

CITY OF PORT REPUBLIC

ATLANTIC COUNTY

NEW JERSEY

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2011**

CITY OF PORT REPUBLIC

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2011

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**CITY OF PORT REPUBLIC
TABLE OF CONTENTS**

	Exhibit	Page
PART 1		
Independent Auditor's Report		1 - 2
CURRENT FUND		
Comparative Balance Sheet - Regulatory Basis	A	3 - 4
Comparative Statement of Operations and Change in Fund Balance - Regulatory Basis	A-1	5 - 6
Statement of Revenues -Regulatory Basis	A-2	7 - 10
Statement of Expenditures - Regulatory Basis	A-3	11 - 18
TRUST FUND		
Comparative Balance Sheet - Regulatory Basis	B	19-20
CAPITAL FUND		
Comparative Balance Sheet - Regulatory Basis	C	21
Schedule of Fund Balance - Regulatory Basis	C-1	22
GENERAL FIXED ASSETS ACCOUNT GROUP		
Balance Sheet - Regulatory Basis	G	23
NOTES TO FINANCIAL STATEMENTS		24 - 36
SUPPLEMENTARY DATA		
Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		37 - 38
Schedule of Expenditures of Federal and State Awards		39
CURRENT FUND		
Schedule of Cash - Treasurer	A-4	40
Schedule of Taxes Receivable and Analysis of Property Tax Levy	A-5	41-42
Schedule of Tax Title Liens	A-6	43

**CITY OF PORT REPUBLIC
TABLE OF CONTENTS**

	Exhibit	Page
Schedule of Revenue Accounts Receivable	A-7	44
Schedule of 2009 Appropriation Reserves	A-8	45
Schedule of Local District School Tax	A-9	46
Schedule of State Grants Receivable	A-10	47
Schedule of Reserve for State Grants - Appropriated	A-11	48
Schedule of Reserve for State Grants - Unappropriated	A-12	49
 TRUST FUNDS		
Schedule of Cash - Treasurer	B-2	50
Schedule of Reserve for Dog Expenditures	B-3	51
Schedule of Amount Due to/(from) Current Fund - Dog License Fund	B-4	52
Schedule of Amount Due to State of New Jersey - Department of Health	B-5	52
Schedule of Reserve for Unemployment Compensation	B-6	53
Schedule of Contractors Deposits	B-7	53
Schedule of Reserve for Sanitary Landfill Closure	B-8	54
Schedule of Reserve for Recycling Trust	B-9	54
Schedule of Reserve for LOSAP	B-10	55
Schedule of Due to Current Fund	B-11	56
Schedule of Reserve for Celebration Trust	B-12	56
Schedule of Reserve for Open Space Trust	B-13	57
Schedule of Reserve for Recreation Trust	B-14	57
 CAPITAL FUNDS		
Schedule of Due from Current Fund	C-2	58
Analysis of Cash	C-3	59
Schedule of Deferred Charges to Future Taxation - Unfunded	C-4	60
Schedule of Bond Anticipation Notes	C-5	61
Statement of Improvement Authorizations	C-6	62
Schedule of Capital Improvement Fund	C-7	63
Schedule of Bonds and Notes Authorized but Not Issued	C-8	64
 PART II		
General Comments		64-67
Findings and Recommendations		68
Status of Prior Recommendations		69
Recommendations		69

1535 HAVEN AVENUE • PO BOX 538
OCEAN CITY, NJ • 08226-0538
PHONE 609.399.6333 • FAX 609.399.3710



1409 CANTILON BLVD. • PO BOX 548
MAYS LANDING, NJ 08330
PHONE 609.625.0999 • FAX 609.625.2421

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of City Council
City of Port Republic, New Jersey

We have audited the accompanying balance sheets - regulatory basis of the various funds and account groups of the City of Port Republic, New Jersey, as of December 31, 2011 and 2010, 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 of the various funds for the year ended December 31, 2011. These financial statements are the responsibility of the City of Port Republic's management. Our responsibility is to express an opinion 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, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly we express no opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

The Length of Service Awards Program of the City of Port Republic has not been audited, and we were not engaged to audit the Length of Service Awards Program financial statements as part of our audit of the City's financial statements.

As described in Note 1, the City of Port Republic, New Jersey 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, that demonstrates compliance with a modified accrual basis, with certain exceptions, and the budget laws of the State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The presentation requirement does not include a Management Discussion and analysis as required by the Governmental Accounting Standards Board to be presented as required Supplemental Information, but not required by the Division of Local Government services, Department of Community Affairs, State of New Jersey. The affect on the financial statements of the variances between the prescribed basis of accounting 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 basis of accounting discussed in the fourth paragraph of this report, 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 City of Port Republic as of December 31, 2011 and 2010 or the results of its operations for the years then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position - regulatory basis of the various funds and account groups of the City of Port Republic, New Jersey as of December 31, 2011 and 2010 and the results of operations and changes in fund balance - regulatory basis of such funds for the years then ended and the statements of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2011 on a modified accrual basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2012 on our consideration of the City of Port Republic's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming and opinion on the financial statements of the City of Port Republic taken as a whole. The supplemental schedules listed in the table of contents are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Kenneth W. Moore
Kenneth W. Moore, CPA
Registered Municipal Accountant
No. 231

February 24, 2012

**EXHIBIT - A
CURRENT FUND**

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

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

<u>Assets</u>	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Regular Fund:			
Cash:			
Treasurer	A-4	\$ 1,907,259	895,541
Change Fund		25	25
		<hr/>	<hr/>
		1,907,284	895,566
		<hr/>	<hr/>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-5	71,354	73,224
Tax Title Liens Receivable	A-6	15,378	10,435
Property Acquired for Taxes-Assessed Valuation		923,101	923,101
Property Deeded to the City		386,300	386,300
Revenue Accounts Receivable			
Municipal Court	A-7	2,620	2,787
Due From:			
Grant Fund	A	87,999	34,207
Dog Trust	B	1,111	823
Open Space Trust	B	13,041	13,041
Other Trust Funds	B	1,875	1,774
		<hr/>	<hr/>
		1,502,779	1,445,692
		<hr/>	<hr/>
Deferred Charges:			
Special Emergency		36,911	155,000
Overexpenditures of Appropriations		11,433	-
		<hr/>	<hr/>
		48,344	155,000
		<hr/>	<hr/>
		3,458,407	2,496,258
		<hr/>	<hr/>
Federal and State Grant Fund:			
State Grants Receivable	A-10	639,415	600,376
		<hr/>	<hr/>
		639,415	600,376
		<hr/>	<hr/>
		\$ 4,097,822	3,096,634
		<hr/> <hr/>	<hr/> <hr/>

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

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-8	\$ 59,989	111,670
Reserve for Encumbrances		11,557	50,155
Prepaid Taxes		37,913	21,090
Tax Overpayments		94	-
County of Atlantic - Added Taxes		363	1,448
Local School District Tax Payable	A-9	287,126	305,150
Due to State of New Jersey -			
Construction Training Fees		864	864
Veterans and Senior Citizens		13,649	14,050
Marriage License Fees		150	150
Due to:			
General Capital	C	1,036,609	57,008
		<u>1,448,314</u>	<u>561,585</u>
Reserves for Receivables and Other Assets	A	1,502,779	1,445,692
Fund Balance	A-1	507,314	488,981
		<u>3,458,407</u>	<u>2,496,258</u>
Federal and State Grant Fund:			
Reserve for Encumbrances		170	-
Due to Current Fund		87,999	34,207
Reserve for State Grants			
Appropriated	A-11	548,969	566,169
Unappropriated	A-12	2,277	-
		<u>639,415</u>	<u>600,376</u>
		<u>\$ 4,097,822</u>	<u>3,096,634</u>

