by:			
Utilization as Anticipated Revenue		<u>2,550,000.00</u>	<u>2,327,075.00</u>
Fund Balance December 31	A	<u>\$ 5,032,608.35</u>	<u>\$ 5,431,336.82</u>

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

Ref.	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
	\$ 2,550,000.00	\$	\$ 2,550,000.00	\$ -
	<u>2,550,000.00</u>	<u>-</u>	<u>2,550,000.00</u>	<u>-</u>
Fund Balance Anticipated				
Miscellaneous Revenues:				
Licenses:				
	460,000.00		419,242.08	(40,757.92)
	860,000.00		866,130.40	6,130.40
Fees and Permits				
Fines and Costs:				
	800,000.00		813,967.22	13,967.22
	265,000.00		324,402.56	59,402.56
	2,175,000.00		2,262,558.43	87,558.43
	50,000.00		10,907.40	(39,092.60)
	3,750,000.00		3,761,857.66	11,857.66
	160,000.00		208,089.53	48,089.53
	130,000.00		143,329.89	13,329.89
	33,000.00		30,854.00	(2,146.00)
	875,000.00		901,876.49	26,876.49
	180,000.00		188,437.50	8,437.50
	620,000.00		644,570.83	24,570.83
	2,146,048.00		2,146,048.00	-
	500,000.00		679,508.20	179,508.20
	205,981.00		205,981.00	-

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

	Ref.	Anticipated		Excess or (Deficit)
		Budget	N.J.S. 40A:4-87	
Miscellaneous Revenues (Continued):				
Special Items:				
State and Federal Programs Off-Set by Revenues:				
NJ Transportation Trust Fund		\$ 210,000.00	\$	\$ 210,000.00
Recycling Tonnage Grant		32,042.94		32,042.94
Drunk Driving Enforcement Fund		8,716.82		8,716.82
Community Development Block Grant		28,153.00		28,153.00
Green Communities: Forestry		3,000.00		3,000.00
FEMA - Assistance to Firefighters Grant		112,860.00		112,860.00
NJ Department of State - Cooperative Marketing Grant		9,000.00		9,000.00
Bulletproof Vest Partnership		7,092.63		7,092.63
Ocean City Public Library - Pedestrian Safety Grant		18,000.00		18,000.00
NJ Dept. of Law: NJSP - Emergency Management Assistance		10,000.00		10,000.00
Clean Communities		72,454.01		72,454.01
Other Special Items:				
Reserves for Debt Service, Capital Fund Balance & Arbitrage Reserve		3,272,642.39		3,272,642.39
Interlocal - Ocean City Tourism Development - Staffing Costs		25,000.00		25,000.00
OC Library - Contribution for Community Events		100,000.00		85,089.00
OC Library - Contracted Services		685,000.00		679,719.00
Total Miscellaneous Revenues	A-1	17,712,536.78	109,454.01	18,199,530.98
Receipts from Delinquent Taxes	A-1.A-2	950,000.00	-	1,241,680.85
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes		47,628,391.50		47,544,340.99
Total Amount to be Raised by Taxes for Support of Municipal Budget		47,628,391.50	-	47,544,340.99
Budget Totals		68,840,928.28	109,454.01	69,535,552.82
Non-Budget Revenues		68,840,928.28	109,454.01	537,384.60
		\$ 68,840,928.28	\$ 109,454.01	\$ 70,072,937.42
				\$ 1,122,555.13

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

Analysis of Realized RevenuesAllocation of Current Tax Collections:

Revenues from Collections	\$ 95,257,229.56
Allocated to:	
School, County and Other Taxes	<u>49,047,888.57</u>
Balance for Support of Municipal Budget Appropriations	46,209,340.99
Add: Appropriation	
"Reserve for Uncollected Taxes"	<u>1,485,000.00</u>
Less:	
Reserve for Tax Appeals	150,000.00
Amount for Support of Municipal	
Budget Appropriations	<u>\$ <u>47,544,340.99</u></u>

Receipts from Delinquent Taxes:

Delinquent Tax Collections	\$ 1,241,680.85
Tax Title Lien Collections	<u>-</u>
	<u>\$ 1,241,680.85</u>

Analysis of Non-Budget Revenues:

Miscellaneous Revenue Not Anticipated:	
Storage and Towing Fees	28,685.00
Plans and Specs	10,735.00
Reimbursements from Ocean City Public Library	39,326.67
FEMA Winter Storm Reimbursements	171,350.00
City Clerk	295.50
Tax Collector	12,402.87
200 Foot List	1,640.00
PILOT - United Methodist Homes	51,000.00
PILOT - Housing Authority	34,677.72
Public Defender	8,025.00
Wilhelm Estate	5,875.15
Vending Machines	1,180.00
Trademark Fees	1,987.82
Sidewalk Permits	1,200.00
AT & T Antenna Lease	22,451.61
Bench Donations	1,300.00
Escrow Related	1,651.72
Reimbursement - Upper Township EMS	21,900.00
Restitution	4,343.00
Administrative Fee - Senior Citizens & Vets	3,562.30
Various Refunds & Reimbursements	49,277.33
S/W Reimbursement: Police	34,549.42
S/W Reimbursement: POPS	2,465.44
First Night/Block Party Clean Up	15,279.43
DMV Inspection Fines	8,378.33
Miscellaneous	3,845.29
	<u>\$ <u>537,384.60</u></u>

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

	Appropriations		Paid or Charged	Expended		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS" EXECUTIVE BRANCH:						
Mayors Office	\$ 3,000.00	\$ 3,000.00	\$ 1,626.86	\$	\$ 1,373.14	\$
Other Expenses						
ADMINISTRATION DEPARTMENT:						
City Administrator	198,000.00	198,000.00	195,054.08		2,945.92	
Salaries and Wages	2,000.00	2,000.00	1,071.54	285.00	643.46	
Other Expenses						
Information Technology	285,000.00	285,500.00	285,259.33		240.67	
Salaries and Wages	188,400.00	188,400.00	169,706.13	8,093.16	10,600.71	
Other Expenses						
Purchasing Division	262,000.00	262,000.00	258,908.98		3,091.02	
Salaries and Wages	7,500.00	7,500.00	5,390.42	247.78	1,861.80	
Other Expenses						
Emergency Management	10,000.00	10,000.00	10,000.00		-	
Salaries and Wages	14,500.00	14,500.00	14,484.64		15.36	
Other Expenses						
Human Resources	742,000.00	744,000.00	743,746.00		254.00	
Salaries and Wages	135,900.00	135,900.00	54,446.74	23,171.87	58,281.39	
Other Expenses						
Engineering and Project Management	176,000.00	176,000.00	129,663.77		46,336.23	
Salaries and Wages	17,650.00	17,650.00	7,708.09	109.65	9,832.26	
Other Expenses						
Economic Development & Environmental	20,000.00	20,000.00	19,447.98		552.02	
Salaries and Wages	3,000.00	3,000.00	134.00		2,866.00	
Other Expenses						
COMMUNITY SERVICE DEPARTMENT:						
Director's Office	419,000.00	419,000.00	414,047.41		4,952.59	
Salaries and Wages	1,500.00	1,500.00	814.88		685.12	
Other Expenses						
Public Relations	183,000.00	183,000.00	168,296.50		14,703.50	
Salaries and Wages	133,000.00	133,000.00	131,991.48	478.11	530.41	
Other Expenses						
Recreation Programs	671,000.00	671,000.00	668,311.82		2,688.18	
Salaries and Wages	25,000.00	25,000.00	23,643.61		1,356.39	
Other Expenses						
Recreation Operations	547,000.00	547,000.00	531,540.65		15,459.35	
Salaries and Wages	35,000.00	35,000.00	30,434.94	483.00	4,082.06	
Other Expenses						
Aquatic and Fitness Center	785,000.00	797,000.00	796,711.60		288.40	
Salaries and Wages	92,000.00	92,000.00	65,168.92	2,582.00	24,249.08	
Other Expenses						

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

	Appropriations		Paid or Charged	Expended		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification		Encumbered	Reserved	
Public Assistance	\$ 87,000.00	\$ 88,000.00	\$ 87,394.73	\$	\$ 605.27	\$
Salaries and Wages	2,500.00	2,500.00	2,472.81		27.19	
Other Expenses						
Municipal Code and Licensing						
Salaries and Wages	487,000.00	487,000.00	466,846.77		20,153.23	
Other Expenses	17,650.00	17,650.00	11,115.94	763.47	5,770.59	
LAW DEPARTMENT:						
Legal Division						
Salaries and Wages	147,000.00	147,000.00	146,843.00		157.00	
Other Expenses	152,700.00	152,700.00	124,297.39	16,917.86	11,484.75	
FINANCIAL MANAGEMENT:						
Treasurers Office						
Other Expenses:						
Audit Services	40,000.00	40,000.00	33,935.00		6,065.00	
Miscellaneous Other Expenses	40,000.00	40,000.00	40,000.00		-	
Accounting Division						
Salaries and Wages	438,000.00	438,000.00	406,308.11		31,691.89	
Other Expenses	28,500.00	28,500.00	26,824.66		1,675.34	
Parking Regulation						
Salaries and Wages	195,000.00	195,000.00	185,257.05		9,742.95	
Other Expenses	36,650.00	36,650.00	32,511.85	3,265.68	872.47	
Property Assessment Division						
Salaries and Wages	260,000.00	260,000.00	256,232.36		3,767.64	
Other Expenses	23,800.00	23,800.00	9,979.15	247.95	13,572.90	
Beach Fee Regulation Division						
Salaries and Wages	330,000.00	330,000.00	319,697.01		10,302.99	
Other Expenses	56,600.00	56,600.00	51,397.36		5,202.64	
Tax Collection Division						
Salaries and Wages	276,000.00	276,000.00	272,681.04		3,318.96	
Other Expenses	10,650.00	10,650.00	8,857.83	170.00	1,622.17	
Revenue Collection						
Salaries and Wages	395,000.00	375,000.00	344,787.14		30,212.86	
Other Expenses	154,000.00	154,000.00	128,586.41	7,096.84	18,316.75	
LEGISLATIVE:						
City Clerk						
Salaries and Wages	243,000.00	243,000.00	232,299.56		10,700.44	
Other Expenses	36,900.00	36,900.00	20,915.69	2,882.12	13,102.19	
City Council						
Salaries and Wages	73,600.00	73,600.00	73,243.37		356.63	
Other Expenses	11,600.00	11,600.00	8,964.09	610.00	2,025.91	

