

CITY OF PORT REPUBLIC

ATLANTIC COUNTY

NEW JERSEY

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2012**

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CITY OF PORT REPUBLIC

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2012

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Port Republic, as of December 31, 2012 and 2011, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the the United States of America, the financial position of each fund of the City of Port Republic as of December 31, 2012 and 2011, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Note 16 of the financial statements, the City participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$117,954 and \$120,582 for 2012 and 2011 respectively were not audited and, therefore, we express no opinion on the LOSAP program.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2012 and 2011, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2012 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Port Republic's basic financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2013 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* in considering the City of Port Republic's internal control over financial reporting and compliance.

Kenneth Moore

Kenneth Moore, CPA, RMA #231

Ford Scott & Associates, LLC

Ford Scott & Associates, LLC

February 22, 2013

EXHIBIT A - CURRENT FUND

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

<u>Assets</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Regular Fund:			
Cash:			
Treasurer	A-4	\$ 1,838,518	\$ 1,907,259
Change Fund		100	25
		<hr/>	<hr/>
		1,838,618	1,907,284
		<hr/>	<hr/>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-5	118,363	71,354
Tax Title Liens Receivable	A-6	20,369	15,378
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	1,439	2,620
Due From:			
Grant Fund	A	60,730 ✓	87,999
Dog Trust	B	1,620	1,111
Open Space Trust	B	18,671	13,041
Other Trust Funds	B	4,402 ✓	1,875
		<hr/>	<hr/>
		1,534,995	1,502,779
		<hr/>	<hr/>
Deferred Charges:			
Special Emergency		27,683	36,911
Overexpenditures of Appropriations		-	11,433
		<hr/>	<hr/>
		27,683	48,344
		<hr/>	<hr/>
		3,401,296	3,458,407
		<hr/>	<hr/>
Federal and State Grant Fund:			
State Grants Receivable	A-10	342,457	639,415
		<hr/>	<hr/>
		342,457	639,415
		<hr/>	<hr/>
		<u>\$ 3,743,753</u>	<u>\$ 4,097,822</u>

See Accompanying Notes to Financial Statements

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

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-8	\$ 72,833	\$ 59,989
Reserve for Encumbrances		24,154	11,557
Prepaid Taxes		37,722	37,913
Tax Overpayments		89	94
County of Atlantic - Added Taxes		1,766	363
Local School District Tax Payable	A-9	296,789	287,126
Due to State of New Jersey -			
Construction Training Fees		-	864
Veterans and Senior Citizens		13,649	13,649
Marriage License Fees		-	150
Due to:			
General Capital	C	<u>912,638</u>	<u>1,036,609</u>
		1,359,640	1,448,314
Reserves for Receivables and Other Assets	A	1,534,995	1,502,779
Fund Balance	A-1	<u>506,661</u>	<u>507,314</u>
		<u>3,401,296</u>	<u>3,458,407</u>
Federal and State Grant Fund:			
Reserve for Encumbrances		-	170
Due to Current Fund		60,730	87,999
Reserve for State Grants			
Appropriated	A-11	277,902	548,969
Unappropriated	A-12	<u>3,825</u>	<u>2,277</u>
		<u>342,457</u>	<u>639,415</u>
		<u>\$ 3,743,753</u>	<u>\$ 4,097,822</u>

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

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Revenue and Other Income Realized			
Fund Balance Utilized	A-2	\$ 100,000	\$ 94,000
Miscellaneous Revenue Anticipated	A-2	287,081	466,737
Receipts from Delinquent Taxes	A-2	63,550	73,223
Receipts from Current Taxes	A-2	2,463,896	2,469,350
Non Budget Revenue	A-2	49,233	91,947
Other Credits to Income:			
Interfund Returned		21,795	
Unexpended Balance of Approp Reserves	A-8	<u>57,903</u>	<u>56,461</u>
Total Income		<u>3,043,458</u>	<u>3,251,718</u>
Expenditures			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	266,981	287,087
Other Expenses	A-3	500,100	498,828
Deferred Charges and Statutory			
Expenditures	A-3	70,834	167,329
Capital Improvements	A-3	13,000	110,000
Debt Service		32,437	-
County Tax		527,590	522,623
County Share of Added Taxes		1,766	363
Municipal Open Space Taxes		15,559	15,559
Local District School Tax	A-8	1,513,583	1,494,257
Interfund Created		2,261	54,380
Refund of Prior Year Revenue		<u>-</u>	<u>392</u>
Total Expenditures		<u>2,944,111</u>	<u>3,150,818</u>
Excess in Revenue		<u>\$ 99,347</u>	<u>\$ 100,900</u>

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

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Adjustments to Income before Fund Balance:			
Expenditures included above which are by Statute deferred Charges to Budget of Succeeding Year		\$ -	\$ 11,433
Statutory Excess to Fund Balance		99,347	112,333
Fund Balance January 1	A	<u>507,314</u>	<u>488,981</u>
		606,661	601,314
Decreased by:			
Utilization as Anticipated Revenue	A-1:A-2	<u>100,000</u>	<u>94,000</u>
Balance December 31	A	<u>\$ 506,661</u>	<u>\$ 507,314</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Ref.	Anticipated Budget	Special N.J.S. 40A:4-87	Realized	Excess or (Deficit)
		\$	\$	\$	\$
Fund Balance Anticipated	A-1	100,000	-	100,000	-
Miscellaneous Revenues:					
Section A: Local Revenues					
Fines and Costs:					
Municipal Court	A-7	29,000		21,293	(7,707)
Interest and Costs on Taxes	A-7	12,500		11,037	(1,463)
Interest on Investments and Deposits	A-7	5,000		6,531	1,531
Communication Tower Rental - Bell Atlantic Nynex & Sprint	A-7	60,000		61,531	1,531
Total Section A		106,500	-	100,392	(6,108)
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:					
Clean Communities Program	A-10		4,000	4,000	-
Alcohol Education, Rehabilitation and Enforcement Fund	A-10		378	378	-
Municipal Alliance on Alcohol and Drug Abuse	A-10		6,004	6,004	-
Total Section F		-	10,382	10,382	-