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

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Revenue and Other Income Realized			
Fund Balance Utilized	A-2	\$ 94,000	214,570
Miscellaneous Revenue Anticipated	A-2	466,737	443,088
Receipts from Delinquent Taxes	A-2	73,223	65,940
Receipts from Current Taxes	A-2	2,469,350	2,401,352
Non Budget Revenue	A-2	91,947	59,433
Other Credits to Income:			
Unexpended Balance of Approp Reserves	A-8	<u>56,461</u>	<u>119,677</u>
Total Income		<u>3,251,718</u>	<u>3,304,060</u>
Expenditures			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	287,087	300,618
Other Expenses	A-3	498,828	706,357
Deferred Charges and Statutory Expenditures	A-3	167,329	69,904
Capital Improvements	A-3	110,000	166,000
County Tax		522,623	485,246
County Share of Added Taxes		363	1,448
Municipal Open Space Taxes		15,559	15,541
Local District School Tax	A-8	1,494,257	1,530,305
Interfund Created		54,380	6,777
Refund of Prior Year Revenue		<u>392</u>	<u>-</u>
Total Expenditures		<u>3,150,818</u>	<u>3,282,196</u>
Excess in Revenue		<u>\$ 100,900</u>	<u>21,864</u>

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

	Ref.	<u>2011</u>	<u>2010</u>
Adjustments to Income before Fund Balance:			
Expenditures included above which are by Statute deferred Charges to Budget of Succeeding Year		\$ 11,433	155,000
Statutory Excess to Fund Balance		112,333	176,864
Fund Balance January 1	A	<u>488,981</u>	<u>526,687</u>
		601,314	703,551
Decreased by:			
Utilization as Anticipated Revenue	A-1:A-2	<u>94,000</u>	<u>214,570</u>
Balance December 31	A	<u>\$ 507,314</u>	<u>488,981</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Ref.	Anticipated Budget	Special N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$ 94,000		94,000	
Miscellaneous Revenues:					
Section A: Local Revenues					
Fines and Costs:					
Municipal Court	A-7	25,000		29,023	4,023
Interest and Costs on Taxes	A-7	10,000		12,993	2,993
Interest on Investments and Deposits	A-7	2,500		6,409	3,909
Communication Tower Rental - Bell Atlantic Nynex & Sprint	A-7	54,000		65,104	11,104
Total Section A		91,500	-	113,529	22,029
Section B: State Aid Without Offsetting Appropriations					
Energy Receipts Tax	A-7	176,307		176,307	-
Total Section B		176,307	-	176,307	-
Section F: Special Items of General Revenue Anticipated with Prior Written Consent of Dir. of Local Government Services - Public and Private Revenues offset with Appropriations:					
Help America Vote Act Grant	A-10		8,575	8,575	
Clean Communities Program	A-10		4,000	4,000	
Alcohol Education, Rehabilitation and Enforcement Fund	A-10		431	431	
Municipal Alliance on Alcohol and Drug Abuse	A-10	9,840		9,840	
Mill Road	A-10	67,000		67,000	
Total Section F		76,840	13,006	89,846	-

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Special N.J.S. 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Section G: Special Items of General Revenue Anticipated with Prior Written Consent of Dir. of Local Government Services - Other Special Items:					
FEMA	A-10	31,996		87,055	55,059
NJDEP	A-10	76,866		-	(76,866)
Total Section G		<u>108,862</u>	-	<u>87,055</u>	<u>(21,807)</u>
Total Miscellaneous Revenues	A-1	453,509	13,006	466,737	222
Receipts from Delinquent Taxes	A-1:A-2	70,000		73,223	3,223
Amount to be Raised by Taxes for Support of Municipal Budget					
a) Local Tax for Municipal Purposes	A-2	510,361		525,491	15,130
Total Amount to Be Raised by Taxes		<u>510,361</u>	-	<u>525,491</u>	<u>15,130</u>
Budget Totals		<u>1,127,870</u>	<u>13,006</u>	<u>1,159,451</u>	<u>18,575</u>
Non-Budget Revenues:					
Other Non-Budget Revenue	A-2			91,947	91,947
		<u>\$ 1,127,870</u>	<u>13,006</u>	<u>1,251,398</u>	<u>110,522</u>
Ref.	A-3		A-3		

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

	<u>Ref.</u>	
Analysis of Realized Revenues		
Allocation of Current Tax Collections:		
Revenue from Collections	A-1:A-5	\$ 2,469,350
Allocated to:		
School, County Taxes, Muni Open Spaces		<u>2,032,802</u>
Balance for Support of Municipal Budget Appropriations		436,548
Increased by:		
Appropriation "Reserve for Uncollected Taxes"	A-3	<u>88,943</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>525,491</u></u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collections	A-5	<u>73,223</u>
		<u><u>\$ 73,223</u></u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

Ref.

Analysis of Non-Budget Revenue

Miscellaneous Revenue not Anticipated:

Building Permits	\$	16,694	
Tax Collector		10	
Reimbursement		528	
Planning Board		200	
Demolition of Building		58,116	
Treasurer		14,812	
Clerk		1,587	
			91,947
			1,114
A-1:A-2	Non cash Cash		\$ 90,833

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Appropriations		Expended		Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered Reserved		
GENERAL GOVERNMENT:						
Mayor and Council						
Salaries and Wages	4,200	4,200	4,200	-	-	
Other Expenses	1,500	1,500	1,188	300	12	
Municipal Clerk						
Salaries And Wages	96,604	101,804	101,438	366	366	
Other Expenses	29,400	36,400	36,566	184	-	350
Financial Administration						
Salaries and Wages	8,838	8,838	8,838	-	-	
Other Expenses	6,000	13,500	9,072	2,344	2,084	
Audit Service						
Other Expenses	23,500	23,500	23,500	-	-	
Revenue Administration (Tax Collector)						
Salaries and Wages	10,760	10,760	10,760	-	-	
Other Expenses	4,525	3,025	2,516	509	509	
Assessment of Taxes						
Salaries and Wages	10,456	10,457	10,456	75	1	
Other Expenses	1,695	1,195	854	266	266	
Liquidation of Tax Title Liens						
Other Expenses	100	100	-	100	-	
Legal Services and Costs						
Salaries and Wages	10,455	10,455	10,455	-	-	
Other Expenses	24,000	23,000	23,756	-	-	756
Engineering Services and Costs						
Other Expenses	13,750	6,250	4,463	390	1,397	

See Accompanying Notes to Financial Statements

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

	Appropriations		Paid or		Expended		Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Charged	Encumbered	Reserved	Reserved		
Municipal Court	35,127	35,127	35,557	-	-	-	430	
Salaries & Wages	8,575	8,575	5,498	89	2,988			
Other Expenses								
Public Defender	750	750	600		150			
Other Expenses								
LAND USE ADMINISTRATION:								
Municipal Land Use Law (N.J.S.A. 40:55D-1)								
Planning Board								
Salaries and Wages	1,000	1,000	538		462			
Other Expenses	1,000	1,300	1,286		14			
INSURANCE:								
Disability Insurance	400	400	265		135			
Liability Insurance	43,000	41,891	40,568		1,323			
Group Insurance Plan for Employees	60,200	60,200	66,185		-			5,985
PUBLIC SAFETY:								
Police Department								
911 Service	2,000	2,000	2,000		-			
Emergency Management Service								
Salaries and Wages	400	400	400		-			
Other Expenses	5,000	5,000	4,305		695			
Aid to Volunteer Fire Companies	25,000	25,000	25,000		-			
Aid to Volunteer Fire Companies - Insurance	3,000	3,000	3,000		-			
First Aid Organization - Contribution	10,000	10,000	10,000		-			