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

	Appropriations		Expended		(Overexpended) Unexpended Balance Cancelled	
	Budget	Budget After Modification	Paid or Charged	Encumbered		Reserved
PUBLIC SAFETY:						
Rescue Services Division						
Salaries and Wages	\$ 280,000.00	\$ 280,000.00	\$ 278,385.61	\$ 13,073.25	\$ 1,614.39	
Other Expenses	79,000.00	79,000.00	65,608.51		318.24	
Lifeguards Division						
Salaries and Wages	1,310,000.00	1,240,000.00	1,239,053.02	47.39	946.98	
Other Expenses	64,000.00	64,000.00	57,197.09		6,755.52	
Police Protection Division						
Salaries and Wages	7,293,019.00	7,293,019.00	7,257,143.47	39,586.06	35,875.53	
Other Expenses	335,000.00	345,000.00	293,413.57		12,000.37	
Fire Protection and Prevention						
Salaries and Wages	6,401,000.00	6,491,000.00	6,479,883.24	750.00	11,116.76	
Other Expenses	130,800.00	130,800.00	118,638.43		11,411.57	
PUBLIC WORKS DEPARTMENT:						
Public Works Administration						
Salaries and Wages	568,000.00	568,000.00	493,561.41	606.00	74,438.59	
Other Expenses	23,300.00	23,300.00	18,265.06		4,428.94	
City Wide Operations						
Other Expenses	598,600.00	623,600.00	526,527.17	24,720.78	72,352.05	
Sanitation and Receiving Operations						
Salaries and Wages	905,000.00	905,000.00	888,109.98	177,534.01	16,890.02	
Other Expenses	2,721,200.00	2,696,200.00	2,491,505.14		27,160.85	
Facility Maintenance						
Salaries and Wages	815,000.00	815,000.00	800,753.09	44,637.40	14,246.91	
Other Expenses	225,200.00	225,200.00	177,238.84		3,323.76	
Fleet Maintenance						
Salaries and Wages	363,000.00	371,500.00	335,767.53	105.68	35,732.47	
Other Expenses	102,100.00	102,100.00	98,334.18		3,765.82	
Field Operations & Engineering						
Salaries and Wages	1,200,000.00	1,203,000.00	1,201,342.54	22,851.25	1,657.46	
Other Expenses	57,600.00	57,600.00	55,336.47		2,157.85	
Planning and Zoning Division						
Salaries and Wages	244,000.00	244,000.00	232,828.56		11,171.44	
Other Expenses	84,700.00	84,700.00	22,067.22		39,781.53	
Planning Board						
Other Expenses	22,000.00	22,000.00	19,947.97		2,052.03	
Zoning Board of Adjustment						
Other Expense	12,000.00	12,000.00	4,170.65		7,829.35	
Historical Commission						
Other Expenses	3,000.00	3,000.00	2,195.06	29.00	775.94	
Special Improvement District						
Other Expenses	22,000.00	22,000.00	21,383.39		-	
					616.61	

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

	Appropriations		Expended			(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Expended		
				Encumbered	Reserved	
MUNICIPAL COURT:						
Municipal Court						
Salaries and Wages	\$ 610,000.00	\$ 610,000.00	\$ 599,961.64	\$	\$ 10,038.36	\$
Other Expenses	49,000.00	49,000.00	38,571.59	2,160.26	8,268.15	
Public Defender						
Other Expenses	34,750.00	37,750.00	37,153.75	140.00	456.25	
UNIFORM CONSTRUCTION CODE:						
State Uniform Construction Code						
Construction Official						
Salaries and Wages	566,000.00	546,000.00	521,682.37		24,317.63	
Other Expenses	22,700.00	22,700.00	17,129.93	80.00	5,490.07	
INSURANCE:						
General Liability	449,824.00	449,824.00	449,824.00		-	
Workers Compensation	1,479,764.00	1,479,764.00	1,479,087.25	426.75	250.00	
Employee Group Health	5,986,240.00	5,986,240.00	5,773,996.00	3,834.29	8,409.71	200,000.00
UTILITY EXPENSES AND BULK PURCHASES:						
Electricity	696,000.00	676,000.00	600,234.60	75,765.40	-	
Street Lighting	354,000.00	311,000.00	282,927.44	27,604.16	468.40	
Telephone	258,400.00	258,400.00	233,588.18	24,811.82	-	
Water	840,000.00	840,000.00	773,789.44	66,210.56	-	
Fuel Oil	246,000.00	231,000.00	204,850.79	26,149.21	-	
Gasoline	320,000.00	398,000.00	340,315.58	45,684.42	12,000.00	
TOTAL OPERATIONS WITHIN "CAPS"	44,291,797.00	44,291,797.00	42,550,828.45	664,212.18	876,139.76	200,616.61
Contingent						
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	44,291,797.00	44,291,797.00	42,550,828.45	664,212.18	876,139.76	200,616.61
Detail:						
Salaries and Wages	27,804,619.00	27,791,619.00	27,341,050.72	-	450,568.28	-
Other Expenses	16,487,178.00	16,500,178.00	15,209,777.73	664,212.18	425,571.48	200,616.61

See Accompanying Notes to Financial Statements - Regulatory Basis

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

	Appropriations		Expended		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Encumbered Reserved	
DEFERRED CHARGES:					
None					
STATUTORY EXPENDITURES:					
Contributions to:					
Social Security System (O.A.S.I.)	\$ 1,371,000.00	\$ 1,371,000.00	\$ 1,352,735.05	\$ 18,264.95	\$ 620.61
Consolidated Police and Firemen's Pension	8,800.00	8,800.00	8,179.39	-	-
Police and Firemen's Retirement System	2,941,637.00	2,941,637.00	2,941,637.00	-	-
Public Employee's Retirement System	1,247,564.00	1,247,564.00	1,247,564.00	-	-
Lifeguard Pension Fund	75,000.00	75,000.00	75,000.00	-	-
DCRP	5,000.00	5,000.00	4,890.49	109.51	-
Unemployment Compensation Insurance	96,000.00	96,000.00	89,386.16	6,613.84	-
TOTAL DEFERRED CHARGES AND					
STATUTORY EXPENDITURES WITHIN "CAPS"	<u>5,745,001.00</u>	<u>5,745,001.00</u>	<u>5,719,392.09</u>	<u>24,988.30</u>	<u>620.61</u>
TOTAL GENERAL APPROPRIATIONS FOR					
MUNICIPAL PURPOSES WITHIN "CAPS"	<u>50,036,798.00</u>	<u>50,036,798.00</u>	<u>48,270,220.54</u>	<u>664,212.18</u>	<u>201,237.22</u>
OPERATIONS EXCLUDED FROM "CAPS"					
Employee Group Health	128,760.00	128,760.00	128,760.00	-	-
Maintenance of Free Public Library	4,254,854.00	4,254,854.00	4,254,854.00	-	-
Other Expenses					
TOTAL OTHER OPERATIONS EXCLUDED					
FROM "CAPS"	<u>4,383,614.00</u>	<u>4,383,614.00</u>	<u>4,383,614.00</u>	<u>-</u>	<u>-</u>

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

	Appropriations		Expended		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
	\$	\$	\$	\$	
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS					
Police Protection Division - Dispatching Upper Township	205,981.00	205,981.00	205,981.00	-	-
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES					
Drunk Driving Enforcement Fund	8,716.82	8,716.82	8,716.82	-	-
Municipal Alliance on Alcoholism & Drug Abuse - Local	4,120.20	4,120.20	4,120.20	-	-
NJ Division of Travel and Tourism	9,000.00	9,000.00	9,000.00	-	-
NJ Division of Travel and Tourism - Match	2,250.00	2,250.00	2,250.00	-	-
Community Development Block Grant	28,153.00	28,153.00	28,153.00	-	-
Recycling Tonnage Grant	32,042.94	32,042.94	32,042.94	-	-
Green Communities: Forestry	3,000.00	3,000.00	3,000.00	-	-
OC Library - Police	18,000.00	18,000.00	18,000.00	-	-
Ocean City Free Public Library - Pedestrian Safety Grant	18,000.00	18,000.00	18,000.00	-	-
FEMA - Assistance to Firefighters	112,860.00	112,860.00	112,860.00	-	-
FEMA - Assistance to Firefighters Match	5,940.00	5,940.00	5,940.00	-	-
NJSP Emergency Management	10,000.00	10,000.00	10,000.00	-	-
Clean Communities	72,454.01	72,454.01	72,454.01	-	-
Bulletproof Vest Partnership	7,092.63	7,092.63	7,092.63	-	-
Matching Funds for Grants	33,629.80	33,629.80	33,629.80	-	-
TOTAL PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES	<u>253,555.39</u>	<u>365,259.40</u>	<u>331,629.60</u>	<u>33,629.80</u>	<u>-</u>
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	<u>4,843,150.39</u>	<u>4,954,854.40</u>	<u>4,921,224.60</u>	<u>33,629.80</u>	<u>-</u>
Detail:					
Salaries and Wages	205,981.00	205,981.00	205,981.00	-	-
Other Expenses	4,637,169.39	4,748,873.40	4,715,243.60	-	-
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	810,000.00	810,000.00	810,000.00	-	-
NJ Transportation Trust Fund Authority Act	210,000.00	210,000.00	210,000.00	-	-
TOTAL CAPITAL IMPROVEMENTS	<u>1,020,000.00</u>	<u>1,020,000.00</u>	<u>1,020,000.00</u>	<u>-</u>	<u>-</u>
DEBT SERVICE					
Payment of Bond Principal	5,530,000.00	5,530,000.00	5,530,000.00	-	-
Payment of Bond Anticipation Notes and Capital Notes	3,251,225.00	3,251,225.00	3,251,225.00	-	-
Interest on Bonds	2,080,000.00	2,080,000.00	2,079,570.56	-	429.44
Interest on Notes	307,087.50	307,087.50	307,087.48	-	0.02
Green Trust Loan Program: Loan Repayments for Principal & Interest	58,000.00	58,000.00	57,100.77	-	899.23
TOTAL DEBT SERVICE	<u>11,226,312.50</u>	<u>11,226,312.50</u>	<u>11,224,983.81</u>	<u>-</u>	<u>1,328.69</u>