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Ref.	Anticipated Budget	Special N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Total Miscellaneous Revenues	A-1	\$ 282,807	\$ 10,382	\$ 287,081	\$ (6,108)
Receipts from Delinquent Taxes	A-1:A-2	70,500		63,550	(6,950)
Amount to be Raised by Taxes for Support of Municipal Budget					
a) Local Tax for Municipal Purposes	A-2	513,123		498,732	(14,391)
Total Amount to Be Raised by Taxes		<u>513,123</u>	<u>-</u>	<u>498,732</u>	<u>(14,391)</u>
Budget Totals		<u>966,430</u>	<u>10,382</u>	<u>949,363</u>	<u>(27,449)</u>
Non-Budget Revenues:					
Other Non-Budget Revenue	A-2			49,233	49,233
	Ref.	<u>\$ 966,430</u>	<u>\$ 10,382</u>	<u>\$ 998,596</u>	<u>\$ 21,784</u>
		A-3	A-3		

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	<u>Ref.</u>	
Analysis of Realized Revenues		
Allocation of Current Tax Collections:		
Revenue from Collections	A-1:A-5	\$ 2,463,896
Allocated to:		
School, County Taxes, Muni Open Spaces		<u>2,058,498</u>
Balance for Support of Municipal Budget Appropriations		405,398
Increased by:		
Appropriation "Reserve for Uncollected Taxes"	A-3	<u>93,334</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>498,732</u></u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collections	A-5	<u>63,550</u>
		\$ <u><u>63,550</u></u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

Ref.

Analysis of Non-Budget Revenue

Miscellaneous Revenue not Anticipated:

Building Permits	\$ 12,993	
Tax Collector	3,164	
Reimbursement	16,828	
Treasurer	14,340	
FEMA	1,908	
	<hr/>	
	A-1:A-2	<u>\$ 49,233</u>

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled	Over-expended
	Budget	Budget After Modification		Encumbered	Reserved		
GENERAL GOVERNMENT:							
Mayor and Council							
Salaries and Wages	\$ 4,200	\$ 4,200	\$ 4,200	\$ -	\$ -	\$ -	\$ -
Other Expenses	1,500	1,608	1,607	-	1	-	-
Municipal Clerk							
Salaries And Wages	96,500	91,800	90,799		1,001		
Other Expenses	43,250	31,250	27,007	3,442	801		
Financial Administration							
Salaries and Wages	4,450	4,450	4,171		279		
Other Expenses	18,800	11,200	9,127	2,002	71		
Audit Service							
Other Expenses	23,500	23,500	21,500		2,000		
Revenue Administration (Tax Collector)							
Salaries and Wages	10,760	10,760	10,760		-		
Other Expenses	5,825	3,825	3,623		202		
Assessment of Taxes							
Salaries and Wages	10,457	10,457	10,456		1		
Other Expenses	1,695	1,695	712	127	856		
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	26,000	34,000	28,673	1,686	3,641		
Engineering Services and Costs							
Other Expenses	6,250	16,250	15,856		394		

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Appropriations		Expended		Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered		
Municipal Court	\$ 19,000	\$ 19,000	\$ 15,847	\$ -	\$ 3,153	\$ -
Salaries & Wages	9,175	9,175	3,946	242	4,987	-
Other Expenses						
Public Defender	750	750	750	-	-	-
Other Expenses						
LAND USE ADMINISTRATION:						
Municipal Land Use Law (N.J.S.A. 40:55D-1)						
Planning Board	1,000	1,000	433		567	
Salaries and Wages	1,000	1,535	1,535		-	
Other Expenses						
INSURANCE:						
Disability Insurance	400	400	185		215	
Liability Insurance	40,600	40,600	38,770		1,830	
Group Insurance Plan for Employees	67,000	67,000	58,194		8,806	
PUBLIC SAFETY:						
Police Department						
911 Service	2,000	2,000			2,000	
Emergency Management Service						
Salaries and Wages	400	4,745	3,958		787	
Other Expenses	5,000	2,400	2,321		79	
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, 2012
(CONTINUED)**

	Appropriations		Expended		Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered		
Municipal Prosecutor Salaries and Wages Other Expenses	\$ 6,461	\$ 6,461	\$ 5,922	\$ -	\$ 539	\$ -
PUBLIC WORKS:						
Streets and Road Maintenance						
Salaries and Wages	71,100	66,100	59,423		6,677	
Other Expenses	20,000	19,600	10,544	3,606	5,450	
Garbage and Trash Removal						
Salaries and Wages	6,600	7,243	7,243		-	
Other Expenses	92,000	88,876	78,574	9,079	1,223	
Building and Grounds						
Salaries and Wages	2,281	2,233	2,233		-	
Other Expenses	15,000	17,884	16,999	885	-	
Gypsy Moth Program						
Other Expenses	1	1			1	
HEALTH AND HUMAN SERVICES:						
Animal Control Service (Dog Regulation)						
Other Expenses	2,000	2,055	1,321	734	-	
Aid to Outreach	2,000	2,000			2,000	
PARKS AND RECREATION:						
Parks and Playgrounds						
Salaries and Wages	8,600	7,348	7,347		1	
Other Expenses:						
Miscellaneous	1,500	1,500	1,342		158	
Other Expenses						

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(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	\$ 11,445	\$ 12,145	\$ 12,144	\$ -	\$ 1	\$ -
Other Expenses	100	554	554	-	-	-
Plumbing Inspector						
Salaries and Wages	2,601	2,601	2,601	-	-	-
Building Inspector						
Salaries and Wages	2,601	2,601	2,601	-	-	-
Electrical Inspector						
Salaries and Wages	3,382	3,382	3,381	-	1	-
Fire Protection Official						
Salaries and Wages	-	-	-	-	-	-
UNCLASSIFIED:						
Celebration of Public Events	5,200	5,200	5,128	-	72	-
UTILITY EXPENSES AND BULK PURCHASES:						
Electricity	5,600	7,100	6,259	566	275	-
Street lighting	23,000	23,000	18,849	-	4,151	-
Telephone	8,500	8,500	6,718	727	1,055	-
Heating Oil	7,000	7,000	882	1,058	5,060	-
Gasoline	6,200	6,700	6,563	-	137	-
TOTAL OPERATIONS WITHIN "CAPS"	751,239	742,239	656,513	24,154	61,572	-
Contingent	-	-	-	-	-	-
TOTAL OPERATIONS INCLUDING CONTINGENT	751,239	742,239	656,513	24,154	61,572	-