See Accompanying Notes to Financial Statements

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled	Over-expended
	Budget	Budget After Modification		Encumbered	Reserved		
Municipal Prosecutor Salaries and Wages	5,000	6,000	6,461	-	-	-	461
Other Expenses	500	-	-	-	-	-	-
PUBLIC WORKS:							
Streets and Road Maintenance							
Salaries and Wages	60,000	60,000	60,000	-	-	-	-
Other Expenses	20,000	15,500	-	1,112	14,388	-	-
Garbage and Trash Removal							
Salaries and Wages	3,000	6,600	5,564	-	1,036	-	-
Other Expenses	100,000	93,708	80,916	-	12,792	-	-
Monitoring Wells	1,500	1,500	-	-	1,500	-	-
Building and Grounds							
Salaries and Wages	7,500	500	-	-	500	-	-
Other Expenses	13,000	15,000	8,839	6,074	87	-	-
HEALTH AND HUMAN SERVICES:							
Animal Control Service (Dog Regulation)							
Other Expenses	2,000	2,000	1,215	188	597	-	-
Aid to Outreach	2,000	2,000	2,000	-	-	-	-
PARKS AND RECREATION:							
Parks and Playgrounds							
Salaries and Wages	8,600	8,600	7,331	-	1,269	-	-
Other Expenses:							
Miscellaneous Other Expenses	1,000	1,000	635	-	365	-	-

See Accompanying Notes to Financial Statements

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

	Appropriations		Expended		Unexpended Balance Canceled	Over- expended
	Budget	Budget/After Modification	Paid or Charged	Encumbered		
STATE UNIFORM CONSTRUCTION CODE						
Construction Official						
Salaries and Wages	8,000	8,000	8,954		-	954
Other Expenses	100	100			100	
Plumbing Inspector						
Salaries and Wages	3,000	3,000	2,601		399	
Building Inspector						
Salaries and Wages	5,500	5,500	5,091		409	
Electrical Inspector						
Salaries and Wages	3,500	3,500	3,381		119	
Fire Protection Official						
Salaries and Wages	2,601	501	100		401	
UNCLASSIFIED:						
Celebration of Public Events	5,200	5,200	4,730		470	
UTILITY EXPENSES AND BULK PURCHASES:						
Electricity	10,340	7,340	5,282	233	1,825	
Street lighting	17,500	20,500	22,062		-	1,562
Telephone	8,500	8,500	7,686	376	438	
Heating Oil	4,000	6,000	6,935		-	935
Gasoline	6,000	7,000	6,089	70	841	
TOTAL OPERATIONS WITHIN "CAPS"	739,576	737,176	689,136	11,435	48,038	11,433
Contingent	-	-	-	-	-	-
TOTAL OPERATIONS INCLUDING CONTINGENT	739,576	737,176	689,136	11,435	48,038	11,433

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled	Over-expended
	Budget	Budget After Modification		Encumbered	Reserved		
Detail:							
Salaries and Wages	284,541	285,242	282,125	-	4,962	-	1,845
Other Expenses	455,035	451,934	407,011	11,435	43,076	-	9,588
DEFERRED CHARGES AND STATUTORY EXPENDITURES:							
STATUTORY EXPENDITURES:							
Contribution to:							
Public Employees' Retirement System	25,962	25,962	25,962	-	-	-	-
Social Security	20,000	22,400	21,442		958		
Unemployment Compensation Insurance	1,000	1,000	385	122	493		
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES	46,962	49,362	47,789	122	1,451	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	786,538	786,538	736,925	11,557	49,489	-	11,433
OPERATIONS - EXCLUDED FROM "CAPS" LOSAP	12,000	12,000	11,500		500		
Total Other Operations - Excluded from "CAPS"	12,000	12,000	11,500	-	500	-	-

See Accompanying Notes to Financial Statements

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

	Appropriations		Expended		Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered Reserved		
OPERATIONS - EXCLUDED FROM "CAPS"						
Public and Private Programs Offset by Revenues						
Municipal Alliance Program	9,840	9,840	9,840	-		
Municipal Alliance Program - Local Match	2,460	2,460	2,460	-		
Alcohol Education Rehabilitation	431	431	431	-		
Help America Vote Act Grant	8,575	8,575	8,575	-		
Clean Communities Program	4,000	4,000	4,000	-		
Total Public and Private Programs Offset by Revenue	25,306	25,306	25,306	-		
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	37,306	37,306	36,806	500		
Detail:						
Salaries and Wages	-	-	-	-		
Other Expenses (Including Contingent)	37,306	37,306	36,806	500		
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"						
Capital Improvement Fund	33,000	33,000	33,000	-		
Engineer Costs for Capital Projects	10,000	10,000	-	10,000		
NJ Transportation Trust Fund Auth Act - Mill Rd.	67,000	67,000	67,000	-		
TOTAL CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"	110,000	110,000	100,000	10,000		

See Accompanying Notes to Financial Statements

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

	Appropriations		Expended		Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered Reserved		
DEFERRED CHARGES:						
Emergency Authorizations						
Special Emergency Authorizations - 5 yrs	118,089	118,089	118,089			
TOTAL DEFERRED CHARGES - MUNICIPAL EXCLUDED FROM "CAPS"	118,089	118,089	118,089	-	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	265,395	265,395	254,895	10,500	-	-
SUBTOTAL GENERAL APPROPRIATIONS	1,051,933	1,051,933	991,820	11,557	59,989	11,433
Reserve for Uncollected Taxes	88,943	88,943	88,943			
TOTAL GENERAL APPROPRIATIONS	1,140,876	1,140,876	1,080,763	11,557	59,989	11,433
Budget Appropriations by 40A:4-87						
A-2			A-1	A	A:A-1	
A-3		1,127,870	101,204	Reimbursed		
A-2		13,006	1,181,967	Disbursed		
		<u>1,140,876</u>	<u>1,080,763</u>			

See Accompanying Notes to Financial Statements

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

	<u>Ref.</u>	<u>PAID OR CHARGED</u>
Federal and State Grants	A-10	\$ 92,306
Deferred Charges		118,089
Reserve for Uncollected Taxes		88,943
Capital Improvement Fund		33,000
Disbursed	A-4	<u>748,425</u>
		<u>\$ 1,080,763</u>

**EXHIBIT - B
TRUST FUNDS**

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

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

<u>Assets</u>	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Animal Control Fund			
Cash	B-2	\$ 1,935	1,680
Due from the State of New Jersey	B-5	35	33
		<u>1,970</u>	<u>1,713</u>
Length of Service Award Program (unaudited)			
Investments held for LOSAP		<u>120,582</u>	<u>110,150</u>
		<u>120,582</u>	<u>110,150</u>
Other Funds:			
Cash - Treasurer	B-2	<u>86,529</u>	<u>92,920</u>
		<u>86,529</u>	<u>92,920</u>
Total		<u>\$ 209,081</u>	<u>204,783</u>

