

CITY OF PORT REPUBLIC

ATLANTIC COUNTY

NEW JERSEY

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2017**

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CITY OF PORT REPUBLIC

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2017

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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, 2017 and 2016, 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, 2017, 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 United States of America, the financial position of each fund of the City of Port Republic as of December 31, 2017 and 2016, 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 \$197,006.85 and \$170,614.44 for 2017 and 2016 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 balance sheets and account group as of December 31, 2017 and 2016, 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, 2017 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 the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, is 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 April 20, 2018 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.

Very truly yours,

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

Nancy Sbrolla
Nancy Sbrolla
Certified Public Accountant
Registered Municipal Accountant
No. 542

April 20, 2018

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EXHIBIT A - CURRENT FUND

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

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Regular Fund:		
Cash:		
Cash Treasurer	\$ 1,454,052.11	1,355,685.17
Cash - Change	100.00	100.00
Total Cash	<u>1,454,152.11</u>	<u>1,355,785.17</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	83,258.90	68,864.46
Tax Title and Other Liens	6,678.94	5,627.18
Property Acquired for Taxes - at Assessed Valuation	923,101.00	923,101.00
Property Deeded to the City	386,300.00	386,300.00
Revenue Accounts Receivable	2,011.64	1,461.78
Interfund Receivable:		
Grant Fund	53,023.42	58,187.63
Dog Trust	2,908.13	2,494.65
Other Trust Funds	4,495.88	4,489.82
Total Receivables and Other Assets	<u>1,461,777.91</u>	<u>1,450,526.52</u>
Deferred Charges:		
Special Emergency Appropriation	47,527.00	65,327.00
Total Deferred Charges	<u>47,527.00</u>	<u>65,327.00</u>
Total Regular Fund	<u>2,963,457.02</u>	<u>2,871,638.69</u>
Federal and State Grant Fund:		
Cash	-	-
Federal and State Grants Receivable	465,373.17	465,373.17
Total Federal and State Grant Fund	<u>465,373.17</u>	<u>465,373.17</u>
Total Current Fund	<u>\$ 3,428,830.19</u>	<u>3,337,011.86</u>

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2017</u>	<u>2016</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 62,721.07	85,313.41
Reserve for Encumbrances	16,757.16	25,003.71
Prepaid Taxes	242,597.44	56,302.41
Overpaid Taxes	896.72	896.72
Local School Tax Payable	408,103.04	392,730.06
County Added Tax Payable	5,973.38	1,251.65
Due to State:		
DCA Fees	-	-
Veterans and Senior Citizens	13,862.15	13,149.00
Reserve for Tax Map	700.00	700.00
Reserve for Revaluation	3,469.20	7,984.00
Reserve for Gravel	-	111,854.83
Interfund Payable:		
Open Space Trust	66,641.17	43,663.07
General Capital	20,780.52	15,781.71
	<u>842,501.85</u>	<u>754,630.57</u>
Reserve for Receivables and Other Assets	1,461,777.91	1,450,526.52
Fund Balance	<u>659,177.26</u>	<u>666,481.60</u>
Total Regular Fund	<u>2,963,457.02</u>	<u>2,871,638.69</u>
Federal and State Grant Fund:		
Unappropriated Reserves	2,993.04	-
Appropriated Reserves	409,356.71	407,185.54
Due to Current Fund	53,023.42	58,187.63
	<u>465,373.17</u>	<u>465,373.17</u>
Total Current Fund	<u>\$ 3,428,830.19</u>	<u>3,337,011.86</u>

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

	2017	2016
Revenue and Other Income Realized		
Fund Balance	\$ 190,000.00	193,100.00
Miscellaneous Revenue Anticipated	401,708.07	816,316.50
Receipts from Delinquent Taxes	68,864.46	77,111.72
Receipts from Current Taxes	2,941,738.10	2,828,790.03
Non Budget Revenue	52,247.56	50,594.08
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	78,541.08	79,623.70
Cancelled Appropriations	-	0.33
Interfund Returned	5,164.21	35,836.22
Total Income	<u>3,738,263.48</u>	<u>4,081,372.58</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	315,149.00	298,033.00
Other Expenses	518,047.00	521,565.00
Deferred Charges & Statutory Expenditures	49,491.00	48,777.00
Appropriations Excluded from "CAPS"		
Operations:		
Other Expenses	8,906.00	8,028.00
Capital Improvements	12,500.00	85,400.00
Debt Service	206,250.00	514,917.00
Deferred Charges	17,800.00	17,800.00
Local District School Tax	1,736,210.00	1,705,464.00
County Tax	662,263.34	674,736.52
County Share of Added Tax	5,973.38	1,251.65
Municipal Open Space Taxes	22,978.10	15,627.00
Interfund Created	-	-
Total Expenditures	<u>3,555,567.82</u>	<u>3,891,599.17</u>
Excess in Revenue	<u>182,695.66</u>	<u>189,773.41</u>