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Appropriations		Expended		Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered		
Detail:	\$ 272,293	\$ 266,981	\$ 253,974	\$ -	\$ 13,007	\$ -
Salaries and Wages	478,946	475,258	402,539	24,154	48,565	-
Other Expenses						
DEFERRED CHARGES AND STATUTORY EXPENDITURES:						
Overexpenditures	11,433	11,433	11,433	-	-	-
STATUTORY EXPENDITURES:						
Contribution to:						
Public Employees' Retirement System	25,433	25,433	25,433	-	-	-
Social Security	22,400	22,400	18,386		4,014	
Unemployment Compensation Insurance	2,000	2,000			2,000	
Defined Contribution Retirement	340	340	279		61	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES	61,606	61,606	55,531	-	6,075	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	812,845	803,845	712,044	24,154	67,647	-
OPERATIONS - EXCLUDED FROM "CAPS" LOSAP	12,000	12,000	7,475		4,525	
Total Other Operations - Excluded from "CAPS"	12,000	12,000	7,475	-	4,525	-

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Appropriations		Expended		Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered		
OPERATIONS - EXCLUDED FROM "CAPS"						
Public and Private Programs Offset by Revenues						
Municipal Alliance Program	\$ -	\$ 6,004	\$ 6,004	\$ -	\$ -	\$ -
Municipal Alliance Program - Local Match	2,460	2,460	2,460	-	-	-
Alcohol Education Rehabilitation		378	378	-	-	-
Clean Communities Program		4,000	4,000	-	-	-
Total Public and Private Programs Offset by Revenue	2,460	12,842	12,842	-	-	-
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	14,460	24,842	20,317	-	4,525	-
Detail:						
Salaries and Wages	-	-	-	-	-	-
Other Expenses (Including Contingent)	14,460	24,842	20,317	-	4,525	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"						
Capital Improvement Fund						
Engineer Costs for Capital Projects		9,000	9,000	-	-	-
Purchase of Equipment (Radar)		-	-	-	-	-
NJ Transportation Trust Fund Auth Act - Mill Rd.	4,000	4,000	3,339	-	661	-
TOTAL CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"	4,000	13,000	12,339	-	661	-

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Appropriations		Expended		Unexpended Balance Canceled	Over- expended																																																	
	Budget	Budget After Modification	Paid or Charged	Encumbered			Reserved																																																
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"																																																							
Payment of Bond Anticipatio Notes & Capital Notes	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ -																																																	
Interest on Notes	22,563	22,563	22,437	-	-	126																																																	
TOTAL MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"	32,563	32,563	32,437	-	-	126																																																	
DEFERRED CHARGES:																																																							
Emergency Authorizations	9,228	9,228	9,228	-	-	-																																																	
TOTAL DEFERRED CHARGES - MUNICIPAL EXCLUDED FROM "CAPS"	9,228	9,228	9,228	-	-	-																																																	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"																																																							
	60,251	79,633	74,321	-	5,186	126																																																	
SUBTOTAL GENERAL APPROPRIATIONS																																																							
	873,096	883,478	786,365	24,154	72,833	126																																																	
Reserve for Uncollected Taxes	93,334	93,334	93,334	-	-	-																																																	
TOTAL GENERAL APPROPRIATIONS	966,430	976,812	879,699	24,154	72,833	126																																																	
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%;"></td> <td style="width: 10%; text-align: center;">A-2</td> <td style="width: 10%; text-align: center;">A-1</td> <td style="width: 10%; text-align: center;">A</td> <td style="width: 10%; text-align: center;">A:A-1</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td>Budget Appropriations by 40A:4-87</td> <td style="text-align: right;">\$ 966,430</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td></td> <td style="text-align: right;">10,382</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>\$ 976,812</u></td> <td style="text-align: right;"><u>-</u></td> <td style="text-align: right;"><u>-</u></td> <td style="text-align: right;"><u>-</u></td> <td style="text-align: right;"><u>-</u></td> <td style="text-align: right;"><u>-</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>879,699</u></td> <td style="text-align: right;"><u>879,699</u></td> <td style="text-align: right;"><u>879,699</u></td> <td style="text-align: right;"><u>879,699</u></td> <td style="text-align: right;"><u>879,699</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>\$ 879,699</u></td> <td style="text-align: right;"><u>879,699</u></td> <td style="text-align: right;"><u>879,699</u></td> <td style="text-align: right;"><u>879,699</u></td> <td style="text-align: right;"><u>879,699</u></td> </tr> </table>								A-2	A-1	A	A:A-1			Budget Appropriations by 40A:4-87	\$ 966,430	-	-	-	-	-		10,382	-	-	-	-	-		<u>\$ 976,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>			-	-	-	-	-			<u>879,699</u>	<u>879,699</u>	<u>879,699</u>	<u>879,699</u>	<u>879,699</u>			<u>\$ 879,699</u>	<u>879,699</u>	<u>879,699</u>	<u>879,699</u>	<u>879,699</u>
	A-2	A-1	A	A:A-1																																																			
Budget Appropriations by 40A:4-87	\$ 966,430	-	-	-	-	-																																																	
	10,382	-	-	-	-	-																																																	
	<u>\$ 976,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>																																																	
		-	-	-	-	-																																																	
		<u>879,699</u>	<u>879,699</u>	<u>879,699</u>	<u>879,699</u>	<u>879,699</u>																																																	
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See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	<u>Ref.</u>	<u>PAID OR CHARGED</u>
Federal and State Grants	A-10	\$ 12,842
Deferred Charges		20,661
Reserve for Uncollected Taxes		93,334
Capital Improvement Fund		9,000
Disbursed	A-4	<u>743,862</u>
		<u>\$ 879,699</u>