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

<u>Liabilities, Reserves, and Fund Balance</u>	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Animal Control Fund			
Due to the Current Fund	A:B-4	\$ 1,111	823
Reserve for Dog Fund	B-3	859	890
		<u>1,970</u>	<u>1,713</u>
Length of Service Award Program (unaudited)			
Reserve for LOSAP	B-10	120,582	110,150
		<u>120,582</u>	<u>110,150</u>
Other Funds:			
Contractors Deposits	B-7	2,579	22,586
Reserves for:			
Unemployment Compensation	B-6	4,851	3,782
Sanitary Landfill Closure Fund	B-8	451	449
Recycling Tonnage Trust	B-9	2,704	2,691
Celebration Trust	B-12	179	53
Municipal Open Space Trust	B-13	60,709	48,344
Recreation Trust	B-14	140	200
Interfunds			
Due to Current Fund	A:B-11	14,916	14,815
		<u>86,529</u>	<u>92,920</u>
Total		\$ <u><u>209,081</u></u>	<u><u>204,783</u></u>

EXHIBIT - C
GENERAL CAPITAL FUND

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

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

<u>Assets</u>	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Cash	C-2	\$ 169	169
Due from Current Fund		1,036,609	57,008
Deferred Charges to Future Taxation Unfunded	C-4	950,000	-
		<u>1,986,778</u>	<u>57,177</u>
 <u>Liabilities, Reserves and Fund Balance</u>			
Bond Anticipation Notes	C-5	950,000	-
Improvement Authorizations:			
Funded	C-6	56,374	9,773
Unfunded	C-6	950,000	-
Capital Improvement Fund	C-7	487	17,487
Fund Balance	C-1	29,917	29,917
		<u>\$ 1,986,778</u>	<u>57,177</u>

There were \$0 and \$0, Bonds and Notes Authorized But Not Issued at December 31, 2011 and December 31, 2010, respectively.

**GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS**

	<u>Ref.</u>		
Balance December 31, 2010	C	\$	29,917
No Activity in 2011			-
Balance December 31, 2011	C	<u>\$</u>	<u>29,917</u>

See Accompanying Notes to Financial Statements

EXHIBIT - G
GENERAL FIXED ASSETS

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

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

	<u>2011</u>	<u>2010</u>
General Fixed Assets:		
Land	\$ 1,807,573	1,807,573
Buildings	111,557	340,457
Transportation Equipment	141,718	141,718
Total General Fixed Assets	<u>2,060,848</u>	<u>2,289,748</u>
Investment in General Fixed Assets	\$ <u>2,060,848</u>	<u>2,289,748</u>

See Accompanying Notes to Financial Statements

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 and 2010**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Port Republic was incorporated in 1905 and is located in Southern New Jersey in Atlantic County. The population estimate by the US Department of Census as of July 2003 is 1,037. The City provides to its citizens the following services: recreation, public improvements, planning and zoning and general administrative services.

The City is governed by a Mayor and a seven-member City Council. The Mayor is the chief executive officer and Council is the legislative body of the City. The Mayor is elected to a four-year term and two City Council members are elected to alternating three-year terms. One City Council Member is elected at-large for a four-year term. The City Clerk monitors the daily administrative responsibilities.

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The Board of Education of the City is a component unit. However, under the regulatory basis of accounting in New Jersey, the component unit is neither blended nor shown in a discrete presentation in the financial statements of the City. The Board of Education does have an independent audit performed and a copy is available at the Board's offices.

B. Description of Funds

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

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

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 and 2010**

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

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

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

C. Basis of Accounting

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

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

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

Expenditures -- are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the Governing Body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis.

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

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 and 2010**

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

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

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

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

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. Fixed Assets with an original cost of less than \$5,000 are not capitalized.

No depreciation has been provided for in the financial statements.

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

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

**CITY OF PORT REPUBLIC
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2011 and 2010**

The following schedule is a summarization of the changes in general fixed assets for the calendar year ended December 31, 2011:

	Balance 12/31/2010	Additions	Retirements	Balance 12/31/2011
Land	\$ 1,807,573			1,807,573
Building	340,457		228,900	111,557
Transportation Equipment	141,718			141,718
	<u>\$ 2,289,748</u>	<u>-</u>	<u>228,900</u>	<u>2,060,848</u>

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

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

Capitalization of Interest -- It is the policy to the City of Port Republic to treat interest on projects as a current expense and the interest is included in the current operating budget.

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

D. Comparative Data

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

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 and 2010**

Note 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2011 and 2010 statutory budgets included a reserve for uncollected taxes in the amount of \$88,943 and \$74,594, respectively. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2011 and 2010 statutory budgets was \$94,000 and \$214,570, respectively.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by City Council. The following are significant budget transfers approved in the 2011 calendar year.

<u>Budget Category</u>	<u>Increase</u>	<u>Decrease</u>
Clerk - Salaries & Wages	5,200	
Clerk - Other Expenses	7,000	
Financial Administration - Other Expenses	7,500	
Engineer - Other Expenses		7,500
Streets and Roads - Other Expenses		4,500
Garbage and Trash Removal - Other Expenses		6,292
Building and Grounds - Other Expenses		7,000

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2011, the City Council approved total budget insertions in the amount of \$13,006.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budget of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. There was a special emergency appropriation authorized by City Council during the 2010 calendar year for the repair of the bulkhead.

**CITY OF PORT REPUBLIC
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2011 and 2010**

Note 3: INVESTMENTS

As of December 31, 2011, the municipality had no investments.

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

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

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

Note 4: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The municipality’s policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2011 and 2010, \$0 and \$0 of the municipality’s bank balance of \$2,053,167 and \$1,022,386, respectively, was exposed to custodial credit risk.

As of December 31, 2011 and 2010, cash and cash equivalents of the City consisted of the following:

	<u>2011</u>	<u>2010</u>
Checking Account	\$ 2,053,167	1,022,386

**CITY OF PORT REPUBLIC
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2011 and 2010**

Note 5: NOTES PAYABLE

Summary of Municipal Debt

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Bond Anticipation Notes	\$ 950,000		
Bonds & Notes Authorized But Not Issued			
Net Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 950,000</u>	<u> </u>	<u> </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 0.66%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 950,000		950,000
	<u>\$ 950,000</u>	<u>-</u>	<u>950,000</u>

Net Debt \$950,000 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$144,432,349 = 0.66%.

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 5,055,132
Net Debt	<u>950,000</u>
Remaining Borrowing Power	<u>\$ 4,105,132</u>

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

**CITY OF PORT REPUBLIC
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2011 and 2010**

Note 6: NOTES PAYABLE

The City had \$950,000 in outstanding bond anticipation notes as of December 31, 2011, payable to The Depository Trust Company at a rate of 2.375% interest. The notes payable will mature on September 28, 2012 and will be renewed for another one year period. It is the intent of City Council to retire these notes over 10 years without going to permanent financing.

Note 7: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2011 that were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2011 were as follows:

Current Fund	\$94,000
--------------	----------

As of the date of this audit report, City Council has not adopted the 2012 Local Municipal Budget.

Note 8: SCHOOL TAXES

Local District School Taxes have been raised and a liability deferred by statute, resulting in the school tax payable set forth in the Current Fund liabilities as follows:

	<u>2011</u>	<u>2010</u>
Total Liability	\$ 747,126	765,151
Deferred	460,000	460,000
Current Liability	<u>\$ 287,126</u>	<u>305,151</u>

Note 9: TAXES COLLECTED IN ADVANCE

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

	<u>Balance 12/31/2011</u>	<u>Balance 12/31/2010</u>
Prepaid Taxes	\$ 37,913	21,090
Cash Liability for Taxes Collected in Advance	<u>\$ 37,913</u>	<u>21,090</u>

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 and 2010**

Note 10: PENSION FUNDS

Description of Plans

Substantially all of the City's employees are covered by the Public Employees' Retirement System cost-sharing multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the report can be accessed on the internet at http://www.state.nj.us/treasury/pensions/annrpts_archive.htm.