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

	<u>2017</u>	<u>2016</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by		
Statute Deferred Charges to Budgets of		
Succeeding Year		-
Emergency Appropriation		
Total Adjustments	<u>-</u>	<u>-</u>
Statutory Excess to Fund Balance	<u>182,695.66</u>	<u>189,773.41</u>
Fund Balance January 1	<u>666,481.60</u>	<u>669,808.19</u>
	849,177.26	859,581.60
Decreased by:		
Utilization as Anticipated Revenue	<u>190,000.00</u>	<u>193,100.00</u>
Fund Balance December 31	<u>\$ 659,177.26</u>	<u>666,481.60</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated	\$ 190,000.00	-	190,000.00	-
Total Fund Balance Anticipated	190,000.00	-	190,000.00	-
Miscellaneous Revenues:				
Section A: Local Revenues				
Fines and Costs:				
Municipal Court	16,500.00		22,373.72	5,873.72
Interest and Costs on Taxes	9,000.00		12,890.65	3,890.65
Interest Earned on Investments	3,000.00		3,073.50	73.50
Communication Tower Rental - Bell Atlantic Nynex & Sprint	69,000.00		75,208.20	6,208.20
Total Section A: Local Revenues	97,500.00	-	113,546.07	16,046.07
Section B: State Aid Without Offsetting Appropriations				
Energy Receipts Tax	176,307.00		176,307.00	-
Total Section B: State Aid Without Offsetting Appropriations	176,307.00	-	176,307.00	-
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
Clean Communities		4,000.00	4,000.00	-
Recycling Tonnage Grant		1,592.25	1,592.25	-
Municipal Alliance		7,742.00	7,742.00	-
Alcohol Education Rehabilitation		-	-	-
Total Section F: Special Items - Public and Private Programs	-	13,334.25	13,334.25	-
Off-Set with Appropriations				

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section G: Special Items of Revenue Anticipated with Prior Written Consent of Director				
Reserve for Gravel	111,855.00		111,855.00	-
Total Section G: Special Items of Revenue Anticipated with Prior Written Consent of Director	111,855.00	-	111,855.00	-
Total Miscellaneous Revenues:	385,662.00	13,334.25	415,042.32	16,046.07
Receipts from Delinquent Taxes	65,000.00		68,864.46	3,864.46
Amount to be Raised by Taxes for Support of Municipal Budget Local Tax for Municipal Purposes	580,081.00		606,913.28	26,832.28
Total Amount to be Raised by Taxes for Support of Municipal Budget	580,081.00	-	606,913.28	26,832.28
Budget Totals	1,220,743.00	13,334.25	1,280,820.06	46,742.81
Non- Budget Revenues:				
Other Non- Budget Revenues:			52,247.56	52,247.56
	1,220,743.00	13,334.25	1,333,067.62	98,990.37

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Analysis of Realized Revenues

Allocation of Current Tax Collections:	
Revenue from Collections	\$ 2,941,738.10
Less: Reserve for Tax Appeals Pending	<u>-</u>
Net Revenue from Collections	2,941,738.10
Allocated to:	
School, County and Other Taxes	<u>2,427,424.82</u>
Balance for Support of Municipal Budget Appropriations	514,313.28
Increased by:	
Appropriation "Reserved for Uncollected Taxes"	<u>92,600.00</u>
Amount for Support of Municipal Budget Appropriations	<u><u>606,913.28</u></u>

Receipts from Delinquent Taxes:	
Delinquent Tax Collection	68,864.46
Tax Title Lien Collections	<u>-</u>
Total Receipts from Delinquent Taxes	<u><u>68,864.46</u></u>

Analysis of Non-Budget Revenue:	
Miscellaneous Revenue Not Anticipated:	
Building Permits	18,838.00
Miscellaneous	24,163.44
Reimbursements	<u>9,246.12</u>
Total Miscellaneous Revenue Not Anticipated:	<u><u>\$ 52,247.56</u></u>