EXHIBIT B - TRUST FUNDS

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

<u>Assets</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Animal Control Fund			
Cash	B-2	\$ 2,352	\$ 1,935
Due from the State of New Jersey	B-5	42	35
		<u>2,394</u>	<u>1,970</u>
Length of Service Award Program (unaudited)			
Investments held for LOSAP		<u>117,954</u>	<u>120,582</u>
		<u>117,954</u>	<u>120,582</u>
Other Funds:			
Cash - Treasurer	B-2	<u>88,118</u>	<u>86,529</u>
		<u>88,118</u>	<u>86,529</u>
Total		<u>\$ 208,466</u>	<u>\$ 209,081</u>

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

<u>Liabilities, Reserves, and Fund Balance</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Animal Control Fund			
Due to the Current Fund	A:B-4	\$ 1,620	\$ 1,111
Reserve for Dog Fund	B-3	774	859
		<u>2,394</u>	<u>1,970</u>
Length of Service Award Program (unaudited)			
Reserve for LOSAP	B-10	<u>117,954</u>	<u>120,582</u>
		<u>117,954</u>	<u>120,582</u>
Other Funds:			
Contractors Deposits	B-7	2,579	2,579
Reserves for:			
Unemployment Compensation	B-6	3,485	4,851
Sanitary Landfill Closure Fund	B-8	453	451
Recycling Tonnage Trust	B-9	2,718	2,704
Celebration Trust	B-12	220	179
Municipal Open Space Trust	B-13	55,449	60,709
Recreation Trust	B-14	141	140
Interfunds			
Due to Current Fund	A:B-11	<u>23,073</u>	<u>14,916</u>
		<u>88,118</u>	<u>86,529</u>
Total		<u>\$ 208,466</u>	<u>\$ 209,081</u>

See Accompanying Notes to Financial Statements

EXHIBIT C - GENERAL CAPITAL FUND

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

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>			
Cash	C-2	\$ 9,169	\$ 169
Due from Current Fund		912,638	1,036,609
Deferred Charges to Future Taxation Unfunded	C-4	940,000	950,000
		<u>1,861,807</u>	<u>1,986,778</u>
 <u>Liabilities, Reserves and Fund Balance</u>			
Bond Anticipation Notes	C-5	940,000	950,000
Improvement Authorizations:			
Funded	C-6	9,773	56,374
Unfunded	C-6	872,630	950,000
Capital Improvement Fund	C-7	9,487	487
Fund Balance	C-1	29,917	29,917
		<u>\$ 1,861,807</u>	<u>\$ 1,986,778</u>

There were \$0 and \$0, Bonds and Notes Authorized But Not Issued at December 31, 2012 and December 31, 2011, respectively.

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

	<u>Ref.</u>		
Balance December 31, 2011	C	\$	29,917
No Activity in 2012			-
Balance December 31, 2012	C	<u>\$</u>	<u>29,917</u>

EXHIBIT G - GENERAL FIXED ASSETS

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

	<u>2012</u>		<u>2011</u>
General Fixed Assets:			
Land	\$ 2,060,028	\$	1,807,573
Buildings	111,557		111,557
Transportation Equipment	<u>208,218</u>		<u>141,718</u>
Total General Fixed Assets	<u><u>2,379,803</u></u>		<u><u>2,060,848</u></u>
Investment in General Fixed Assets	\$ <u><u>2,379,803</u></u>	\$	<u><u>2,060,848</u></u>

See Accompanying Notes to Financial Statements

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**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012 and 2011**

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 six 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, 2012 and 2011**

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, 2012 and 2011**

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, 2012 and 2011**

The following schedule is a summarization of the changes in general fixed assets for the calendar year ended December 31, 2012:

	Balance 12/31/2011	Additions	Retirements	Balance 12/31/2012
Land	\$ 1,807,573	252,455		2,060,028
Building	111,557			111,557
Transportation Equipment	141,718	66,500		208,218
	<u>\$ 2,060,848</u>	<u>318,955</u>	<u>-</u>	<u>2,379,803</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, 2012 and 2011**

E. Recent Accounting Pronouncements Not Yet Effective

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61 "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The purpose of the statement is to amend the criteria for reporting and including component units with the primary government. This statement, which is effective for fiscal periods beginning after June 15, 2012, is not anticipated to have any effect on the City's financial reporting.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65 "Items Previously Reported as Assets and Liabilities". This statement, which clarifies the reporting requirements related to deferred assets and liabilities, is effective for fiscal periods beginning after December 15, 2012, is not anticipated to have any effect on the City's financial reporting.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 66 "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62". This statement, which resolves conflicts between Statements No. 10 and No. 54 provides more flexibility in fund classifications for risk based activities, is effective for fiscal periods beginning after December 15, 2012, is not anticipated to have any effect on the City's financial reporting.

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

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27". This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the City's financial reporting.

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

Note 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2012 and 2011 statutory budgets included a reserve for uncollected taxes in the amount of \$93,334 and \$88,943, respectively. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2012 and 2011 statutory budgets was \$100,000 and \$94,000, respectively.

**CITY OF PORT REPUBLIC
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2012 and 2011**

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 2012 calendar year.

<u>Budget Category</u>	<u>Increase</u>	<u>Decrease</u>
Clerk - Other Expenses		(12,000)
Financial Administration - Other Expenses		(7,600)
Legal - Other Expenses	8,000	
Street and Roads - Salaries and Wages		(5,000)
Capital Improvement Fund	9,000	

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2012, the City Council approved total budget insertions in the amount of \$10,382.

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.

Note 3: INVESTMENTS

As of December 31, 2012, 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.

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012 and 2011**

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, 2012 and 2011, \$0 and \$0 of the municipality’s bank balance of \$1,968,734 and \$2,053,167, respectively, was exposed to custodial credit risk.