See Accompanying Notes to Financial Statements - Regulatory Basis

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

	Appropriations		Paid or Charged	Expended		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification		Encumbered	Reserved	
DEFERRED CHARGES EXCLUDED FROM "CAPS"						
Special Emergency Authorization - 5 Years	\$ 206,000.00	\$ 206,000.00	\$ 206,000.00	\$ -	\$ -	\$ -
Various Ordinances Unfunded	21,417.39	21,417.39	21,417.39	-	-	-
TOTAL DEFERRED CHARGES EXCLUDED FROM "CAPS"	<u>227,417.39</u>	<u>227,417.39</u>	<u>227,417.39</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	<u>17,316,880.28</u>	<u>17,428,584.29</u>	<u>17,393,625.80</u>	<u>-</u>	<u>33,629.80</u>	<u>1,328.69</u>
SUBTOTAL GENERAL APPROPRIATIONS	<u>67,353,678.28</u>	<u>67,465,382.29</u>	<u>65,663,846.34</u>	<u>664,212.18</u>	<u>934,757.86</u>	<u>202,565.91</u>
Reserve for Uncollected Taxes	1,485,000.00	1,485,000.00	1,485,000.00	-	-	-
TOTAL GENERAL APPROPRIATIONS	<u>\$ 68,838,678.28</u>	<u>\$ 68,950,382.29</u>	<u>\$ 67,148,846.34</u>	<u>\$ 664,212.18</u>	<u>\$ 934,757.86</u>	<u>\$ 202,565.91</u>
Adopted Budget	\$ 68,840,928.28					
Appropriation by N.J.S.A. 40A:4-87	111,704.01					
Emergency Authorization	-					
Special Emergency Authorization 40A:4-53	-					
	<u>\$ 68,952,632.29</u>					
Reserve for Uncollected Taxes		\$ 1,485,000.00				
Federal and State Grants		541,629.60				
Deferred Charges		206,000.00				
Cash Disbursed		64,916,216.74				
		<u>\$ 67,148,846.34</u>				

See Accompanying Notes to Financial Statements - Regulatory Basis

**EXHIBIT - B
TRUST FUND**

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

	<u>Ref.</u>	<u>Balance Dec. 31, 2011</u>	<u>Balance Dec. 31, 2010</u>
<u>Assets</u>			
<u>Animal Control Fund</u>			
Cash and Investments	B-1	\$ 3,634.62	\$ 21,793.28
		<u>3,634.62</u>	<u>21,793.28</u>
<u>Other Funds</u>			
Cash and Investments	B-2	3,794,510.78	3,508,840.32
		<u>3,794,510.78</u>	<u>3,508,840.32</u>
		<u>\$ 3,798,145.40</u>	<u>\$ 3,530,633.60</u>

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

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2011</u>	<u>Balance Dec. 31, 2010</u>
<u>Animal Control Fund</u>			
Reserve for Animal Control Expenditures	B-3	\$ 3,634.62	\$ 21,793.28
		<u>3,634.62</u>	<u>21,793.28</u>
<u>Other Funds</u>			
Reserve for Tax Premiums		413,283.22	226,891.98
Reserve for Recreation Dedicated Trust		20,120.75	580.81
Reserve for Tourism Development		46,890.27	176,609.46
Reserve for Law Enforcement Trust		19,192.23	24,296.94
Reserve for P.O.A.A.		26,091.80	21,634.05
Reserve for Cash Performance Deposits		351,631.15	293,486.92
Reserve for Dedicated Fire Fees		926.81	926.81
Reserve for Lifeguard Pension		97,539.36	100,063.16
Reserve for Shade Tree		15,578.06	25,113.11
Reserve for COAH		2,697,232.50	2,532,004.57
Reserve for Merchant Fees		6,537.79	3,407.15
Reserve for Planning and Zoning		99,486.84	103,825.36
		<u>3,794,510.78</u>	<u>3,508,840.32</u>
		<u>\$ 3,798,145.40</u>	<u>\$ 3,530,633.60</u>

EXHIBIT - C
GENERAL CAPITAL FUND

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

	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
<u>Assets</u>			
Cash and Investments	C-2,C-3	\$ 3,341,851.86	\$ 10,121,675.86
Due from Cape May County		100,107.00	100,107.00
Deferred Charges to Future Taxation:			
Funded	C-5	52,117,643.10	57,694,979.78
Unfunded	C-6	24,722,825.00	18,846,967.39
		<u>\$ 80,282,426.96</u>	<u>\$ 86,763,730.03</u>
 <u>Liabilities, Reserves and Fund Balance</u>			
Serial Bonds Payable	C-8	\$ 51,665,000.00	\$ 57,195,000.00
Bond Anticipation Notes Payable	C-9	12,170,000.00	9,194,000.00
Green Trust Loan Payable	C-8A	452,643.10	499,979.78
Installment Purchase Note Payable (Note 17)	C-7	4,500,000.00	4,500,000.00
Improvement Authorizations:			
Funded	C-7	790,237.24	1,784,277.54
Unfunded	C-7	5,719,190.79	5,171,846.90
Encumbrances Payable		3,306,056.15	4,584,302.72
Reserve for Arbitrage		-	98,010.27
Reserve for Debt Service		1,465,193.29	3,585,070.95
Reserve for Preliminary Expenses		17,566.00	17,566.00
Capital Improvement Fund	C-4	9,177.53	677.53
Fund Balance	C-1	187,362.86	132,998.34
		<u>\$ 80,282,426.96</u>	<u>\$ 86,763,730.03</u>

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

Balance December 31, 2010	<u>Ref.</u> C		\$	132,998.34
Increased By:				
Premiums on Sale of BANS		\$		54,364.52
				54,364.52
				187,362.86
Decreased By:				
None				-
Balance December 31, 2011	C		\$	187,362.86

EXHIBIT - D
PUBLIC ASSISTANCE FUND

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

	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
<u>Assets</u>			
Cash Trust I	D-1	\$ -	\$ -
Cash Trust II	D-1	-	-
		<u> </u>	<u> </u>
		<u>\$ -</u>	<u>\$ -</u>
 <u>Liabilities and Reserves</u>			
Reserve for Public Assistance		\$ -	\$ -
		<u> </u>	<u> </u>
		<u>\$ -</u>	<u>\$ -</u>

EXHIBIT - E
GENERAL FIXED ASSET ACCOUNT GROUP

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

<u>General Fixed Assets</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2011</u>	<u>Balance Dec. 31, 2010</u>
Land, Buildings and Improvements	\$	159,449,811.34	\$ 159,439,641.34
Vehicles		7,662,537.41	7,719,102.21
Machinery and Equipment		8,112,226.71	8,150,060.47
		<u>\$ 175,224,575.46</u>	<u>\$ 175,308,804.02</u>
 <u>Investment in General Fixed Assets</u>			
Investment in General Fixed Assets	\$	175,224,575.46	\$ 175,308,804.02
		<u>\$ 175,224,575.46</u>	<u>\$ 175,308,804.02</u>

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Description of Financial Reporting Entity

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

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

Component Units

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

Basis of Presentation, Fund Accounting

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

Current Fund

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

Trust Funds

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

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General Capital Funds

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

Budgets and Budgetary Accounting

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

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

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

Cash and Investments

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

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

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

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

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

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

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfunds

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

Inventories of Supplies

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

General Fixed Assets

Property and Equipment purchased by the Current and General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized.

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

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

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

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

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

Foreclosed Property

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

Deferred Charges

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

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Appropriation Reserves

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

Liens Sold for Other Governmental Units

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

Fund Balance

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

Revenues

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

Property Tax Revenues

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

School Taxes

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

<u>Category</u>	<u>Amount</u>
School Tax Payable	\$ -
School Tax Deferred	12,126,938.00
	<u>\$ 12,126,938.00</u>

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

County Taxes

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

Reserve for Uncollected Taxes

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

Expenditures

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

Compensated Absences and Post – Employment Benefits

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

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 2: LONG-TERM DEBT

Summary of Municipal Debt

	<u>Year</u> <u>2011</u>	<u>Year</u> <u>2010</u>	<u>Year</u> <u>2009</u>
Issued:			
General:			
Bonds and Notes	\$ 68,787,643.10	\$ 71,388,979.78	\$ 62,716,030.63
Total Issued	<u>68,787,643.10</u>	<u>71,388,979.78</u>	<u>62,716,030.63</u>
Less:			
Funds Temporarily Held to Pay			
Bonds and Notes:	<u>1,465,193.29</u>	<u>3,585,070.95</u>	<u>1,396,191.75</u>
Net Debt Issued	67,322,449.81	67,803,908.83	61,319,838.88
Authorized But Not Issued:			
General:			
Bonds and Notes	<u>8,052,825.00</u>	<u>5,152,967.39</u>	<u>12,540,457.15</u>
Total Authorized But Not Issued	8,052,825.00	5,152,967.39	12,540,457.15
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 75,375,274.81</u>	<u>\$ 72,956,876.22</u>	<u>\$ 73,860,296.03</u>

Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.59%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 76,840,468.10	\$ 1,465,193.29	\$ 75,375,274.81
School Debt	<u>21,904,000.00</u>	<u>21,904,000.00</u>	<u>-</u>
	<u>\$ 98,744,468.10</u>	<u>\$ 23,369,193.29</u>	<u>\$ 75,375,274.81</u>

Net debt \$75,375,274.81 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$12,681,270,697 = 0.59%.

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

3-1/2% of Equalized Valuation Basis	\$ 443,844,474.40
Net Debt	<u>75,375,274.81</u>
Remaining Borrowing Power	<u>\$ 368,469,199.59</u>

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

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 2: LONG-TERM DEBT (CONTINUED)

Description of Bonds and Loans Payable

At December 31, 2011, bonds payable in the General Capital Fund consisted of the following individual issues:

\$13,800,000.00 General Improvement Bonds dated August 15, 2010, due in annual installments through August 15, 2019, bearing interest at various rates from 2.00% to 4.00% per annum. The balance remaining as of December 31, 2011 is \$12,850,000.00.

\$7,800,000.00 Refunding Bonds, dated November 9, 2010, due in annual installments beginning September 1, 2012 through, 2016, bearing interest at various rates from 1.50 to 4.00% per annum. The balance remaining as of December 31, 2011 is \$7,745,000.00.

\$17,000,000.00 General Improvement Bonds, dated September 1, 2001, due in annual installments beginning July 15, 2004 through, 2011, bearing interest at 4.10% per annum. The balance remaining as of December 31, 2011 is \$0.00. \$7,875,000 of this issue was refunded in 2011 by the \$7,800,000.00 Refunding Issue.

\$9,325,000.00 General Improvement Bonds dated December 15, 2002, due in annual installments through, 2014, bearing interest at various rates from 3.60 to 4.00% per annum. The balance remaining as of December 31, 2011 is \$2,820,000.00.

\$21,000,000.00 General Improvement Bonds, dated January 15, 2006, due in annual installments beginning January 15, 2007 through, 2019, bearing interest at various rates from 3.50 to 4.00% per annum. The balance remaining as of December 31, 2011 is \$14,800,000.00.

\$14,500,000.00 General Improvements Bonds dated July 15, 2008, due in annual installments beginning July 15, 2010 through July 15, 2020, bearing interest at various rates from 4.00 to 5.25% per annum. The balance remaining as of December 31, 2011 is \$13,450,000.00.

\$277,576 Green Trust Loan dated 1994, due in semi-annual installments bearing an interest rate of 2.00%. The balance remaining as of December 31, 2011 is \$78,206.96.