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
Mayor and Council						
Salaries and Wages	4,200.00	4,200.00	4,116.70		83.30	-
Other Expenses	1,600.00	1,600.00	1,593.11		6.89	-
Municipal Clerk						
Salaries and Wages	122,000.00	121,640.00	113,220.51		8,419.49	-
Other Expenses	36,500.00	36,500.00	30,211.33	407.35	5,881.32	-
Financial Administration						
Salaries and Wages	12,000.00	12,360.00	12,360.00		-	-
Other Expenses	3,900.00	3,900.00	3,872.00		28.00	-
Audit Services						
Other Expenses	24,750.00	24,750.00	24,750.00		-	-
Revenue Administration (Tax Collector)						
Salaries and Wages	11,290.00	11,290.00	11,265.79		24.21	-
Other Expenses	4,000.00	4,000.00	3,653.37	100.00	246.63	-
Tax Assessment Administration						
Salaries and Wages	11,124.00	11,124.00	11,124.00		-	-
Other Expenses	3,700.00	3,700.00	554.88	116.20	3,028.92	-
Legal Services						
Other Expenses	30,000.00	26,924.00	23,170.79		3,753.21	-
Liquidation of Tax Title Liens and Foreclosed Property						
Other Expenses	100.00	100.00	-		100.00	-
Engineering Services and Costs						
Other Expenses	11,000.00	9,655.00	1,436.00		8,219.00	-
MUNICIPAL COURT						
Salaries and Wages	16,200.00	16,200.00	14,302.05		1,897.95	-
Other Expenses	9,000.00	9,000.00	5,516.17	273.33	3,210.50	-
Public Defender (P.L. 1997, C.256)						
Other Expenses	1,050.00	1,050.00	450.00	150.00	450.00	-
LAND USE ADMINISTRATION						
Planning Board						
Salaries and Wages	1,030.00	1,030.00	467.48		562.52	-
Other Expenses	2,000.00	2,000.00	941.00	135.00	924.00	-

The accompanying Notes to Financial Statements are an integral part of this statement

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
INSURANCE						
Disability Insurance	400.00	400.00	211.17		188.83	-
Liability Insurance	48,244.00	48,244.00	48,244.00		-	-
Group Insurance Plan for Employees	83,800.00	83,800.00	83,717.28		82.72	-
PUBLIC SAFETY						
Police						
Other Expenses	4,500.00	4,500.00	3,093.16		1,406.84	-
911 Services	2,000.00	2,000.00	2,000.00		-	-
Emergency Management Services						
Salaries and Wages	3,600.00	3,600.00	1,586.55		2,013.45	-
Other Expenses	3,400.00	3,400.00	-		3,400.00	-
Aid to Volunteer Fire Company	25,000.00	33,074.00	25,000.00	8,073.60	0.40	-
First Aid Organization - Contribution	10,000.00	10,000.00	10,000.00		-	-
Municipal Prosecutor						
Other Expenses	6,000.00	6,000.00	6,000.00		-	-
PUBLIC WORKS						
Streets and Road Maintenance						
Salaries and Wages	98,000.00	98,000.00	97,749.19		250.81	-
Other Expenses	21,000.00	21,000.00	18,836.78	18.72	2,144.50	-
Garbage and Trash Removal						
Salaries and Wages	6,000.00	1.00			1.00	-
Other Expenses	74,000.00	74,000.00	69,852.29	1,822.40	2,325.31	-
Monitoring Wells	1,750.00	1,750.00	1,450.00	300.00	-	-
Buildings and Grounds						
Other Expenses	29,500.00	29,500.00	24,638.66	4,036.56	824.78	-
HEALTH AND HUMAN SERVICES						
Dog Regulation						
Other Expenses	2,600.00	2,600.00	1,159.00	810.00	631.00	-
Aid to Outreach	2,000.00	2,000.00	2,000.00		-	-
PARKS AND RECREATION						
Parks and Playgrounds						
Salaries and Wages	9,700.00	9,700.00	8,384.08		1,315.92	-
Other Expenses						
Miscellaneous Other Expenses	12,700.00	12,700.00	10,596.35		2,103.65	-

The accompanying Notes to Financial Statements are an integral part of this statement