As of December 31, 2012 and 2011, cash and cash equivalents of the City consisted of the following:

	<u>2012</u>	<u>2011</u>
Checking Account	\$ 1,968,734	\$ 2,053,167

Note 5: LONG TERM DEBT

Summary of Municipal Debt

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Bonds & Notes Issued	\$ 940,000	\$ 950,000	\$ -
Bonds & Notes Authorized But Not Issued			
Net Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 940,000</u>	<u>\$ 950,000</u>	<u>\$ -</u>

**CITY OF PORT REPUBLIC
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2012 and 2011**

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 0.68%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 940,000	\$ -	\$ 940,000
	<u>\$ 940,000</u>	<u>\$ -</u>	<u>\$ 940,000</u>

Net Debt \$940,000 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$139,343,493 = 0.68%.

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 4,877,022
Net Debt	<u>940,000</u>
Remaining Borrowing Power	<u>\$ 3,937,022</u>

Note 6: NOTES PAYABLE

The City had \$940,000 in outstanding bond anticipation notes as of December 31, 2012 payable to Ocean City Home Bank at a rate of .90% interest. The notes payable will mature on September 28, 2013, and will be renewed for another one-year period. It is the intent of the 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, 2012 were as follows:

Current Fund	\$100,000
--------------	-----------

As of the date of this audit report, City Council has not adopted the 2013 Local Municipal Budget.

**CITY OF PORT REPUBLIC
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2012 and 2011**

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>2012</u>	<u>2011</u>
Total Liability	\$ 756,790	\$ 747,126
Deferred	<u>460,000</u>	<u>460,000</u>
Current Liability	<u>\$ 296,790</u>	<u>\$ 287,126</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 12/31/2012</u>	<u>Balance 12/31/2011</u>
Prepaid Taxes	\$ 37,722	\$ 37,913
Cash Liability for Taxes Collected in Advance	<u>\$ 37,722</u>	<u>\$ 37,913</u>

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.shtml>.

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012 and 2011**

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 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 6.64% of covered payroll. The City's contributions to PERS for the years ending December 31, 2012, 2011 and 2010 were \$25,433, \$25,962, and \$18,904 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, 2011, there were 93,323 retirees eligible for post-retirement medical 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 \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

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, 2012, the City provided benefits to 0 retirees. The approximate annual cost of providing these benefits during the year 2012 was \$0.

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012 and 2011**

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.

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>
2012	0	1,868	0	6,629
2011	0	979	0	4,761
2010	0	24	0	3,782

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012 and 2011**

Note 16: 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.

Note 17: INTERFUND BALANCES

As of December 31, 2012, the following interfunds were included on the balance sheets of the various funds of the City of Port Republic:

	Due From	Due To
Current Fund:		
Grant Fund	\$ 60,730	
Animal Control Fund	1,620	
Open Space Trust Fund	18,671	
Other Trust Funds	4,402	
Capital Fund		912,638
Capital Fund:		
Current Fund	912,638	
Grant Fund:		
Current Fund		60,730
Trust Funds		
Current Fund -		
Animal Control Fund		1,620
Open Space Trust Fund		18,671
Other Trust Funds		4,402
	<u>\$ 998,061</u>	<u>998,061</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 2012. 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.

**CITY OF PORT REPUBLIC
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2012 and 2011**

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 2012, \$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, 2012, the following deferred charges are shown on the balance sheets of the various funds:

	<u>Balance</u> <u>12/31/11</u>	<u>Incurred in</u> <u>2012</u>	<u>Raised in</u> <u>2012</u>	<u>Balance</u> <u>12/31/12</u>
Current Fund:				
Special Emergency	\$ 36,911		9,228	27,683
Overexpenditure	11,433		11,433	-
	<u>\$ 48,344</u>	<u>-</u>	<u>20,661</u>	<u>27,683</u>

The required statutory amount will be included in the 2013 Local Municipal Budget.

Note 20: SUBSEQUENT EVENTS

The City has evaluated subsequent events through February 22, 2013, the date which the financial statements were available to be issued and no additional items were noted for disclosure.

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SUPPLEMENTARY INFORMATION

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FORD - SCOTT

& ASSOCIATES, L.L.C.

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Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 22, 2013, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Kenneth Moore

Kenneth Moore, CPA
Register Municipal Accountant
No. 231

Ford Scott & Associates, LLC

Ford Scott & Associates, LLC

February 22, 2013

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal or State Grantor/Pass - Through Grantor/Program Title	Pass-Through Grantor's # or CFDA #	Grant Period	Program or Award Amount	Balance Dec. 31, 2011	Receipts or Revenue Recognized	Disbursements/ Expenditures	Canceled	Balance Dec. 31, 2012	Cumulative Expenditures
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	61,625 7,088		17,320		44,305 7,088	105,695 59,912
Department of Environmental Protection									
Clean Communities Act	4900-765-178920	1/1/12-12/31/12	4,000		4,000	2,729		1,271	2,729
Clean Communities Act	4900-765-178920	1/1/11-12/31/11	4,000	1,987		1,987		-	4,000
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	9735-760-088-Y900-001	1/1/09-12/31/09	933	933				933	-
Alcohol Education Rehabilitation	9735-760-088-Y900-001	1/1/10-12/31/10	1,218	1,218				1,218	-
Alcohol Education Rehabilitation	9735-760-088-Y900-001	1/1/11-12/31/11	431	431				431	-
Alcohol Education Rehabilitation	9735-760-088-Y900-001	1/1/11-12/31/11	378	-	378			378	-
Total State Assistance				77,649	4,378	22,036		59,991	
Federal Assistance									
Housing and Urban Development Community Development Block Grant	14.218	1/1/09-12/31/09	7,075	7,075				7,075	-
Help America Vote Act	N/A	1/1/11-12/31/11	8,575	8,575				8,575	-
Environmental Protection Municipal Storm Grant	66.XXX	1/1/09-12/31/09	4,444	4,444				4,444	-
Total Federal Assistance				20,094	-	-		20,094	