Public Employees' Retirement System

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

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of 5.5% through September 30, 2011, and 6.5% from October 1, 2011 through December 31, 2011, of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 6.5% of covered payroll. The City's contributions to PERS for the years ending December 31, 2011, 2010 and 2009 were \$25,962, \$18,904 and \$18,496 respectively, equal to the required contributions for each year.

Note 11: POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2010, there were 87,288 retirees eligible for post-retirement medical

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 and 2010**

benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994 c. 62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

The City provides post-retirement health benefits to qualified employees with at least 25 years of service. This includes medical, dental, optical and prescription plans. At December 31, 2011, the City provided benefits to 0 retirees. The approximate annual cost of providing these benefits during the year 2011 was \$0.-

Note 12: ACCRUED SICK AND VACATION BENEFITS

The City has permitted employees to accrue unused vacation and sick pay, which may be taken as time off. The City allows the employees to accumulate a maximum of 24 days of sick time and 7 days of vacation time. The City has no policy of payments to employees at retirement or termination.

Note 13: ECONOMIC DEPENDENCY

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

Note 14: LITIGATION

During the normal course of operations, lawsuits are occasionally brought against the governmental unit. There are presently no outstanding lawsuits that would result in a contingent liability to the City.

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. There was no decrease in coverage during the year and there were no payments in excess of coverage.

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 and 2010**

Unemployment Compensation Insurance – The City has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the City is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The City is billed quarterly for amounts due to the State. The following is a summary of City contributions, employee contributions, reimbursements to the State for benefits and the ending balance of the City’s trust fund for the last three years.

<u>Calender Year</u>	<u>City Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011	0	979	0	4,761
2010	0	24	0	3,782
2009	0	271	0	3,758

Note 16: INTERFUND BALANCES

As of December 31, 2011, the following interfunds were included on the balance sheets of the various funds of the City of Port Republic:

This space is intentionally left blank

**CITY OF PORT REPUBLIC
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2011 and 2010**

	Due From	Due To
Current Fund:		
Grant Fund	\$ 87,999	
Animal Control Fund	1,111	
Open Space Trust Fund	13,041	
Other Trust Funds	1,875	
Capital Fund		1,036,609
Capital Fund:		
Current Fund	1,036,609	
Grant Fund:		
Current Fund		87,999
Trust Funds		
Current Fund -		
Animal Control Fund		1,111
Open Space Trust Fund		13,041
Other Trust Funds		1,875
	<u>\$ 1,140,635</u>	<u>1,140,635</u>

The interfunds occurred since the Grant and the Capital Funds have no bank accounts. The interfund with the Animal Control Fund is due to the statutory excess resulting in 2011. The interfund in the other Trust Funds is a result of interest earnings that were not transferred to the Current Fund prior to December 31 and bills paid by the Current Fund.

Note 17: LENGTH OF SERVICE AWARDS PROGRAM (UNAUDITED)

During the year 2001 the voters of the City of Port Republic approved the establishment of a Length of Service Awards Program (LOSAP) Deferred Compensation Plan. This plan is made available to all bona fide eligible volunteers who are performing qualified services which are defined as fire fighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP will also comply with New Jersey Public Law 1997, Chapter 388 and the LOSAP Document.

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 and 2010**

Note 18: OPEN SPACE TAXING DISTRICT

The voters of the City approved the establishment of an Open Space, Recreation, Farmland and Historic Preservation Trust Fund Taxing District effective January 1, 2005. The amount assessed each year, \$.02 per \$100 of assessed valuation, will be placed in an interest-bearing account for the acquisition, development, capital maintenance and payment of debt service on lands acquired for recreation and conservation purposes. During 2011, \$15,559 was raised and \$15,559 was paid to the Open Space Trust Fund.

Note 19: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2011, the following deferred charges are shown on the balance sheets of the various funds:

	<u>Balance 12/31/10</u>	<u>Incurred in 2011</u>	<u>Raised in 2011</u>	<u>Balance 12/31/11</u>
Current Fund:				
Special Emergency	\$ 155,000		118,089	36,911
Overexpenditure	-	11,433		11,433
	<u>\$ 155,000</u>	<u>11,433</u>	<u>118,089</u>	<u>48,344</u>

The required statutory amount will be included in the 2012 Local Municipal Budget.

Note 20: SUBSEQUENT EVENTS

The City has evaluated subsequent events through February 24, 2012, the date which the financial statements were available to be issued and no additional items were noted for disclosure.

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

SUPPLEMENTARY INFORMATION

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

1535 HAVEN AVENUE • PO BOX 538
OCEAN CITY, NJ • 08226-0538
PHONE 609.399.6333 • FAX 609.399.3710



1409 CANTILLO BLVD. • PO BOX 548
MAYS LANDING, NJ 08330
PHONE 609.625.0999 • FAX 609.625.2421

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

The Honorable Mayor and
Members of City Council
City of Port Republic, New Jersey

We have audited the financial statements - regulatory basis of the City of Port Republic, New Jersey as of and for the year ended December 31, 2011, and have issued our report thereon dated February 24, 2012. Our report disclosed that, as described in Note 1 to the financial statements - regulatory basis, the City of Port Republic, New Jersey 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, 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, the 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 of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division")

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Port Republic, New Jersey'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 - regulatory basis, but not for the purpose of expressing an opinion on the effectiveness of the City of Port Republic's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Port Republic'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 City of Port Republic, New Jersey's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purposes 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 Port Republic, New Jersey'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* or the requirements of the Division of Local Government Services.

We noted certain matters that we reported to management of the City of Port Republic, New Jersey in a separate letter dated February 24, 2012.

This report is intended solely for the information and use of management, the Finance Committee and the State of New Jersey, Division of Local Government Services 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

Kenneth W. Moore
Kenneth W. Moore, CPA
Registered Municipal Accountant
No. 231

February 24, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal or State Grantor/Pass - Through Grantor/Program Title	Pass-Through Grantor's # or CFDA #	Grant Period	Program or Award Amount	Balance Dec. 31, 2010	Receipts or Revenue Recognized	Disbursements/ Expenditures	Canceled	Balance Dec. 31, 2011
State of New Jersey								
NJ Transportation Trust Fund Authority Act								
Reconstruction of Church Mill Road	6320-480-601381-61 6320-480-601381-61	1/1/10-12/31/10 1/1/11 - 12/31/11	150,000 67,000	100,698	67,000	39,073 59,912		61,625 7,088
Department of Environmental Protection								
Clean Communities Act	4900-765-178920	1/1/11-12/31/11	4,000	-	4,000	2,013		1,987
Clean Communities Act	4900-765-178920	1/1/10-12/31/10	4,000	1,984		1,984		-
Recycling Tonnage Grant	4830-752-050580-50	1/1/09-12/31/09	2,279	2,279				2,279
Recycling Tonnage Grant	4830-752-050580-50	1/1/10-12/31/10	2,088	2,088				2,088
Department of Community Affairs								
Alcohol Education Rehabilitation	9735-760-098-Y900-001	1/1/09-12/31/09	933	933				933
Alcohol Education Rehabilitation	9735-760-098-Y900-001	1/1/10-12/31/10	1,218	1,218				1,218
Alcohol Education Rehabilitation	9735-760-098-Y900-001	1/1/11-12/31/11	431		431			431
Total State Assistance				<u>109,200</u>	<u>71,431</u>	<u>102,982</u>	<u>-</u>	<u>77,649</u>