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
UNIFORM CONSTRUCTION CODE						
Construction Official						
Salaries and Wages	11,520.00	11,520.00	11,520.00	-	-	-
Other Expenses	1,000.00	1,000.00	378.00	622.00	-	-
Plumbing Inspector						
Salaries and Wages	2,640.00	2,640.00	2,640.00	-	-	-
Building Inspector						
Salaries and Wages	2,640.00	2,640.00	2,640.00	-	-	-
Electrical Inspector						
Salaries and Wages	4,203.00	4,203.00	4,202.40	0.60	-	-
Code Enforcement						
Salaries and Wages	5,000.00	5,001.00	5,000.04	0.96	-	-
UNCLASSIFIED						
Celebration of Public Events	5,400.00	5,400.00	5,369.87	30.13	-	-
UTILITY EXPENSES AND BULK PURCHASES						
Electric						
Street Lighting	1,000.00	1,000.00	114.90	885.10	-	-
Telephone	36,000.00	36,000.00	30,914.79	5,085.21	-	-
Heating Oil	9,000.00	11,000.00	10,495.74	504.26	-	-
Motor Fuel	3,500.00	3,500.00	2,619.94	880.06	-	-
	2,000.00	2,000.00	1,689.50	310.50	-	-
TOTAL OPERATIONS WITHIN "CAPS"	<u>833,541.00</u>	<u>833,196.00</u>	<u>755,108.87</u>	<u>16,243.16</u>	<u>61,843.97</u>	<u>-</u>
Contingent						-
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	<u>833,541.00</u>	<u>833,196.00</u>	<u>755,108.87</u>	<u>16,243.16</u>	<u>61,843.97</u>	<u>-</u>
Detail:						
Salaries and Wages	321,147.00	315,149.00	300,578.79	-	14,570.21	-
Other Expenses	512,394.00	518,047.00	454,530.08	16,243.16	47,273.76	-

The accompanying Notes to Financial Statements are an integral part of this statement

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
DEFERRED CHARGES AND STATUTORY EXPENDITURES:					
Statutory Expenditures:					
Contributions to:					
Public Employees' Retirement System		26,091.00	26,090.94	0.06	-
Social Security System (O.A.S.I.)	25,746.00	22,400.00	22,400.00	-	-
Unemployment Compensation Insurance	22,400.00	1,000.00	122.96	877.04	-
Defined Contribution Retirement Program	1,000.00	-	-	-	-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	49,146.00	49,491.00	48,613.90	877.10	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	882,687.00	882,687.00	803,722.77	16,243.16	-
OPERATIONS - EXCLUDED FROM "CAPS"					
(A) Operations - Excluded from "CAPS"	6,325.00	6,325.00	6,325.00	-	-
LOSAP Contribution - Fire	-	-	-	-	-
Group Insurance Plan for Employees	-	-	-	-	-
(A) Public and Private Programs Off-Set by Revenues	6,325.00	6,325.00	6,325.00	-	-
Municipal Alliance Program - Local Match	2,581.00	2,581.00	2,581.00	-	-
Municipal Alliance Program	-	7,742.00	7,742.00	-	-
Alcohol Education Rehabilitation	-	-	-	-	-
Recycling Tonnage Grant	-	1,592.25	1,592.25	-	-
Clean Communities	-	4,000.00	4,000.00	-	-
Community Development Block Grant	-	-	-	-	-
Total Public and Private Programs Off-Set by Revenues	2,581.00	15,915.25	15,915.25	-	-
Total Operations - Excluded from "CAPS"	8,906.00	22,240.25	22,240.25	-	-
Detail:					
Other Expenses	8,906.00	8,906.00	8,906.00	-	-

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
(C) Capital Improvements					
Capital Improvement Fund	5,000.00	5,000.00	5,000.00	-	-
Purchase of Equipment	-	-	-	-	-
Purchase of Generator	-	-	-	-	-
Purchase of Truck	-	-	-	-	-
Firefighter Equipment	7,500.00	7,500.00	7,500.00	-	-
Public and Private Programs Offset by Revenues: New Jersey DOT Trust Fund Authority Act	-	-	-	-	-
Total Capital Improvements	12,500.00	12,500.00	12,500.00	-	-
(D) Debt Service					
Payment of Bond Anticipation Notes	200,000.00	200,000.00	200,000.00	-	-
Interest on Notes	6,250.00	6,250.00	6,250.00	-	-
Total Debt Service	206,250.00	206,250.00	206,250.00	-	-
(E) Deferred Charges					
Special Emergency Authorizations - 5 years	17,800.00	17,800.00	17,800.00	-	-
Total Deferred Charges	17,800.00	17,800.00	17,800.00	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	245,456.00	258,790.25	258,790.25	-	-
SUBTOTAL GENERAL APPROPRIATIONS	1,128,143.00	1,141,477.25	1,062,513.02	16,243.16	-
(M) Reserve for Uncollected Taxes	92,600.00	92,600.00	92,600.00	-	-
TOTAL GENERAL APPROPRIATIONS	\$ 1,220,743.00	1,234,077.25	1,155,113.02	16,243.16	-
Budget		1,220,743.00			-
Appropriations by 40A:4-87		13,334.25			-
Emergency Appropriations		-			-
		<u>1,234,077.25</u>			
Reserve for Uncollected Taxes					
Capital Improvement Fund		92,600.00			
Federal and State Grants		5,000.00			
Deferred Charges		15,915.25			
Disbursements		17,800.00			
		<u>1,023,797.77</u>			
		<u>1,155,113.02</u>			
				Cancelled Overexpended	