SEE ACCOMPANYING AUDITOR'S REPORT

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	<u>Ref.</u>	<u>Current Fund</u>	
Balance December 31, 2011		\$	1,907,259
Increased by Receipts:			
Taxes Receivable	A-5	\$	2,409,822
Delinquent Taxes	A-2		63,457
Prepaid Taxes	A		37,722
Revenue Accounts Receivable	A-7		276,699
State of New Jersey -			
Marriage Licenses			25
DCA Fees			500
Senior Citizens and Veterans			16,250
Due from Trust			1,663
Miscellaneous Revenue Not Anticipated	A-2		49,233
Due From Grant Fund	A-10		<u>308,888</u>
			<u>3,164,259</u>
			5,071,518
Decreased by Disbursements:			
2012 Appropriations	A-3		752,862
2011 Appropriation Reserves	A-8		13,643
Due To Grant Funds - Reserves	A-11		284,080
Due to Capital Fund			123,972
Due to Trust			3,767
Due to Open Space Trust			21,189
Increase Change Fund			75
State of New Jersey -			
Marriage Licenses			175
DCA Fees			1,364
County Taxes			527,590
County Taxes - Added	A-9		363
Local District School Tax			<u>1,503,920</u>
			<u>3,233,000</u>
Balance December 31, 2012	A	\$	<u><u>1,838,518</u></u>

See Accompanying Auditor's Report

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

YEAR	Balance Dec. 31, 2011	2012 Levy	Added Taxes	Overpayments Created	Overpayments 2011	Collections by Cash 2012	Overpayments Applied	Transfers to Arrears and Cancellations	Transferred to Tax Title Liens	Balance Dec. 31, 2012
2011	\$ 71,354	\$ -	\$ -	\$ -	\$ -	\$ 63,457	\$ 93	\$ -	\$ -	\$ 7,804
2012	71,354	-	-	-	-	63,457	93	-	-	7,804
	2,568,744	12,203	89	37,913	2,426,072	1,501	4,991	110,559		
	\$ 71,354	\$ 2,568,744	\$ 12,203	\$ 89	\$ 37,913	\$ 2,489,529	\$ 93	\$ 1,501	\$ 4,991	\$ 118,363
Ref.	A							A-6		A

Cash Collected	A-4	\$ 2,473,279
Senior Citizen & Veteran Allowances		16,250
		<u>\$ 2,489,529</u>

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

Analysis of 2012 Property Tax Levy

Tax Yield			
General Property Tax		\$2,568,744	
Added Taxes (54:4-63.1,63.12 et.seq.)		<u>12,203</u>	
			<u>\$ 2,580,947</u>
Tax Levy		<u>Ref.</u>	
Local District School Tax (Abstract)	A-9	1,513,583	
County Tax (Abstract)		527,590	
Due County for Added and Omitted Taxes (54:4-63.1,63.12 et. seq.)		1,766	
Municipal Open Space Trust		<u>15,559</u>	
			2,058,498
Local Tax for Municipal Purposes	A-2	513,123	
Add: Additional Tax Levied		<u>9,326</u>	
Local Tax for Municipal Purposes Levied			<u>522,449</u>
			<u>\$2,580,947</u>

**CURRENT FUND
SCHEDULE OF TAX TITLE LIENS**

	<u>Ref.</u>		
Balance December 31, 2011	A	\$	15,378
Increased by:			
Interest and Costs			
Transfers from Taxes Receivable	A-5	\$	4,991
			<u>4,991</u>
			20,369
Decreased by:			
Collections	A-2		<u>-</u>
Balance December 31, 2012	A	\$	<u><u>20,369</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

<u>Ref.</u>	Balance Dec. 31, 2011	Accrued in 2012	Collected	Balance Dec. 31, 2012
A-2	\$	\$ 11,037	\$ 11,037	\$
A-2	2,620	20,112	21,293	1,439
A-2		176,307	176,307	
A-2		61,531	61,531	
A-2		6,531	6,531	
	\$ 2,620	\$ 275,518	\$ 276,699	\$ 1,439
<u>Ref.</u>	<u>A</u>	<u>Res.</u>		<u>A</u>

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

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2011**

	Balance Dec. 31, 2011	Balance After Transfers	Paid or Charged	Balance Lapsed
Financial Administration				
Other Expenses	\$ 4,428	\$ 2,459	\$ 2,433	\$ 26
Legal				
Other Expenses		1,969	1,969	-
Engineer				
Other Expenses	1,787	1,787	947	840
Municipal Court				
Other Expenses	3,077	3,077	89	2,988
Streets and Road Maintenance				
Other Expenses	15,500	15,500	13	15,487
Garbage and Trash Removal				
Other Expenses	12,792	12,792	7,401	5,391
Building and Grounds				
Other Expenses	6,161	6,161	25	6,136
Animal Control Service				
Other Expenses	785	785	493	292
Parks and Playgrounds				
Other Expenses	365	365	80	285
Telephone	814	814	193	621
Other Accounts - No Changes	<u>25,837</u>	<u>25,837</u>		<u>25,837</u>
	<u>\$ 71,546</u>	<u>\$ 71,546</u>	<u>\$ 13,643</u>	<u>\$ 57,903</u>
Reserves	\$ 59,989	A-4	\$ 13,643	A-1
Encumbrances	11,557	A	-	
	<u>\$ 71,546</u>		<u>\$ 13,643</u>	

See Accompanying Auditor's Report

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

	<u>Ref.</u>		
Balance December 31, 2011			
School Tax Payable		\$ 287,126	
Deferred School Tax		<u>460,000</u>	
			\$ 747,126
Increased By:			
Levy for School Year 2012	A-1:A-5		<u>1,513,583</u>
			2,260,709
Decreased By:			
Payments	A-4		<u>1,503,920</u>
Balance December 31, 2012			
School Tax Payable		\$ 296,789	
Deferred School Tax		<u>460,000</u>	
			<u>\$756,789</u>
2012 Liability for Local School Tax:			
Tax Paid			1,503,920
Tax Payable December 31, 2012			<u>756,789</u>
			2,260,709
Less: Tax Payable December 31, 2011			<u>747,126</u>
Amount Charged to 2012 Operations	A-1		<u>\$1,513,583</u>