SEE ACCOMPANYING AUDITOR'S REPORT

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	<u>Ref.</u>	<u>Current Fund</u>	
Balance December 31, 2010		\$	895,541
Increased by Receipts:			
Taxes Receivable	A-5	2,432,010	
Delinquent Taxes	A-2	73,223	
Prepaid Taxes	A	37,913	
Revenue Accounts Receivable	A-7	376,891	
State of New Jersey - Senior Citizens and Veterans		15,849	
Due to Capital Fund		950,000	
Due from Turst		350	
Miscellaneous Revenue Not Anticipated	A-2	90,833	
Due From Grant Fund	A-10	<u>53,084</u>	
			<u>4,030,153</u>
			4,925,694
Decreased by Disbursements:			
2011 Appropriations	A-3	748,425	
2010 Appropriation Reserves	A-8	105,364	
Due To Grant Funds - Reserves	A-11	109,336	
Due to Capital Fund		3,399	
Due to Open Space Trust		15,559	
County Taxes		522,623	
County Taxes - Added		1,448	
Local District School Tax	A-9	<u>1,512,281</u>	
			<u>3,018,435</u>
Balance December 31, 2011	A	<u>\$</u>	<u>1,907,259</u>

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

YEAR	Balance Dec. 31, 2010	2011 Levy	Added Taxes	Overpayments Created	Overpayments 2010	Collections by Cash 2011	Overpayments Applied	Transfers to Arrears and Cancellations	Transferred to Tax Title Liens	Balance Dec. 31, 2011
2010	73,223			94		73,317				-
	73,223	-	-	94	-	73,317	-	-	-	-
2011		2,534,918	10,729		21,090	2,448,260			4,943	71,354
	73,223	2,534,918	10,729	94	21,090	2,521,577	-	-	4,943	71,354
Ref.	A								A-6	A

Cash Collected
Senior Citizen & Veteran Allowances

A-4	\$ 2,505,327
	<u>16,250</u>
	<u>\$ 2,521,577</u>

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

Analysis of 2011 Property Tax Levy

Tax Yield			
General Property Tax		\$2,534,918	
Added Taxes (54:4-63.1,63.12 et.seq.)		<u>10,729</u>	
			<u><u>2,545,647</u></u>
Tax Levy		<u>Ref.</u>	
Local District School Tax (Abstract)	A-9	1,494,257	
County Tax (Abstract)		522,623	
Due County for Added and Omitted Taxes (54:4-63.1,63.12 et. seq.)		363	
Municipal Open Space Trust		<u>15,559</u>	
			2,032,802
Local Tax for Municipal Purposes	A-2	510,361	
Add: Additional Tax Levied		<u>2,484</u>	
Local Tax for Municipal Purposes Levied			<u><u>512,845</u></u>
			<u><u>\$2,545,647</u></u>

**CURRENT FUND
SCHEDULE OF TAX TITLE LIENS**

	<u>Ref.</u>		
Balance December 31, 2010	A		\$ 10,435
Increased by:			
Interest and Costs			
Transfers from Taxes Receivable	A-5	4,943	4,943
			15,378
Decreased by:			
Foreclosures			
Collections	A-2	-	-
Balance December 31, 2011	A		15,378

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

Ref.	Balance Dec. 31, 2010	Accrued in 2011	Collected	Balance Dec. 31, 2011
A-2	\$	12,993	12,993	
A-2	2,787	28,856	29,023	2,620
A-2		87,055	87,055	
A-2		176,307	176,307	
A-2		65,104	65,104	
A-2		6,409	6,409	
	<u>\$ 2,787</u>	<u>376,724</u>	<u>376,891</u>	<u>2,620</u>
Ref.	A	Res.		A

Interest on Taxes
Municipal Court:
Fines and Costs
FEMA
Energy Receipts Tax
Communication Tower Rental
Investment Interest

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2010**

	Balance Dec. 31, 2010	Balance After Transfers	Paid or Charged	Balance Lapsed
Mayor and Council				
Other Expenses	70	70	53	17
Municipal Clerk				
Other Expenses	8,074	8,074	7,069	1,005
Financial Administration				
Other Expenses	1,560	1,560	1,560	-
Assessment of Taxes				
Other Expenses	84	84	84	-
Legal				
Other Expenses	1,090	1,090	1,085	5
Engineer				
Other Expenses	517	517	507	10
Municipal Court				
Other Expenses	660	660	660	-
911 Service				
Other Expenses	528	528	528	-
Streets and Road Maintenance				
Salaries & Wages		-		-
Other Expenses	84,460	84,460	59,595	24,865
Garbage and Trash Removal				
Other Expenses	7,813	7,813	6,455	1,358
Building and Grounds				
Other Expenses	2,207	2,207	1,008	1,199
Animal Control Service				
Other Expenses	927	927	405	522
Parks and Playgrounds				
Other Expenses	12,828	12,828	11,578	1,250
Emergency Management Services				
Other Expenses	2,260	2,260	2,252	8
Aid to Volunteer Fire Companies	7,780	7,780	7,780	-
Electricity	3,070	3,070	2,381	689
Street Lighting	428	428	307	121
Telephone	3,543	3,543	673	2,870
Heating Oil	3,200	3,200	1,224	1,976
Gasoline	1,430	1,430	72	1,358
Unemployment Compensation Insur.	1,000	1,000	88	912
Other Accounts - No Changes	18,296	18,296		18,296
	<u>161,825</u>	<u>161,825</u>	<u>105,364</u>	<u>56,461</u>
Reserves	55,209	A-4	105,364	A-1
Encumbrances	50,155	A	-	
	<u>105,364</u>		<u>105,364</u>	

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX

	<u>Ref.</u>		
Balance December 31, 2010			
School Tax Payable		\$ 305,150	
Deferred School Tax		460,000	
		<u> </u>	765,150
Increased By:			
Levy for School Year 2011	A-1:A-5		<u>1,494,257</u>
			2,259,407
Decreased By:			
Payments	A-4		<u>1,512,281</u>
Balance December 31, 2011			
School Tax Payable		\$ 287,126	
Deferred School Tax		460,000	
		<u> </u>	<u>\$747,126</u>
2011 Liability for Local School Tax:			
Tax Paid			1,512,281
Tax Payable December 31, 2011			<u>747,126</u>
			2,259,407
Less: Tax Payable December 31, 2010			<u>765,150</u>
Amount Charged to 2011 Operations	A-1		<u><u>\$1,494,257</u></u>

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

Grant	Balance Dec. 31, 2010	Transferred from 2011 Budget Revenues	Received	Canceled	Balance Dec. 31, 2011
Federal:					
Help America Vote Act		8,575			8,575
State of New Jersey:					
New Jersey Transportation Grant					
Church	\$ 112,951				112,951
Mill Road		67,000	39,976		27,024
Clean Communities Program		4,000	4,000		-
Wetland Preservation Park	6,508				6,508
Dept. of Environmental Protection	1,705				1,705
Alcohol Education Rehabilitation		431	431		-
Department of Housing and Urban Development					
Community Development Block Grant	8,600				8,600
Atlantic County Municipal Alliance	5,825				9,265
Atlantic County Open Spaces	61,804		6,400		61,804
Atlantic County Open Spaces - 6	2,983				2,983
Atlantic County Open Spaces - 8	400,000				400,000
	<u>\$ 600,376</u>	<u>89,846</u>	<u>50,807</u>	<u>-</u>	<u>639,415</u>
Ref. A		A-2		A-10	A
		Unappropriated Reserves			
		Cash A-4	50,807		
			<u>\$ 50,807</u>		