\$200,000 Green Trust Loan dated 2011, due in semi-annual installments bearing an interest rate of 2.00%. The balance remaining as of December 31, 2011 is \$187,218.07.

\$200,000 Green Trust Loan (A) dated 2011, due in semi-annual installments bearing an interest rate of 2.00%. The balance remaining as of December 31, 2011 is \$187,218.07.

Changes in Long-Term Debt

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

	<u>Outstanding</u> <u>12/31/10</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Outstanding</u> <u>12/31/11</u>
General Capital Fund:				
Bonds Payable	\$ 57,195,000.00	\$	\$ 5,530,000.00	\$ 51,665,000.00
Loans Payable	<u>499,979.78</u>	<u></u>	<u>47,336.68</u>	<u>452,643.10</u>
Total All Funds	<u>\$ 57,694,979.78</u>	<u>\$ -</u>	<u>\$ 5,577,336.68</u>	<u>\$ 52,117,643.10</u>

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 2: LONG-TERM DEBT (CONTINUED)

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

Year Ending December 31	Serial Bonds		Green Trust Loans	
	Principal	Interest	Principal	Interest
2012	\$ 5,980,000.00	\$ 1,942,940.00	\$ 48,288.15	\$ 8,812.62
2013	6,465,000.00	1,748,100.00	49,258.74	7,842.02
2014	6,975,000.00	1,504,550.00	34,135.11	6,871.91
2015	6,550,000.00	1,238,800.00	18,546.32	6,326.96
2016	6,895,000.00	976,800.00	18,919.12	5,954.16
2017 - 2021	18,800,000.00	1,563,500.00	100,454.82	23,911.58
2022 - 2026			110,964.62	13,401.78
2027 - 2030			72,076.22	2,543.54
	<u>\$ 51,665,000.00</u>	<u>\$ 8,974,690.00</u>	<u>\$ 452,643.10</u>	<u>\$ 75,664.57</u>

NOTE 3: COMPENSATED ABSENCES

The City has permitted employees to accrue unused vacation, personal and sick time, which may be taken as time off or paid at a later date at an agreed upon rate. The monetary value of these earned and unused employee benefits has not been accrued by either charges to operations or to budgets of prior years, although in some cases they might be material, since the realization of this liability may be affected by conditions which preclude an employee from receiving full payment of the accrual. At December 31, 2011, the City estimates this liability to approximate \$4,793,319.64 based on 2011 pay rates and compensated absence balances.

NOTE 4: DEFERRED COMPENSATION ACCOUNT

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

The Hartford Life Insurance Company
 Nationwide Retirement System (PEBSCO)

NOTE 5: TAXES COLLECTED IN ADVANCE

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

	Balance December 31, 2011	Balance December 31, 2010
Prepaid Taxes - Cash Liability	\$ 1,737,735.17	\$ 1,619,608.93

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 6: RETIREMENT PLANS

Plan Descriptions

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

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

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

Vesting and Benefit Provisions

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

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

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 6: RETIREMENT PLANS (CONTINUED)

Funding Policy

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate. PERS provides for employee contributions of 5.5% of employees' annual compensation, as defined, which was increased to 6.5% in 2011. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. Members contribute at a uniform rate of 8.5% of base salary with an increase to 10% in 2011.

For the Public Employees' Retirement System, the City's contribution was \$1,247,564.00 for 2011 and \$1,037,909.00 for 2010.

Three Year Trend Information for PERS

Funding Year		Annual Pension Cost (APC)	Percentage of APC Contributed		Net Pension Obligation
12/31/11	\$	1,247,564.00	100%	\$	-
12/31/10		1,037,909.00	100%		-
12/31/09		927,178.00	100%		-

For the Police and Firemen's Retirement System, the City's contribution was \$2,941,637.00 for 2011 and \$2,633,413.00 for 2010.

Three Year Trend Information for PFRS

Funding Year		Annual Pension Cost (APC)	Percentage of APC Contributed		Net Pension Obligation
12/31/11	\$	2,941,637.00	100%	\$	-
12/31/10		2,633,413.00	100%		-
12/31/09		2,552,644.00	100%		-

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 7: CASH AND INVESTMENTS

Cash

Operating cash, in the form of checking, savings and money market savings accounts, is held in the City's name by several commercial banking institutions. At December 31, 2011, the carrying amount of the City's deposits was \$16,382,339.67 and the bank balance was \$16,733,652.82. Of the bank balance, \$651,361.86 was insured with Federal Deposit Insurance Corporation.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the City's bank accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the City would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2011, all of the City's deposits were insured by either FDIC or the Governmental Unit Deposit Protection Act (GUDPA), and accordingly, not exposed to custodial credit risk. The City does not have a policy for custodial credit risk other than its requirement to only utilize GUDPA institutions.

Investments

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

NOTE 8: PROPERTY TAXES

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

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

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

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

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 8: PROPERTY TAXES (CONTINUED)

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

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

Comparative Schedule of Tax Rates

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Tax Rate	\$ 0.752	\$ 0.733	\$ 0.706
Apportionment of Tax Rate:			
Municipal	0.372	0.359	0.349
County	0.191	0.188	0.180
Local School	0.189	0.186	0.177

Assessed Valuation

2011	\$ 12,852,929,492
2010	12,852,616,046
2009	12,820,330,392

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2011	\$ 97,104,511	\$ 95,257,230	98.10%
2010	94,558,775	93,140,423	98.50%
2009	90,988,763	89,633,296	98.51%

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 8: PROPERTY TAXES (CONTINUED)

Delinquent Taxes and Tax Title Liens					
Year	Tax Title Liens	Delinquent Taxes	Total Delinquent	Percentage of Tax Levy	
2011	\$ 1,464.09	\$ 1,003,281.36	\$ 1,004,745.45	1.03%	
2010	1,460.34	1,266,835.61	1,268,295.95	1.34%	
2009	1,208.50	1,212,687.00	1,213,895.50	1.33%	

Property Acquired by Tax Title Lien Liquidation

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

Year	Amount
2011	\$ 262,576.00
2010	262,576.00
2009	262,576.00

NOTE 9: ECONOMIC DEPENDENCY

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

NOTE 10: FUND BALANCES APPROPRIATED

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

Year	Balance December 31st	Utilized in Budget of Succeeding Year	Percent Utilized
Current Fund	2011 \$ 5,032,608.35	\$ 2,500,000.00	49.68%
	2010 5,431,336.82	2,550,000.00	46.95%
	2009 5,236,485.58	2,327,075.00	44.44%
	2008 4,803,672.25	2,067,000.00	43.03%
	2007 5,340,221.26	2,390,004.00	44.75%

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 11: RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY

Receivables and payables at December 31, 2011 are as follows:

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

NOTE 12: BUDGETARY DATA

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

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

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

NOTE 13: FEDERAL AND STATE GRANTS

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

NOTE 14: GENERAL FIXED ASSETS

The following schedule is a summarization of the changes in General Fixed Assets for the year ended December 31, 2011:

	<u>Balance as of December 31, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance as of December 31, 2011</u>
Land, Buildings & Improvements	\$ 159,439,641.34	\$ 10,170.00	\$	\$ 159,449,811.34
Vehicles	7,719,102.21	494,495.20	551,060.00	7,662,537.41
Machinery & Equipments	<u>8,150,060.47</u>	<u>81,464.24</u>	<u>119,298.00</u>	<u>8,112,226.71</u>
Total	<u>\$ 175,308,804.02</u>	<u>\$ 586,129.44</u>	<u>\$ 670,358.00</u>	<u>\$ 175,224,575.46</u>

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 15: RISK MANAGEMENT

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

Property and Liability Insurance

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

NOTE 16: LITIGATION

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

NOTE 17: INSTALLMENT PURCHASE NOTE

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

NOTE 18: DEFINED CONTRIBUTION RETIREMENT PROGRAM

Plan Description

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

Vesting and Benefits Provisions

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

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 18: DEFINED CONTRIBUTION RETIREMENT PROGRAM (CONTINUED)

Vesting and Benefits Provisions (Continued)

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

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

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

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

Funding Policy

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

NOTE 19: POST- RETIREMENT BENEFITS

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

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

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the SHBP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

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

2011 - \$5,901,892.05
2010 - \$5,529,300.74
2009 - \$3,827,581.22, beginning April 2011

CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 20: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2011 through July 16, 2012 the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to attention of the City that would require disclosure.

SUPPLEMENTARY INFORMATION

CITY OF OCEAN CITY
CURRENT FUND
SCHEDULE OF CASH - TREASURER

Ref.	Current Fund	Federal and State Grant Fund
Balance December 31, 2010	\$ 8,394,424.52	\$ 97,378.28
Increased By Receipts:		
Collector	\$	
Due from State - Seniors and Veterans	96,992,159.00	
Federal and State Grants Receivable	178,000.00	
Federal and State Grants Unappropriated		1,550,073.16
Miscellaneous Revenue Anticipated	17,307,850.02	32,840.23
Miscellaneous Revenue Not Anticipated	525,226.15	
Matching Funds for Grants		12,310.20
Reserve for Health Insurance Claims	6,201,592.53	
Prepaid Beach Fees	42,104.00	
Payroll Payable	45,699,197.76	
	166,946,129.46	1,595,223.59
	175,340,553.98	1,692,601.87

CITY OF OCEAN CITY
CURRENT FUND
SCHEDULE OF CASH - TREASURER

Ref.	Current Fund	Federal and State Grant Fund
Decreased By Disbursements:		
2011 Appropriations	\$ 64,916,216.74	\$
2010 Appropriation Reserves	724,049.88	
Reserve for Encumbrances		1,159,420.22
County Taxes	24,544,778.39	
County Added and Omitted Taxes	39,177.78	
Local District School Tax	24,057,997.00	
Special Improvement District Levy	184,200.00	
Payroll Payable	45,605,023.10	
Reserve for Revaluation	22,087.35	
Tax Overpayments	56,344.05	
Special Emergency Note	206,000.00	
Federal and State Grant Fund Expenditures		363,226.57
Matching Funds for Grants	12,310.20	
Premiums Transferred to Trust	324,500.00	
Residential Development Fees	219,920.43	
Change Fund	300.00	
Reserve for Health Insurance Claims	6,189,791.03	
	167,102,695.95	1,522,646.79
Balance December 31, 2011	\$ 8,237,858.03	\$ 169,955.08