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

Grant	Balance Dec. 31, 2011	Transferred from 2012 Budget Revenues	Received	Canceled	Balance Dec. 31, 2012
Federal:					
Help America Vote Act	\$ 8,575	\$ -	\$ -	\$ -	\$ 8,575
State of New Jersey:					
New Jersey Transportation Grant	112,951		24,567		88,384
Church Mill Road	27,024		19,936		7,088
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		378	378		-
Department of Housing and Urban Development					
Community Development Block Grant	8,600				8,600
Atlantic County Municipal Alliance	9,265	6,004	6,004		9,265
Atlantic County Open Spaces	61,804				61,804
Atlantic County Open Spaces - 6	2,983				2,983
Atlantic County Open Spaces - 8	400,000		252,455		147,545
	<u>\$ 639,415</u>	<u>\$ 10,382</u>	<u>\$ 307,340</u>	<u>\$ -</u>	<u>\$ 342,457</u>
Ref. A	Unappropriated Reserves	A-2		A-10	A
	Cash A-4		307,340		
			<u>\$ 307,340</u>		

See Accompanying Auditor's Report

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

Grant	Balance Dec. 31, 2011	Transferred from 2012 Budget Appropriations	Expended	Prior Encumbered Reversed	Encumbered	Canceled	Balance Dec. 31, 2012
Federal:							
Help America Vote Act	\$ 8,575	-	-	-	-	-	\$ 8,575
State of New Jersey:							
Recycling Tonnage	4,367						4,367
Clean Communities Grant	1,987	4,000	4,716				1,271
New Jersey Transportation Grant							
Church	61,625		17,320				44,305
Mill Road	7,088						7,088
Alcohol Education Rehabilitation	2,582	378					2,960
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	15,034						15,760
Atlantic County Drug Alliance- Local	11,440	8,464	7,909	171			11,440
Atlantic County Open Spaces - 4	30,992						30,992
Atlantic County Open Spaces - 7	-						-
Atlantic County Open Spaces - 9	393,760		254,135				139,625
	<u>\$ 548,969</u>	<u>\$ 12,842</u>	<u>\$ 284,080</u>	<u>\$ 171</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 277,902</u>

Ref.

A

A-3

A-4

A

A-9

A

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

<u>Grant</u>	Balance Dec. 31, 2011	Transferred to	2012 Budget Appropriations	Received	Balance Dec. 31, 2012
Alcohol Education Rehabilitation	\$ 2,277				2,277
Recycling Tonnage				1,548	1,548
	<u>\$ 2,277</u>		<u>-</u>	<u>1,548</u>	<u>3,825</u>

Ref. A A-10

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

	<u>Ref.</u>	<u>Animal Control</u>	<u>Other</u>
Balance December 31, 2011	B	\$ <u>1,935</u>	\$ <u>86,529</u>
Increased by Receipts:			
Dog License Fees	B-3	585	
Dog License Fees - State Share	B-5	211	
Unemployment Deposits	B-6		50
Sanitary Landfill	B-8		2
Recycling	B-9		14
Due Current	B-11		2,527
Celebration Receipts	B-12		131
Municipal Open Space Tax Levy	B-13		370
Recreation Receipts	B-14		1
		<u>796</u>	<u>3,095</u>
		<u>2,731</u>	<u>89,624</u>
Decreased by Disbursements:			
Due to State of New Jersey	B-5	218	
Dog Fund Expenditures	B-3	161	
Unemployment Deposits	B-6		1,416
Municipal Celebration Expenditures	B-12		90
		<u>379</u>	<u>1,506</u>
Balance December 31, 2012	B	\$ <u><u>2,352</u></u>	\$ <u><u>88,118</u></u>

See Accompanying Auditor's Report

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

	Ref.		
Balance December 31, 2011	B	\$	859
Increased by:			
Dog License Fees Collected	B-2		585
			1,444
Decreased by:			
Statutory Excess Expenditures		\$	509
			161
			670
Balance December 31, 2012	B	\$	774

License Fees Collected:

Year	Amount
2011	\$ 442
2010	332
	\$ 774

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

	<u>Ref.</u>		
Balance December 31, 2011	B	\$	1,111
Increased by:			
Statutory Excess			509
			1,620
Decreased by:			
Payments	B-2		1,620
Balance December 31, 2012	B	\$	1,620

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

	<u>Ref.</u>		
Balance December 31, 2011	B	\$	(35)
Increased by:			
2012 State License Fees	B-2		211
			176
Decreased by:			
Disbursements to the State	B-2		218
Balance December 31, 2012	B	\$	(42)

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

	<u>Ref.</u>		
Balance December 31, 2011	B		\$ 4,851
Increased by:			
Transfer from Current		\$ -	
Other receipts	B-2	<u>50</u>	
			<u>50</u>
			4,901
Decreased by:			
Payments	B-2		<u>1,416</u>
Balance December 31, 2012	B		<u><u>\$ 3,485</u></u>

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

	<u>Ref.</u>		
Balance December 31, 2011	B		\$ 2,579
Increased by:			
Contractors Deposits	B-2	\$ _____	
			<u>-</u>
			2,579
Decreased by:			
Payments for Contractors	B-2	_____	
			<u>-</u>
Balance December 31, 2012	B		<u><u>\$ 2,579</u></u>

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

	<u>Ref.</u>		
Balance December 31, 2011		\$	451
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, 2012		\$	<u><u>453</u></u>

SCHEDULE OF RESERVE FOR RECYCLING TRUST
OTHER TRUST FUNDS

	<u>Ref.</u>		
Balance December 31, 2011	B	\$	2,704
Increased by:			
Municipal Recycling Receipts	B-2		<u>14</u>
			2,718
Decreased by:			
Recycling Expenditures	B-2		<u>-</u>
Balance December 31, 2012	B	\$	<u><u>2,718</u></u>