**STATE GRANT FUND
SCHEDULE OF APPROPRIATED RESERVE FOR FEDERAL AND STATE GRANTS**

Grant	Balance Dec. 31, 2010	Transferred from 2011 Budget Appropriations	Expended	Prior Encumbered Reversed	Encumbered	Canceled	Balance Dec. 31, 2011
Federal:							
Help America Vote Act		8,575					8,575
State of New Jersey:							
Recycling Tonnage	4,367						4,367
Clean Communities Grant	1,984	4,000	3,997				1,987
New Jersey Transportation Grant							
Church	100,698		39,073				61,625
Mill Road		67,000	59,912				7,088
Alcohol Education Rehabilitation	2,151	431					2,582
Dept. of Environmental Protection	4,444						4,444
Department of Housing and Urban Development							
Community Development Block Grant	7,075						7,075
County:							
Atlantic County Drug Alliance- County	11,718				170		15,034
Atlantic County Drug Alliance- Local	8,980	9,840	6,354				11,440
Atlantic County Open Spaces - 4	30,992	2,460					30,992
Atlantic County Open Spaces - 7							-
Atlantic County Open Spaces - 9	393,760						393,760
	<u>566,169</u>	<u>92,306</u>	<u>109,336</u>	<u>-</u>	<u>170</u>	<u>-</u>	<u>548,969</u>
Ref. A		A-3	A-4		A	A-9	A

See Accompanying Auditor's Report

**STATE GRANT FUND
SCHEDULE OF UNAPPROPRIATED RESERVE FOR FEDERAL AND STATE GRANTS**

<u>Grant</u>	Balance Dec. 31, 2010	Transferred to	2011 Budget Appropriations	Received	Balance Dec. 31, 2011
Alcohol Education Rehabilitation	\$ -			2,277	2,277
	\$ -		-	2,277	2,277

Ref. A A-10

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

	<u>Ref.</u>	<u>Animal Control</u>	<u>Other</u>
Balance December 31, 2010	B	\$ <u>1,680</u>	\$ <u>92,920</u>
Increased by Receipts:			
Dog License Fees	B-3	442	
Dog License Fees - State Share	B-5	183	
Unemployment Deposits	B-6		1,069
Contractors Deposits	B-7		4,900
Sanitary Landfill	B-8		2
Recycling	B-9		13
Due Current	B-11	-	101
Celebration Receipts	B-12		346
Municipal Open Space Tax Levy	B-13		15,865
Recreation Receipts	B-14		1
		<u>625</u>	<u>22,297</u>
		<u>2,305</u>	<u>115,217</u>
Decreased by Disbursements:			
Due to State of New Jersey	B-5	185	
Dog Fund Expenditures	B-3	185	
Payments to Contractors	B-7		24,907
Municipal Celebration Expenditures	B-12		220
Open Space Expenditures	B-13		3,500
Recreation Expenditures	B-14		61
		<u>370</u>	<u>28,688</u>
Balance December 31, 2011	B	\$ <u><u>1,935</u></u>	\$ <u><u>86,529</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES**

	Ref.		
Balance December 31, 2010	B		\$ 890
Increased by:			
Dog License Fees Collected	B-2		442
			1,332
Decreased by:			
Statutory Excess		288	
Expenditures		185	
			473
Balance December 31, 2011	B		\$ 859

License Fees Collected:

Year	Amount
2010	\$ 332
2009	527
	\$ 859

Exhibit B-4

TRUST FUND
 SCHEDULE OF AMOUNT DUE TO/(FROM) CURRENT FUND - DOG LICENSE FUND

	<u>Ref.</u>		
Balance December 31, 2010	B	\$	823
Increased by:			
Statutory Excess			288
			<hr/>
			1,111
Decreased by:			
Payments	B-2		<hr/>
Balance December 31, 2011	B	\$	<u><u>1,111</u></u>

Exhibit B-5

SCHEDULE OF AMOUNT DUE TO/(FROM) STATE OF NEW JERSEY - DEPARTMENT OF HEALTH

	<u>Ref.</u>		
Balance December 31, 2010	B	\$	(33)
Increased by:			
2011 State License Fees	B-2		183
			<hr/>
			150
Decreased by:			
Disbursements to the State	B-2		185
			<hr/>
Balance December 31, 2011	B	\$	<u><u>(35)</u></u>

**TRUST FUND
SCHEDULE OF UNEMPLOYMENT COMPENSATION
OTHER TRUST FUNDS**

	<u>Ref.</u>		
Balance December 31, 2010	B		\$ 3,782
Increased by:			
Transfer from Current		\$ 1,046	
Other receipts	B-2	<u>23</u>	
			<u>1,069</u>
			4,851
Decreased by:			
Payments	B-2		<u>-</u>
Balance December 31, 2011	B		<u>\$ 4,851</u>

**TRUST FUND
SCHEDULE OF CONTRACTORS DEPOSITS
OTHER TRUST FUNDS**

	<u>Ref.</u>		
Balance December 31, 2010	B		\$ 22,586
Increased by:			
Contractors Deposits	B-2	\$ <u>4,900</u>	
			<u>4,900</u>
			27,486
Decreased by:			
Payments for Contractors	B-2	<u>24,907</u>	
			<u>24,907</u>
Balance December 31, 2011	B		<u>\$ 2,579</u>

TRUST FUND
SCHEDULE OF RESERVE FOR SANITARY LANDFILL CLOSURE
OTHER TRUSTS FUNDS

	<u>Ref.</u>		
Balance December 31, 2010		\$	449
Increased by:			
Miscellaneous	B-2	\$	<u>2</u>
			<u>2</u>
Decreased by:			
Payments to Engineer	B-2	\$	<u>-</u>
			<u>-</u>
Balance December 31, 2011		\$	<u><u>451</u></u>

SCHEDULE OF RESERVE FOR RECYCLING TRUST
OTHER TRUST FUNDS

	<u>Ref.</u>		
Balance December 31, 2010	B	\$	2,691
Increased by:			
Municipal Recycling Receipts	B-2		<u>13</u>
			2,704
Decreased by:			
Recycling Expenditures	B-2		<u>-</u>
Balance December 31, 2011	B	\$	<u><u>2,704</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR LOSAP TRUST
OTHER TRUST FUNDS
(Unaudited)**

	<u>Ref.</u>		
Balance December 31, 2010	B		\$ 110,150
Increased by Receipts:			
Deposits from Budget	A-3	<u>11,500</u>	<u>11,500</u>
			121,650
Decrease by Payments			
Depreciation of Investments		518	
Administrative Fees		<u>550</u>	
			<u>1,068</u>
Balance December 31, 2011	B		\$ <u><u>120,582</u></u>

Exhibit B-11

**SCHEDULE OF DUE TO CURRENT FUND
OTHER TRUST FUNDS**

	<u>Ref.</u>		
Balance December 31, 2010	B	\$	14,815
Increased by:			
Due from Tax Title Lien Redemption - Interest	B-2	7	
Due from Contractors Deposits - Interest	B-2	94	
Municipal Open Space Expenditures	B-13	<u> </u>	<u>101</u>
			14,916
Decreased by:			
Payment to Current Fund	B-2	<u> </u>	<u> </u>
Balance December 31, 2011	B	\$	<u><u>14,916</u></u>

Exhibit B-12

**SCHEDULE OF RESERVE FOR CELEBRATION TRUST
OTHER TRUST FUNDS**

	<u>Ref.</u>		
Balance December 31, 2010	B	\$	53
Increased by:			
Municipal Celebration Receipts	B-2	<u>346</u>	
			399
Decreased by:			
Celebration Expenditures	B-2	<u>220</u>	
Balance December 31, 2011	B	\$	<u><u>179</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR OPEN SPACE TRUST
OTHER TRUST FUNDS**