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

Balance December 31, 2010	<u>Ref.</u> A		\$ 436,179.88
Increased By Receipts:			
Taxes Receivable		\$ 94,643,187.03	
Interest and Cost on Taxes		324,402.56	
Miscellaneous Revenue Not Anticipated		12,158.45	
Residential Development Fees		219,920.43	
Tax Overpayments		122,829.78	
Prepaid Taxes		1,737,735.17	
Tax Premium		<u>324,500.00</u>	
			<u>97,384,733.42</u>
			97,820,913.30
Decreased By Disbursements:			
Payment to Treasurer		<u>96,992,159.00</u>	
			<u>96,992,159.00</u>
Balance December 31, 2011	A		\$ <u><u>828,754.30</u></u>

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

Year	Balance Dec. 31, 2010	2011 Levy	Added Taxes		Collections		Adjustments	Transferred To Tax Title Liens	Balance Dec. 31, 2011
			2010	2011	2010	2011			
Prior	\$ 46,485.56	\$ -	\$ -	\$ 42,626.61	\$ -	\$ -	\$ -	\$ -	\$ 3,858.95
2010	1,220,350.05	-	3,394.00	1,199,054.24	21,758.36	21,758.36	21,758.36	-	2,931.45
	1,266,835.61	-	3,394.00	1,241,680.85	21,758.36	21,758.36	21,758.36	-	6,790.40
2011	96,849,900.86	96,849,900.86	254,610.27	93,637,620.63	850,786.86	850,786.86	850,786.86	3.75	996,490.96
	1,266,835.61	96,849,900.86	258,004.27	94,879,301.48	872,545.22	872,545.22	872,545.22	3.75	1,003,281.36
Ref.	A								A

\$ 94,643,187.03 Cash Receipts
174,166.91 Senior Citizens and Veterans
61,947.54 Overpayments Applied
\$ 94,879,301.48

Analysis of 2011 Property Tax Levy

Tax Yield:
General Property Tax \$ 96,665,348.58
SID Levy 184,552.28
Added Taxes (54:4-63.1 et seq.) 254,610.27
\$ 97,104,511.13

Tax Levy:

Local District School Tax: \$ 24,253,876.00
Levy
Addition to Local District School Tax \$ 24,253,876.00
County Taxes 24,544,778.39
County Taxes Added and Omitted 64,681.90
SID Levy 184,552.28
Local Tax for Municipal Purposes 47,628,391.50
Add: Additional Tax Levied 428,231.06
\$ 97,104,511.13

CITY OF OCEAN CITY
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

Balance December 31, 2010	<u>Ref.</u> A		\$	1,460.34
Increased By Receipts:				
Transfers from Taxes Receivable		\$		3.75
Interest & Costs Added at Tax Sale				3.75
				1,464.09
Decreased By:				
None				-
Balance December 31, 2011	A		\$	1,464.09

CITY OF OCEAN CITY
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2010	Accrued In 2011	Collected	Balance Dec. 31, 2011
<u>Miscellaneous Revenue Anticipated:</u>				
Licenses:				
Other	\$	419,242.08	\$ 419,242.08	-
Fees and Permits		866,130.40	866,130.40	-
Fines and Costs:				
Municipal Court		813,967.22	813,967.22	-
Interest and Costs on Taxes		324,402.56	324,402.56	-
Parking Meters		2,262,558.43	2,262,558.43	-
Interest on Investments and Deposits		10,907.40	10,907.40	-
Beach Fees		3,761,857.66	3,761,857.66	-
Rental or Sale of City Material and Property		208,089.53	208,089.53	-
Airport Fees		143,329.89	143,329.89	-
Boat Ramp Fees		30,854.00	30,854.00	-
Aquatic and Fitness Center User Fees		901,876.49	901,876.49	-
Smoke Detector Inspection Fees		188,437.50	188,437.50	-
Emergency Medical Services		644,570.83	644,570.83	-
Energy Receipts Tax (P.L. 1997, Ch. 162 & 167)		2,146,048.00	2,146,048.00	-
Uniform Construction Code Fees		679,508.20	679,508.20	-
Upper Township - Dispatching Services		205,981.00	205,981.00	-
Reserves for Debt Service, Capital Fund Balance & Arbitrage Reserve		3,272,642.39	3,272,642.39	-
Interlocal - Ocean City Tourism Development - Staffing Costs		25,000.00	25,000.00	-
OC Library - Contribution for Community Events		85,089.00	85,089.00	-
OC Library - Contracted Services		679,719.00	679,719.00	-
<u>Miscellaneous Revenue Not Anticipated:</u>				
Miscellaneous Non-budgeted Revenue		537,384.60	537,384.60	-
TOTALS	\$	18,207,596.18	\$ 18,207,596.18	-
	A		A	A
Ref.				
	\$	A-4	\$ 17,833,076.17	
		A	37,959.00	
		A-5	336,561.01	
			<u>18,207,596.18</u>	

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

	Balance Dec. 31, 2010	Balance After Transfers	Paid or Charged	Balance Lapsed	Overexpended
OPERATIONS - Within "CAPS"					
Salaries and Wages					
City Administrator	\$ 7,108.25	\$ 7,108.25	\$ 1,100.00	\$ 6,008.25	\$
Purchasing Division	2,506.91	2,506.91	1,577.48	929.43	
Personnel and Risk Management	31,617.27	31,617.27	31,617.27	-	
Director's Office - Community Service	7,592.97	7,592.97	5,528.67	2,064.30	
Recreation Programs	262.93	262.93	262.93	-	
Recreation Operations	586.24	586.24	586.24	-	
Aquatic and Fitness Center	7,121.43	7,121.43	7,121.43	-	
Public Assistance	513.26	513.26	513.26	-	
Property Assessment	1,364.62	1,364.62	1,364.62	-	
Tax Collection	3,922.30	3,922.30	3,922.30	-	
Revenue Collection	11,030.89	11,030.89	9,833.75	1,197.14	
City Clerk	3,701.30	3,701.30	1,058.80	2,642.50	
Lifeguards Division	18,707.18	18,707.18	13,339.00	5,368.18	
Police Protection	15,952.50	15,952.50	4,122.09	11,830.41	
Sanitation and Receiving	6,188.89	6,188.89	5,573.29	615.60	
Planning & Engineering Administration	13,277.12	13,277.12	4,950.00	8,327.12	
Planning Division	1,816.61	1,816.61	1,650.00	166.61	
Municipal Court	7,333.07	7,333.07	1,818.30	5,514.77	
Construction Code	2,254.72	2,254.72	2,223.09	31.63	
Other Expenses:					
Mayors Office	2,659.17	2,659.17	276.52	2,382.65	
City Administrator	2,133.83	2,133.83	105.00	2,028.83	
Management of Information Systems	26,794.42	26,794.42	4,105.40	22,689.02	
Purchasing Division	734.22	734.22	464.87	269.35	
Emergency Management	965.38	965.38	600.00	365.38	
Personnel and Risk Management	40,228.16	40,228.16	10,628.19	29,599.97	
Recreation Programs	256.76	256.76	116.17	140.59	
Recreation Operations	1,079.76	1,079.76	825.00	254.76	
Aquatic and Fitness Center	11,169.05	11,169.05	7,609.21	3,559.84	
Legal	8,717.94	8,717.94	8,717.94	-	
Treasurer's Office	1,350.55	1,350.55	39.32	1,311.23	
Beach Fee Regulation	8,876.56	8,876.56	2,988.90	5,887.66	
Tax Collection	748.21	748.21	18.68	729.53	
Revenue Collection	36,310.16	36,310.16	23,609.05	12,701.11	
City Clerk	2,069.21	2,069.21	2,069.21	-	
City Council	5,580.87	5,580.87	1,829.66	3,751.21	
Rescue Services	18,102.85	18,102.85	13,843.11	4,259.74	
Lifeguards	4,126.17	4,126.17	4,120.00	6.17	
Police Protection	18,212.01	18,212.01	4,640.91	13,571.10	
Fire Protection	11,594.02	11,594.02	8,043.30	3,550.72	
Public Works Administration	5,502.26	5,502.26	3,098.41	2,403.85	
Public Works - City Wide Operations	82,404.15	82,404.15	45,815.26	36,588.89	
Sanitation and Receiving	250,364.12	250,364.12	231,320.93	19,043.19	
Facility Maintenance	2,048.72	2,048.72	1,623.31	425.41	
Fleet Maintenance	5,008.79	5,008.79	3,506.11	1,502.68	
Planning & Engineering Administration	5,758.27	5,758.27	3,750.28	2,007.99	
Planning Division	6,637.63	6,637.63	1,667.50	4,970.13	
Planning Board	11,200.07	11,200.07	792.76	10,407.31	
Zoning Board	8,908.19	8,908.19	375.44	8,532.75	
Historical Commission	433.84	433.84	47.26	386.58	
Public Defender	2,627.50	2,627.50	2,627.50	-	
Municipal Court	12,727.36	12,727.36	785.38	11,941.98	
Construction Code	2,026.29	2,026.29	1,310.32	715.97	

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

	Balance Dec. 31, 2010	Balance After Transfers	Paid or Charged	Balance Lapsed	Overexpended
<u>UTILITY AND BULK PURCHASES:</u>					
Electricity	\$ 50,651.08	\$ 55,651.08	\$ 54,956.45	\$ 694.63	\$
Street Lighting	42,095.28	42,095.28	29,732.48	12,362.80	
Telephone	27,796.47	27,796.47	27,796.47	-	
Water	61,135.27	61,135.27	58,020.69	3,114.58	
Fuel Oil	14,156.41	40,656.41	40,622.63	33.78	
Gasoline	22,417.89	22,417.89	18,785.32	3,632.57	
<u>STATUTORY EXPENDITURES:</u>					
DCRP	1,005.11	1,005.11	824.38	180.73	
<u>OPERATIONS - Outside "CAPS"</u>					
Employee Group Health	129,389.44	129,389.44	4,073.04	125,316.40	
Other Accounts - No Paid/Charged Activity	115,751.54	84,251.54	-	84,251.54	
TOTALS	\$ <u>1,204,613.44</u>	\$ <u>1,204,613.44</u>	\$ <u>724,344.88</u>	\$ <u>480,268.56</u>	<u>-</u>
Ref.	A		A-4		A-1
Appropriation Reserves	\$ 587,988.62		\$ 295.00		
Encumbrances Payable	<u>616,624.82</u>		<u>724,049.88</u>		
	<u>\$ 1,204,613.44</u>		<u>\$ 724,344.88</u>		