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

	<u>Ref.</u>		
Balance December 31, 2011	B		\$ 120,582
Increased by Receipts:			
Deposits from Budget	A-3	\$ 7,475	
Appreciation of Assets		<u>10,358</u>	
			<u>17,833</u>
			138,415
Decrease by Payments			
Withdrawals		19,652	
Administrative Fees		<u>809</u>	
			<u>20,461</u>
Balance December 31, 2012	B		<u>\$ 117,954</u>

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

	<u>Ref.</u>		
Balance December 31, 2011	B	\$	14,916
Increased by:			
Due from Tax Title Lien Redemption - Interest	B-2	\$	1
Due from Unemployment Compensation Trust	B-2		2,526
Municipal Open Space Expenditures	B-13		<u>21,189</u>
			<u>23,716</u>
			38,632
Decreased by:			
Municipal Open Space Tax Levy	B-2		<u>15,559</u>
			<u>15,559</u>
Balance December 31, 2012	B	\$	<u>23,073</u>

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

	<u>Ref.</u>		
Balance December 31, 2011	B	\$	179
Increased by:			
Municipal Celebration Receipts	B-2		<u>131</u>
			310
Decreased by:			
Celebration Expenditures	B-2		<u>90</u>
Balance December 31, 2012	B	\$	<u>220</u>

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

	<u>Ref.</u>		
Balance December 31, 2011	B	\$	60,709
Increased by Receipts:			
Tax Levy	B-2	\$	15,559
Other			<u>370</u>
			15,929
			<u>76,638</u>
Decreased by:			
Acquisition of Land	B-11		<u>21,189</u>
Balance December 31, 2012	B	\$	<u><u>55,449</u></u>

Exhibit B-14

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

	<u>Ref.</u>		
Balance December 31, 2011	B	\$	140
Increased by Receipts:			
Other	B-2		1
			<u>141</u>
Decreased by:			
Recreation Expenditures	B-2		<u>141</u>
Balance December 31, 2012	B	\$	<u><u>141</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2011	C	\$ 169
Increased by:		
Transfer from Current Fund		<u>9,000</u>
Balance December 31, 2012	C	<u>\$ 9,169</u>

GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance Dec. 31, 2011	Receipts		Disbursements		Transfers		Balance Dec. 31, 2012
		Bond Anticipation Notes	Miscellaneous	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 29,917	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,917
Capital Improvement Fund	487		9,000					9,487
Due from Current Fund	(1,036,609)		123,971					(912,638)
<u>Improvement Authorizations:</u>								
<u>Ordinance</u>								
<u>Number</u>								
03-11 Construction of New City Hall/Backhoe	996,601			123,971				872,630
01-02 Constr of park and Landfill Closure	9,773							9,773
	\$ 169	\$ -	\$ 132,971	\$ 123,971	\$ -	\$ -	\$ -	\$ 9,169
C		C-2	C-2	C-2	C-2	C-2		C-C-2

See Accompanying Auditor's Report

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2011	Improvement Authorization	Budget Appropriation	Canceled	Balance Dec. 31, 2012	Analysis of Balance December 31, 2012		Unexpended Improvement Authorization
							Financed by Bond Anticipation Notes	Expended	
3-2011	Construction of New City Hall/Backhoe	\$ 950,000		10,000		940,000	940,000		
		\$ 950,000	-	10,000	-	940,000	940,000	-	-
		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, 2011	Increase	Decrease	Balance Dec. 31, 2012
3-2011	Construction of New City Hall/Backhoe	09/28/11	\$ 950,000		\$ 10,000	\$ 940,000
		Ref.	\$ 950,000	C	\$ 10,000	\$ 940,000
				C-2	C-2	C

**GENERAL CAPITAL FUND
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2011		2012 Authorizations		Paid or Charged	Encumbrances	Canceled	Balance Dec. 31, 2012	
				Funded	Unfunded	Capital Improvement Fund	Deferred Charge to Future Taxation				Funded	Unfunded
03-11	Construction of New City Hall/Backhoe	08/23/11	1,000,000	\$ 46,601	\$ 950,000	\$ -	\$ -	\$ 123,971	\$ -	\$ -	\$ -	\$ 872,630
01-02	Constr of Park and Landfill Closure	03/15/03	14,000	9,773							9,773	
				<u>\$ 56,374</u>	<u>\$ 950,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,773</u>	<u>\$ 872,630</u>
				C	C	C-4		C-2		C-1	C	C

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

Balance December 31, 2011	<u>Ref.</u> C	\$ 487
Increased by:		
Budget Appropriation	A-3:C-2	9,000
		9,487
Decreased by:		
Appropriated to Finance Preliminary Costs		9,487
Balance December 31, 2012	C	\$ 9,487

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CITY OF PORT REPUBLIC

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2012

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GENERAL COMMENTS

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

N.J.S. 40A:11-4 states, "Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost 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
Backhoe

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 3, 2012, 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 2012.

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>
2012	4
2011	4
2010	4

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 2013 and 2012 Taxes	10
Delinquent Taxes	5
Municipal Court	5

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>
2012	\$2,580,948	2,463,897	95.46%
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%

Comparative Schedule of Tax Rate Information

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Tax Rate	3.301	3.269	3.188	3.157	3.122
Apportionment of Tax Rate:					
Municipal	0.658	0.656	0.574	0.620	0.631
Municipal Open Space	0.019	0.019	0.020	0.020	0.020
County	0.680	0.674	0.625	0.636	0.592
Local School	1.944	1.920	1.969	1.881	1.879
Assessed Valuation	77,868,427	77,796,121	77,705,854	77,267,839	75,557,356

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>
2012	\$ 20,369	\$ 118,363	\$ 138,732	5.38%
2011	15,378	71,354	86,732	3.49%
2010	10,435	73,223	83,658	3.42%
2009	0	70,771	70,771	2.97%
2008	0	51,135	51,135	2.23%

FINDINGS AND RECOMMENDATIONS

12-1. 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 interfunds 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 2012.

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 22, 2013