	<u>Ref.</u>		
Balance December 31, 2010	B		\$ 48,344
Increased by Receipts:			
Tax Levy	B-2	15,559	
Interest Earned		<u>306</u>	
			15,865
			<hr style="width: 100%;"/>
			64,209
Decreased by:			
Acquisition of Land	B-11		<u>3,500</u>
Balance December 31, 2011	B		<u>\$ 60,709</u>

**TRUST FUND
SCHEDULE OF RESERVE FOR RECREATION TRUST
OTHER TRUST FUNDS**

	<u>Ref.</u>		
Balance December 31, 2010	B		\$ 200
Increased by Receipts:			
Recreation Fees Collected	B-2		1
			<hr style="width: 100%;"/>
			201
Decreased by:			
Recreation Expenditures	B-2		<u>61</u>
Balance December 31, 2011	B		<u>\$ 140</u>

GENERAL CAPITAL FUND
 SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2010	C	\$ 169
No current year activity		
Balance December 31, 2011	C	<u>\$ 169</u>

GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance Dec. 31, 2010	Receipts		Disbursements		Transfers	Balance Dec. 31, 2011
		Bond Anticipation Notes	Miscellaneous	Improvement Authorizations	Miscellaneous		
Fund Balance	\$ 29,917						29,917
Capital Improvement Fund	17,487					50,000	487
Due from Current Fund	(57,008)					983,000	(1,036,609)
<u>Improvement Authorizations:</u>							
<u>Ordinance</u>							
<u>Number</u>							
03-11 Construction of New City Hall/Backhoe	9,773					3,399	996,601
01-02 Constr of park and Landfill Closure						1,000,000	9,773
	\$ 169	-	-	-	-	1,036,399	169
C		C-2	C-2	C-2	C-2	1,036,399	C:C-2

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2010	Improvement Authorization	Budget Appropriation	Canceled	Balance Dec. 31, 2011	Analysis of Balance December 31, 2011		Unexpended Improvement Authorization
							Financed by Bond Anticipation Notes	Expended	
3-2011	Construction of New City Hall/Backhoe	\$ -	950,000	-	-	950,000	950,000	-	
		\$ -	950,000	-	-	950,000	950,000	-	
		C	C-2:C-6			C	C-8		C-6

See Accompanying Auditor's Report

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

Ordinance Number	Improvement Description	Date of Issue of Original Note	Balance Dec. 31, 2010	Increase	Decrease	Balance Dec. 31, 2011
3-2011	Construction of New City Hall/Backhoe	09/28/11	\$ -	950,000		950,000
		Ref.	\$ -	950,000	-	950,000
			C	C-2	C-2	C

GENERAL CAPITAL FUND
STATEMENT OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2010		2011 Authorizations Capital Improvement Fund	Deferred Charge to Future Taxation	Paid or Charged	Encumbrances	Canceled	Balance Dec. 31, 2011	
				Funded	Unfunded						Funded	Unfunded
03-11	Construction of New City Hall/Backhoe	08/23/11	1,000,000	9,773		50,000	950,000	3,399			46,601	950,000
01-02	Const of Park and Landfill Closure	03/15/03	14,000								9,773	
				\$ 9,773		50,000	950,000	3,399			56,374	950,000
				C	C	C-4		C-2		C-1	C	C

See Accompanying Auditor's Report

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

Balance December 31, 2010	<u>Ref.</u> C	\$ 17,487
Increased by:		
Budget Appropriation	A-3:C-2	33,000
		50,487
Decreased by:		
Appropriated to Finance Preliminary Costs		50,000
Balance December 31, 2011	C	\$487

GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
FOR THE YEAR ENDED DECEMBER 31, 2011

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2010</u>	<u>2011 Authorizations</u>	<u>BANs Issued</u>	<u>Funded by Budget Appropriations</u>	<u>Balance Dec. 31, 2011</u>
<u>General Improvements</u>						
03-11	Construction of New City Hall/Backhoe	\$ -	950,000	950,000		-
		<u>\$ -</u>	<u>950,000</u>	<u>950,000</u>	<u>-</u>	<u>-</u>

CITY OF PORT REPUBLIC

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2011

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

GENERAL COMMENTS

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

N.J.S. 40A:11-4 states, "Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding the aggregate \$17,500."

The governing body of the City of Port Republic has the responsibility of determining whether the expenditures in any category will exceed \$17,500 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the City's counsel's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising.
Construction of new City Hall

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

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

Our examination of expenditures did not reveal any payments in excess of \$17,500 "for the performance of any work or the furnishing or hiring of any materials or supplies" other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body, on January 4, 2011, adopted the following resolution authorizing interest to be charged on delinquent taxes:

"BE IT RESOLVED by the City Council of the City of Port Republic, in accordance with N.J.S.A. 54:4-67, which authorizes the Governing Body to fix the rate of interest to be charged, in the City of Port Republic, for the nonpayment of taxes and assessments, said rate of interest shall be and is hereby fixed at eight percent (8%) per annum on the first \$1,500 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount in excess of \$1,500 of the delinquent to be calculated from the date when the taxes and assessments become delinquent. There will be a ten (10) day grace period of quarterly tax payments made by cash, check or money order."

Our examination of interest collected on delinquent taxes did not reveal any charges that were not in agreement with the above resolution.

Delinquent Taxes and Tax Title Liens

No tax sale was necessary for 2011.

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	4
2010	4
2009	0

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

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and 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	10
Delinquent Taxes	5
Municipal Court	10
Tax Title Liens	1

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

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collections</u>
2011	\$2,545,647	2,469,350	97.00%
2010	2,484,649	2,401,352	96.65%
2009	2,447,001	2,375,623	97.08%
2008	2,379,659	2,329,972	97.91%
2007	2,287,941	2,237,705	97.80%

Comparative Schedule of Tax Rate Information

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Tax Rate	3.269	3.188	3.157	3.122	3.075
Apportionment of Tax Rate:					
Municipal	0.656	0.574	0.620	0.631	0.609
Municipal Open Space	0.019	0.020	0.020	0.020	0.020
County	0.674	0.625	0.636	0.592	0.595
Local School	1.920	1.969	1.881	1.879	1.851
Assessed Valuation	77,796,121	77,705,854	77,267,839	75,557,356	73,058,758

Delinquent Taxes and Tax Title Liens

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

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2011	15,378	71,354	86,732	3.49%
2010	10,435	73,223	83,658	3.37%
2009	0	70,771	70,771	2.89%
2008	0	51,135	51,135	2.15%
2007	0	47,659	47,659	2.08%

FINDINGS AND RECOMMENDATIONS

11-1. Criteria

Interfund balances should be eliminated prior to year end.

Condition

The various balance sheets of the City contain many interfund balances.

Cause

Interfunds were caused by payments of expenditures being made prior to receipt of all grant funds, therefore all disbursements must be made through the current fund.

Effect

The creation of interfunds has a negative effect on the fund balance and cash and reduces the effect of fund accounting whereby each fund must stand on its own.

Recommendation

That the City do all possible to eliminate interfunds prior to year end.

Management Response

The City will make every effort to interfunfs prior to year end.

STATUS OF PRIOR RECOMMENDATIONS

1. That all interfunds be liquidated prior to the end of the year.

This recommendation was not cleared in 2011.

Management Response - The City will investigate the feasibility of opening individual bank accounts.

RECOMMENDATIONS

1. ** That all interfunds are liquidated.

** Recommendation made in prior year.

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

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

Very truly yours,

Ford, Scott & Associates, LLC

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

Kenneth W. Moore

**Kenneth W. Moore, CPA
Registered Municipal Accountant
No. 231**

February 24, 2012