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

<u>Purpose</u>	Balance Dec. 31, 2010	Anticipated Revenues	Received	Cancelled	Balance Dec. 31, 2011
State:					
Beach Acquisition Grant	\$ 94,975.50	\$	\$	\$	\$ 94,975.50
Clean Communities	-	72,454.01	72,454.01		-
Hang Up Just Drive Cell Phone Grant	400.00				400.00
Pedestrian Safety Grant	3,850.00				3,850.00
Shared Services - Regional Dispatch	1,866.00				1,866.00
Speed Management Program	8,164.79				8,164.79
Over the Limit Under Arrest	2,200.00		2,200.00		-
Transportation Trust Fund					
Year 2011 - Simpson Avenue		210,000.00			210,000.00
Year 2010 Grant	71,500.00		71,500.00		-
Year 2009 Grant - Asbury Ave 5th-North	40,000.00		32,601.31		7,398.69
NJ DOT - Airport Security Cameras	150,000.00		10,150.00		139,850.00
NJ - DOT - Airport Fuel System	213,275.00		17,538.17		195,736.83
Digiwix/Awos	48.30				48.30
Aggressive Driving Program	15,180.04				15,180.04
NJ Council of the Arts - POPS	17,250.00		2,250.00		15,000.00
NJ Forest Service Grant	4,895.00	3,000.00	4,461.00		3,434.00
Neighborhood Preservation Program	237,391.06		237,391.06		-
I Boat Grant	221,263.56				221,263.56
Cooperative Marking Grant	1,650.00	9,000.00	8,850.00		1,800.00
NJ State Police - Emergency Management	-	10,000.00	10,000.00		-
Federal:					
Federal Aviation Administration:					
Snow Removal Building	\$ 6,270.96	\$	\$	\$	\$ 6,270.96
Snow Removal Building - 2007	4,085.60				4,085.60
Fuel Farm Expansion	6,271.30				6,271.30
Airport Seal Coat & Marking	35,491.02		6,830.61		28,660.41
Airport Drainage - Phase II	25,292.00		18,483.00		6,809.00
Airport Layout	97,412.00		59,952.00		37,460.00
Runway Signage & Lighting	2,576.00		997.00		1,579.00
Airport Drainage	101,061.00		99,784.00		1,277.00
Artificial Turf Design	41,323.00		32,188.00		9,135.00
Taxiway Signage & Lighting - Phase II	706,372.00		648,583.00		57,789.00
Federal Road Aid Project	98,600.00			98,600.00	-
FEMA:					
Flood Mitigation	4,256.66				4,256.66
Pavement & Evaluation Study	1,199.00				1,199.00
Assistance to Firefighters 2011		112,860.00	112,860.00		-
US DOJ - Bulletproof Vest Partnership	-				-
CDBG	36,847.00	28,153.00	65,000.00		-
Other:					
Ocean City Free Public Library - Police Grant		36,000.00	36,000.00		-
NJLM Educational Foundation, Inc	5,000.00				5,000.00
TOTALS	\$ 2,255,966.79	\$ 481,467.01	\$ 1,550,073.16	\$ 98,600.00	\$ 1,088,760.64
Ref.	A				A

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

<u>Purpose</u>	<u>Balance</u> Dec. 31, 2010	<u>Received</u>	<u>Anticipated</u> <u>Revenues</u>	<u>Balance</u> Dec. 31, 2011
State:				
Drunk Driving Enforcement Fund	\$ 8,716.82	\$	8,716.82	\$ -
Body Armor Fund	7,092.63	5,527.24	7,092.63	5,527.24
Recycling Tonnage Grant	32,042.94	26,312.99	32,042.94	26,312.99
Over the Limit Under Arrest		1,000.00		1,000.00
Federal:				
None				
TOTALS	<u>\$ 47,852.39</u>	<u>\$ 32,840.23</u>	<u>\$ 47,852.39</u>	<u>\$ 32,840.23</u>
Ref.	A			A

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

<u>Purpose</u>	Balance	Budget	Expended	Cancelled	Balance
	Dec. 31, 2010	Appropriations			Dec. 31, 2011
State:					
Department of Transportation	\$	\$	\$		\$
Airport Safety	51.00				51.00
NJTTF - Asbury Ave. 5th Street-North 2009	166.75				166.75
NJTTF - Bike Path: Haven Ave. 2009	5,797.42		(176.97)		5,974.39
Municipal Alliance	10,815.97	4,120.20	4,120.20		10,815.97
Clean Communities	55,194.13	72,454.01	78,074.58		49,573.56
Beach Acquisition Grant	78,326.00				78,326.00
NJ Council on the Arts - Ocean City POPS	15,000.00				15,000.00
Shared Services - Regional Dispatch	1,866.00				1,866.00
NJ Share Grant	418.22				418.22
Just Hang Up and Drive Cell Phone Grant	400.00				400.00
Aggressive Driving Program	15,024.47		284.00		14,740.47
Drunk Driving Enforcement	11,075.45	8,716.82	10,379.32		9,412.95
Shade Tree Grant	8,020.11		1,040.00		6,980.11
Recycling Tonnage Grant	13,119.84	32,042.94	14,899.29		30,263.49
NJ Forest Service Grant	434.00	3,000.00			3,434.00
Speed Management Program	5,594.91				5,594.91
Over the Limit Under Arrest	2,200.00				2,200.00
Alcohol Education and Rehabilitation	90.91				90.91
DEP - Statewide Liveable Communities	514.99				514.99
Cool Cities Community	4,720.00				4,720.00
DMV Inspection Fines	4,424.17				4,424.17
Neighborhood Preservation	22,433.49		22,433.49		-
I Boat	118,593.69				118,593.69
Pedestrian Safety Grant	3,782.83				3,782.83
NJ DOT - Airport Security Cameras	138,350.00		124,939.85		13,410.15
NJ DOT - Airport Fuel System	205,520.00		2,954.55		202,565.45
NJ DOT - Simpson Avenue		210,000.00			210,000.00
Cooperative Marking Grant		11,250.00	4,192.20		8,069.56
NJ State Police - EMS	1,011.76	10,000.00	8,695.71		1,304.29

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

Purpose	Balance	Budget	Expended	Cancelled	Balance
	Dec. 31, 2010	Appropriations			Dec. 31, 2011
Federal:					
FAA Drainage	\$ 2,275.96	\$	\$		\$ 2,275.96
FAA Block Grant	1,247.00				1,247.00
US Department of Transportation					
FAA - Snow Removal Building	6,600.01				6,600.01
FAA - Snow Removal Building - 2007	15,871.65				15,871.65
FAA -Fuel Farm Expansion	6,599.97				6,599.97
FAA - Airport Seal Coat & Marking	18,500.00		(16,168.85)		34,668.85
FAA - Airport Drainage - Phase II	6,174.64		(7,746.94)		13,921.58
FAA - Airport Layout	4,750.00				4,750.00
FAA - Artificial Turf Design	8,585.00		(37.50)		8,622.50
FAA Runway, Taxiway & Signage & Lighting - Phase II	71,305.85		64,305.85		7,000.00
FEMA	7,467.00				7,467.00
FEMA - Flood Mitigation	7,237.32				7,237.32
FEMA - Fire Equipment	344.79				344.79
FEMA - Fire & Safety Equipment	1,117.00	118,800.00			1,117.00
FEMA - Assistance to Firefighters 2011			118,800.00	98,600.00	-
Federal Aid Road Project	98,600.00				-
US DOJ - JAG Edward Byrne Memorial	6,412.79		700.00		5,712.79
US DOJ - Bulletproof Vest Partnership	8,993.89	7,092.63	9,360.00		6,726.52
Community Development Block Grant	138,405.73	28,153.00	(18,553.30)		185,112.03
CDBG - American Recovery Act	2,637.75		829.43		1,808.32
Other:					
Ocean City Free Public Library - Police Grant		36,000.00			18,164.21
NJLJM Educational Foundation, Inc	10,000.00		2,100.00		7,900.00
TOTALS	\$ 1,146,072.46	\$ 541,629.60	\$ 443,260.70	\$ 98,600.00	\$ 1,145,841.36
Ref.	A		A-4		A

Cash Disbursed	\$ 363,226.57
Encumbrances Payable	80,034.13
	<u>\$ 443,260.70</u>

CITY OF OCEAN CITY
TRUST FUND
SCHEDULE OF ANIMAL CONTROL CASH

Balance December 31, 2010	<u>Ref.</u> B		\$ 21,793.28
Increased By Receipts:			
Dog Licenses Fees		\$ 15,959.79	
State License Fees		796.20	
		<hr/>	<hr/>
			16,755.99
			38,549.27
Decreased By Disbursements:			
State of New Jersey		796.20	
Animal Control Expenditures		34,118.45	
		<hr/>	<hr/>
			34,914.65
Balance December 31, 2011	B		\$ <u><u>3,634.62</u></u>

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

	<u>Ref.</u>		
	B		
Balance December 31, 2010			\$ 3,508,840.32
Increased By Receipts:			
Reserve for Tax Premiums & Liens	\$	1,196,785.34	
Recreation Dedicated Trust		755,462.53	
P.O.A.A. Fees		4,418.00	
P.O.A.A. Interest		39.75	
Cash Performance Deposits		178,377.17	
Lifeguard Pension Contributions		125,602.05	
Shade Tree Commission		5,301.19	
Planning and Zoning		161,896.18	
Special Law Enforcement Trust		7,785.00	
Reserve for COAH		219,920.43	
Reserve for Merchant Fees		89,470.00	
Ocean City Tourism Development Commission		757,577.87	
			3,502,635.51
			7,011,475.83
Decreased By Disbursements:			
Reserve for Tax Premiums & Liens		1,010,394.10	
Recreation Dedicated Trust		735,922.59	
Cash Performance Deposits		120,232.94	
Lifeguard Pension		128,125.85	
Shade Tree Commission		14,836.24	
Planning and Zoning		166,234.70	
Special Law Enforcement Trust		12,889.71	
Merchant Fees		86,339.36	
Reserve for COAH		54,692.50	
Ocean City Tourism Development Commission		887,297.06	
			3,216,965.05
Balance December 31, 2011	B		\$ 3,794,510.78

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

Balance December 31, 2010	<u>Ref.</u> B		\$	21,793.28
Increased By:				
Dog Licenses Fees Collected		\$		2,321.50
Miscellaneous Fees Collected				13,638.29
				15,959.79
				37,753.07
Decreased By:				
Animal Control Expenditures				34,118.45
				34,118.45
Balance December 31, 2011	B		\$	3,634.62

License Fees Collected

<u>Year</u>	\$	
2009	\$	24,743.50
2010		17,367.50
	\$	42,111.00

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

Balance December 31, 2010	<u>Ref.</u> C	\$ 10,121,675.86
Increased By Receipts:		
Budget Appropriation:		
Capital Improvement Fund	\$ 810,000.00	
Deferred Charges Unfunded	87,417.39	
Paydown on Bond Anticipation Notes	3,185,225.00	
Reserve for Debt Service	1,465,193.29	
Premiums on Sale of BANS	54,364.52	
Bond Anticipation Notes Issued	<u>12,170,000.00</u>	
		<u>17,772,200.20</u>
		27,893,876.06
Decreased By Disbursements:		
Improvement Authorizations	7,090,640.26	
Encumbrances Payable	4,584,302.72	
Arbitrage Interest Transferred to Current	98,010.27	
Payment of Notes	9,194,000.00	
Anticipated as Current Fund Revenue:		
Reserve for Debt Service	<u>3,585,070.95</u>	
		<u>24,552,024.20</u>
Balance December 31, 2011	C	<u>\$ 3,341,851.86</u>

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

Fund Balance	Receipts		Disbursements			Transfers		Balance Dec. 31, 2011
	Dec. 31, 2010	BANS Issued	Misc.	Improvement Authorizations	Misc.	From	To	
\$ 132,998.34	\$ 54,364.52	\$ 810,000.00	\$ 98,010.27	\$ 3,585,070.95	\$ 4,584,302.72	\$ 801,500.00	\$ 187,362.86	9,177.53
677.53	810,000.00		98,010.27	3,585,070.95	4,584,302.72		1,465,193.29	-
3,585,070.95	1,465,193.29						3,306,056.15	1,465,193.29
4,584,302.72								3,306,056.15
(100,107.00)								(100,107.00)
17,566.00								17,566.00
Improvement Authorizations								
Ord. Number								
92-9	Beach Area Acquisition	5,209.10						5,209.10
01-03: 03-29	Various Capital Improvements	21,567.35						21,567.35
04-16	Various Capital Improvements	14,076.71	(3,423.29)			17,500.00		-
04-23	Various Capital Improvements	556.24	556.24					-
05-25	Various Capital Improvements	10,657.55						-
06-32	Various Capital Improvements	77,414.46	68,006.37			1,010.00		8,398.09
07-04	Various Capital Improvements	5,829.28	(39,507.85)			40,969.73		4,367.40
07-36	Various Capital Improvements	117,212.62	6,837.62			375.00		110,000.00
07-52	Various Capital Improvements	83,344.54	(22,527.66)			26,200.62		79,671.58
08-03	Community Center Improvements	838,109.20	859,695.94	5,294,000.00		52,192.27		638.38
08-06	Various Capital Improvements	459.97	(840.13)			1,300.10		-
08-16	Various Capital Improvements	115,296.58	65,269.69			33,869.17		16,157.72
08-18	Parks & Open Space	11,183.00	(960.00)			960.00		11,183.00
08-24	Various Capital Improvements	94,740.00	24,926.86			43,957.46		25,855.68
09-03	Various Capital Improvements	499.00	(38,762.31)			38,398.60		862.71
09-12	Acquisition of Real Property	6,000.00	1,016.26	2,361,225.00		71,014.46		4,983.74
09-32	Various Capital Improvements	293,059.60	84,452.70			150,592.44		150,592.44
10-07	Various Capital Improvements	(356,773.90)	(112,538.23)	628,200.00		117,642.50		49,346.83
10-13	Acquisition of Property	40,355.07	14,776.41	910,575.00		15,246.25		10,332.41
10-15	Various Capital Improvements	49,287.17	(11,511.52)			880.43		59,918.26
10-16:11-26	Various Capital Improvements	785,134.37	1,827,298.94	184,664.43		217,650.00		(226,829.00)
10-27	Various Capital Improvements	(508,810.86)	130,630.40			25,439.04		(64,880.30)
10-29	Various Capital Improvements	98,750.00	884,967.47	846,452.87		1,778,911.22		(632,670.34)
11-06	Various Capital Improvements	-	955,678.05			9,072.00		158,999.46
11-07	Various Capital Improvements	-	151,928.54					113,750.00
11-15	Land Acquisition	-	2,221,366.66					42,383.34
11-25	Various Capital Improvements	-	12,645.55					137,454.45
		\$ 10,121,675.86	\$ 12,170,000.00	\$ 5,602,200.20	\$ 17,461,383.94	\$ 4,107,556.15	\$ 4,107,556.15	\$ 3,341,851.86
								C

Ref.

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

Balance December 31, 2010	<u>Ref.</u> C	\$	677.53
Increased By:			
Current Fund Budget Appropriation		\$	810,000.00
			<u>810,000.00</u>
			810,677.53
Decreased By:			
Improvement Authorizations Funded			<u>801,500.00</u>
			801,500.00
Balance December 31, 2011	C	\$	<u><u>9,177.53</u></u>

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance December 31, 2010	<u>Ref.</u> C	\$	57,694,979.78
Increased By:			
None		\$	-
			<u>-</u>
			57,694,979.78
Decreased By:			
Serial Bonds Paid			5,530,000.00
Green Trust Loan Principal Paid			<u>47,336.68</u>
			5,577,336.68
Balance December 31, 2011	C	\$	<u><u>52,117,643.10</u></u>

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

<u>Improvement Description</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2011</u>				<u>Balance Dec. 31, 2010</u>	<u>Interest Rate</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2011</u>
			<u>Date</u>	<u>Amount</u>	<u>Balance Dec. 31, 2010</u>	<u>Interest Rate</u>					
General Improvements	9/1/2001	\$ 17,000,000	7/15/2011	\$	1,375,000.00	\$	3.700%	\$	1,375,000.00	\$	-
General Improvements	12/15/2002	9,325,000	12/15/2012	920,000	3,720,000.00	3.700%		900,000.00	2,820,000.00		
			12/15/2013	950,000	3.800%						
			12/15/2014	950,000	4.000%						
General Improvements	1/15/2006	21,000,000	1/15/2012	1,600,000	16,400,000.00	3.50%		1,600,000.00	14,800,000.00		
			1/15/2013	1,600,000	3.75%						
			1/15/2014	1,800,000	4.00%						
			1/15/2015	1,900,000	4.00%						
			1/15/2016	1,900,000	4.00%						
			1/15/2017	2,000,000	4.00%						
			1/15/2018	2,000,000	4.00%						
			1/15/2019	2,000,000	4.00%						

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

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2011				Balance Dec. 31, 2010	Balance Dec. 31, 2011
			Date	Amount	Interest Rate	Increased		
General Improvements	7/15/2008	\$ 14,500,000	7/15/2012	\$ 950,000	4.000%	\$ 14,100,000.00	\$ 13,450,000.00	
			7/15/2013	1,200,000	4.000%			
			7/15/2014	1,300,000	4.000%			
			7/15/2015	1,400,000	4.000%			
			7/15/2016	1,500,000	4.250%			
			7/15/2017	1,600,000	5.000%			
			7/15/2018	1,700,000	5.250%			
			7/15/2019	1,800,000	4.000%			
			7/15/2020	2,000,000	4.125%			
							\$ 650,000.00	
General Improvements	8/15/2010	13,800,000	8/15/2012	1,050,000	2.000%	13,800,000.00	12,850,000.00	
			8/15/2013	1,200,000	4.000%			
			8/15/2014	1,400,000	4.000%			
			8/15/2015	1,650,000	4.000%			
			8/15/2016	1,850,000	3.000%			
			8/15/2017	1,900,000	3.000%			
			8/15/2018	1,900,000	3.000%			
			8/15/2019	1,900,000	4.000%			
							950,000.00	
Refunding Bonds	11/9/2010	7,800,000	9/1/2012	1,460,000	3.000%	7,800,000.00	7,745,000.00	
			9/1/2013	1,515,000	3.000%			
			9/1/2014	1,525,000	3.000%			
			9/1/2015	1,600,000	4.000%			
			9/1/2016	1,645,000	4.000%			
							55,000.00	
Ref. \$						57,195,000.00	\$ 51,665,000.00	
						-	\$ 5,530,000.00	
							\$ 5,530,000.00	
							\$ 51,665,000.00	

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

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Loans				Balance Dec. 31, 2010	Interest Rate	Balance Dec. 31, 2011
			Date	Outstanding December 31, 2011 Amount	Increased	Decreased			
Beach Area Acquisition	1994	\$ 277,576	2012	\$ 30,816.67					
			2013	31,436.08					
			2014	15,954.21					
Multi Park - ADA 0508-07-056	3/19/2010	200,000	2012	8,735.74			108,416.42		
			2013	8,911.33					
			2014	9,090.45					
			2015	9,273.16					
			2016	9,459.56					
			2017	9,649.69					
			2018	9,843.65					
			2019	10,041.50					
			2020	10,243.34					
			2021	10,449.23					
			2022	10,659.26					
			2023	10,873.51					
			2024	11,092.07					
			2025	11,315.02					
			2026	11,542.45					
			2027	11,774.46					
2028	12,011.11								
2029	12,252.54								
						\$ 30,209.46		\$ 78,206.96	
								187,218.07	

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

Ord. Number	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance		Increased	Decreased	Balance Dec. 31, 2011	
						Dec. 31, 2010	Dec. 31, 2011				
08-03	Community Center Improvements	3/11/2010	3/11/2010	3/11/2011	1.250%	\$ 5,294,000.00	\$	4,370,000.00	5,294,000.00	\$ 4,370,000.00	
08-03	Community Center Improvements	3/11/2010	3/10/2011	3/9/2012	1.250%						
09-12	Acquisition of Real Property	6/25/2010	6/25/2010	6/24/2011	1.500%	2,361,225.00		100,000.00	2,361,225.00	-	
09-12	Acquisition of Real Property	6/25/2010	6/23/2011	6/22/2012	1.250%					100,000.00	
10-07	Various Capital Improvements	6/25/2010	6/25/2010	6/24/2011	1.500%	628,200.00		1,039,425.00	628,200.00	-	
10-07	Various Capital Improvements	6/25/2010	6/23/2011	6/22/2012	1.250%					1,039,425.00	
10-13	Acquisition of Property	6/25/2010	6/25/2010	6/24/2011	1.500%	910,575.00		910,575.00	910,575.00	-	
10-13	Acquisition of Property	6/25/2010	6/23/2011	6/22/2012	1.250%					910,575.00	
10-16	Various Capital Improvements	6/23/2011	6/23/2011	6/22/2012	1.250%	-		1,000,000.00		1,000,000.00	
10-27	Various Capital Improvements	6/23/2011	6/23/2011	6/22/2012	1.250%	-		600,000.00		600,000.00	
10-29	Various Capital Improvements	6/23/2011	6/23/2011	6/22/2012	1.250%	-		1,000,000.00		1,000,000.00	
11-06	Various Capital Improvements	6/23/2011	6/23/2011	6/22/2012	1.250%	-		1,000,000.00		1,000,000.00	
11-15	Land Acquisition	6/23/2011	6/23/2011	6/22/2012	1.250%	-		2,150,000.00		2,150,000.00	
						\$	9,194,000.00	\$	12,170,000.00	\$	9,194,000.00
						Ref.	C			C	C

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

Ord. Number	Improvement Description	Balance Dec. 31, 2010	2011 Authorizations	Bonds, Notes or Grants Issued	Funded by Budget Appropriation	Balance Dec. 31, 2011
08-03	Community Center Improvements	\$ 74,417.39	\$ -		74,417.39	-
09-32	Various Capital Improvements	13,000.00			13,000.00	-
10-07	Various Capital Improvements	706,550.00		411,225.00		295,325.00
10-16;11-26	Various Capital Improvements	1,437,750.00		1,000,000.00		437,750.00
10-27	Various Capital Improvements	1,045,000.00		600,000.00		445,000.00
10-29	Various Capital Improvements	1,876,250.00		1,000,000.00		876,250.00
11-06	Various Capital Improvements	-	4,135,350.00	1,000,000.00		3,135,350.00
11-15	Land Acquisition	-	2,161,250.00	2,150,000.00		11,250.00
11-25	Various Capital Improvements	-	2,851,900.00			2,851,900.00
		<u>\$ 5,152,967.39</u>	<u>\$ 9,148,500.00</u>	<u>\$ 6,161,225.00</u>	<u>\$ 87,417.39</u>	<u>\$ 8,052,825.00</u>
		C				C

Ref.

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

	Ref.	Trust Fund I	Trust Fund II
Balance December 31, 2010	D	\$ -	\$ -
Increased By Receipts:			
State Aid for Public Assistance		\$ 473,292.29	
Other Receipts		104,138.46	577,430.75
		-	577,430.75
Decreased By Disbursements:			
Public Assistance		577,430.75	
SSI Payments		-	577,430.75
Balance December 31, 2011	D	\$ -	\$ -

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

	Ref.	Trust Fund I	Trust Fund II
Balance December 31, 2011	D-1	\$ -	\$ -
Increased By Receipts:			
Cash Receipts Record		\$ 245,897.22	245,897.22
		-	245,897.22
		-	245,897.22
Decreased By Disbursements:			
Cash Disbursement Record		245,897.22	245,897.22
Balance May 31, 2012	D-2	\$ -	\$ -
Reconciliation May 31, 2012			
Balance on Deposit per Statement:		-	-
Book Balance		\$ -	\$ -

CITY OF OCEAN CITY
PUBLIC ASSISTANCE FUND
SCHEDULE OF REVENUES

	<u>Ref.</u>	<u>Trust Fund I</u>	<u>Trust Fund II</u>
State Aid Payments		\$	\$ 473,292.29
Supplemental Security Income: Client Refund			104,138.46
		<hr/>	<hr/>
Total Revenues (PATF)		-	577,430.75
Due to Current Fund			-
		<hr/>	<hr/>
Total Receipts (PATF)		\$ -	\$ 577,430.75

SCHEDULE OF EXPENDITURES

	<u>Ref.</u>	<u>Trust Fund I</u>	<u>Trust Fund II</u>
Current Year Assistance (State Matching):			
Maintenance Payments		\$	\$ 202,162.74
Transportation			1,998.32
Temporary Rent			329,456.00
Rent			30,344.00
Other			13,469.69
Total Reported		<hr/>	<hr/>
		-	577,430.75
Due to Current Fund			
		<hr/>	<hr/>
Total Disbursements (PATF)		\$ -	\$ 577,430.75

**CITY OF OCEAN CITY
PART II
GENERAL COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED
DECEMBER 31, 2011**

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

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

We have audited the financial statements – regulatory basis of the City of Ocean City, State of New Jersey (the “City”), as of and for the year ended December 31, 2011, and have issued our report thereon dated July 16, 2012. Our report disclosed that, as described in Note 1 to the financial statements, the City prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”), that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements prescribed by the Division.

Internal Control Over Financial Reporting

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

A 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 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.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Ocean City in a separate letter dated July 16, 2012.

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

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

Leon P. Costello

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

July 16, 2012

CITY OF OCEAN CITY

GENERAL COMMENTS

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

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

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

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

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

- Fireworks Shows
- Rehabilitation of Runway
- Supply and Installation of OC Municipal Airport Fuel Farm with Self Service
- Printing Services
- Sand Hauling
- Towing and Lockout Services
- Aquatic and Fitness Center Roof and HVAC Replacement
- Bicycle Route Traffic Marking City Wide
- Emergency Medical Billing Services
- Supply and Delivery of Trash Can Liners
- Supply and Delivery of Janitorial Paper Products
- Supply and Delivery of Lumber and Pilings
- Supply and Delivery of Nails and Bolts
- Supply and Delivery of Sand Fence and Posts and Post and Rail Fence Materials
- Reconstruction of Street End Bulkheads at 4th Street, 6th Street and 15th Street
- Supply and Delivery of Fire and Police Department Uniforms
- Post-Event Disaster Recovery Assistance
- Boardwalk Repairs 5th to 12th Streets
- Supply and Delivery of 100 Low Lead Level Aviation Fuel
- Fall Road Program Phase II
- Fall Road Program Phase IV
- Printing Services for the City and OC Board of Education
- Furnishing and Installation and Maintenance of Leased Coin Operated Binocular Viewing Machines
- Maintenance of City Owned Grounds and Garden Plots
- Lease of City Owned Beach Parcels
- Concession Licenses for the Sale of Food, Ice Cream and Beverage Related Products at City Owned Street Ends
- Acquisition of One Model Year 2011 or Newer, Single Axle Dump Truck
- Fall Road Program Phase III
- Supply and Delivery of Various Street Signs, Traffic Paint, and Accessories

CITY OF OCEAN CITY

GENERAL COMMENTS (CONTINUED)

Collection of Interest on Delinquent Taxes and Assessments

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

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

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

BE IT FURTHER RESOLVED by the City Council of the City of Ocean City, in accordance with N.J.S.A. 54:4-67, Chapter 75, New Jersey Laws of 1991, and Chapter 32, New Jersey Laws of 1994, which permits a 6 per cent penalty on taxes and municipal charges greater than \$10,000 as of the close of the fiscal year, that said end-of-year penalty shall be fixed for the Year 2011.

This Resolution shall take effect January 1, 2011.

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

Delinquent Taxes and Tax Title Liens

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

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

<u>Year</u>	<u>Number</u>
2011	5
2010	6
2009	5

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

CITY OF OCEAN CITY

GENERAL COMMENTS (CONTINUED)

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payments of 2011 and 2012 Taxes	25
Delinquent Taxes	25
Total	<u>50</u>

Deposit of Municipal Funds

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

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

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

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

CITY OF OCEAN CITY

FINDINGS AND RECOMMENDATIONS

None

Ford, Scott & Associates, L.L.C.
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July 16, 2012

CITY OF OCEAN CITY
PART III
STATE FINANCIAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED
DECEMBER 31, 2011

**CITY OF OCEAN CITY
SCHEDULE OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

State Funding Department	Program	State Account Number	Grant Period From	Grant Period To	Program Receipts	Program Expenditures	Cumulative Expenditures
Department of Community Affairs	Neighborhood Preservation Program	8020-100-022-8020-092-F301-602C	Open	Open	\$ 237,391.06	\$ 22,433.49	\$ 232,550.76
	NJ Council of the Arts - POPS Cooperative Marketing Grant	732-074-2505-002-6130 N/A	Open Open	Open Open	2,250.00 8,850.00	4,192.20	15,000.00 4,192.20
Department of Environmental Protection	Recycling Tonnage Grant	4900-752-042-4900-001-V42Y-602C	Open	Open	72,454.01	14,899.29	14,899.29
	Clean Communities	4900-765-042-4900-004-V42Y-602C	01/01/11	12/31/11	72,454.01	72,454.01	78,074.58
	Clean Communities	4900-765-042-4900-004-V42Y-602C	01/01/10	12/31/11	5,620.57	5,620.57	26,228.29
	Shade Tree	4900-765-042-4900-004-V42Y-602C	Open	Open	1,040.00	1,040.00	1,040.00
Department of Treasury	NJ Forest Service Grant	N/A	Open	Open	4,461.00		4,461.00
	Municipal Alliance Program	475-995120-60	Open	Open		4,120.20	4,120.20
Department of Transportation	Airport Fuel System	N/A	Open	Open	17,538.17	2,954.55	22,434.55
	Airport Security Cameras Trust Fund	N/A	Open	Open	10,150.00	124,939.85	124,939.85
	2009 Grant 2010 Grant	6320-048-078-6320 6320-048-078-6320	Open Open	Open Open	32,601.31 71,500.00	(176.97) -	253,858.86 186,000.00
Department of Law and Public Safety	NJSP Emergency Management	1200-100-066-1200-726-YEMR-612C	Open	Open	10,000.00	8,695.71	8,695.71
	Aggressive Driver Program	N/A	Open	Open		284.00	284.00
	Over the Limit Under Arrest	N/A	Open	Open	2,200.00	-	-
	Alcohol Education & Rehabilitation Drunk Driving Enforcement Fund	N/A N/A	Open Open	Open Open		10,379.32	10,379.32
Department of Economic Assistance	Public Assistance	7550-150-158010-60	1/1/2011	12/31/11	473,292.29	473,292.29	473,292.29
	Total State Assistance				<u>\$ 942,687.84</u>	<u>\$ 745,128.51</u>	<u>\$ 1,460,450.90</u>

CITY OF OCEAN CITY
NOTES TO SCHEDULE OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2011

Note 1: General

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

Note 2: Basis of Accounting

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

Note 3: Relationship to General-Purpose Financial Statements

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

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
Grant Fund	\$ 169,324.48	\$ 271,836.22	\$ 19,935.79	\$ 461,096.49
Public Assistance Fund		<u>473,292.29</u>	-	<u>473,292.29</u>
Total Financial Assistance	<u>\$ 169,324.48</u>	<u>\$ 745,128.51</u>	<u>\$ 19,935.79</u>	<u>\$ 934,388.78</u>

Note 4: Relationship to State Financial Reports

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

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

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

Compliance

We have audited the compliance of the City of Ocean City, State of New Jersey (the "City"), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement and New Jersey OMB Circular 04-04* that could have a direct and material effect on each of its major state programs for the year ended December 31, 2011. The City's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations and New Jersey OMB 04-04* and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Those standards, OMB A-133 and OMB 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2011.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB's Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's control over compliance.

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

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

This report is intended solely for the information and use management of the City, Division of Local Government Services, Department of Community Affairs, State of New Jersey (cognizant audit agency), other state awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

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July 16, 2012

CITY OF OCEAN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING DECEMBER 31, 2011

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

NOT APPLICABLE

State Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 04-04? **NO**

Identification of major programs: **7550-150-158010-60** **Public Assistance**

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

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

CITY OF OCEAN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING DECEMBER 31, 2011
(CONTINUED)

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

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

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AND STATE AWARDS

Federal: NOT APPLICABLE

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

STATUS OF PRIOR YEAR FINDINGS

There were no prior year findings.