The accompanying Notes to Financial Statements are an integral part of this statement

EXHIBIT B - TRUST FUNDS

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

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Dog License Fund:		
Cash	\$ 3,774.30	3,536.82
Due from State of New Jersey	32.40	33.60
	<u>3,806.70</u>	<u>3,570.42</u>
Length of Service Award Program (unaudited)		
Investments held for LOSAP	197,006.85	170,614.44
	<u>197,006.85</u>	<u>170,614.44</u>
Other Funds:		
Cash - Treasurer	111,450.58	107,605.08
Due from Current Fund - Open Space	66,641.17	43,663.07
Due from Current Fund	-	-
	<u>178,091.75</u>	<u>151,268.15</u>
	<u>378,905.30</u>	<u>325,453.01</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Dog License Fund:		
Due to Current Fund	2,908.13	2,494.65
Reserve for Dog Fund Expenditures	898.57	1,075.77
	<u>3,806.70</u>	<u>3,570.42</u>
Length of Service Award Program (unaudited)		
Reserve for LOSAP	197,006.85	170,614.44
	<u>197,006.85</u>	<u>170,614.44</u>
Other Funds:		
Due to Current Fund	4,495.88	4,489.82
Miscellaneous Reserves	173,595.87	146,778.33
	<u>178,091.75</u>	<u>151,268.15</u>
	<u>\$ 378,905.30</u>	<u>325,453.01</u>

The accompanying Notes to Financial Statements are an integral part of this statement

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EXHIBIT C - GENERAL CAPITAL FUND

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

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Cash	\$ 173.24	172.05
Deferred Charges to Future Taxation -		
Funded	-	-
Unfunded	336,249.00	536,249.00
Interfunds and Receivables		
Due from Current Fund	20,780.52	15,781.71
	<u>357,202.76</u>	<u>552,202.76</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Bond Anticipation Notes Payable	300,000.00	500,000.00
Encumbrances Payable	-	-
Improvement Authorizations:		
Funded	9,772.50	9,772.50
Unfunded	59.26	59.26
Capital Improvement Fund	17,454.00	12,454.00
Fund Balance	29,917.00	29,917.00
	<u>\$ 357,202.76</u>	<u>552,202.76</u>

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

2016	36,249.00
2017	36,249.00

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

	<u>2017</u>	<u>2016</u>
Beginning Balance January 1	\$ 29,917.00	29,917.00
No current year activity		
Ending Balance December 31	\$ <u>29,917.00</u>	<u>29,917.00</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>2017</u>	<u>2016</u>
General Fixed Assets:		
Land	\$ 2,060,028.00	2,060,028.00
Buildings	1,234,981.91	1,222,583.91
Transportation Equipment	<u>218,218.00</u>	<u>218,218.00</u>
Total General Fixed Assets	<u><u>3,513,227.91</u></u>	<u><u>3,500,829.91</u></u>
Investment in General Fixed Assets	\$ <u><u>3,513,227.91</u></u>	<u><u>3,500,829.91</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement

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**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting City

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.

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.

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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 unencumbered 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. Compensated absences are treated on a pay as you go basis with no amount charged to operations in the year incurred.

Foreclosed Property -- Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

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 is not included on the various balance sheets.

General Fixed Assets -- The City has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which 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.

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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. Expenditures for long lived assets with an original cost in excess of \$5,000 are 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 have not been accounted for separately.

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 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.

Interest on Delinquent Taxes -- It is the policy of the City of Port Republic to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500.00 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

Capitalization of Interest -- It is the policy of 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.

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

D. Required Financial Statements

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

E. Comparative Data

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

F. Recent Accounting Pronouncements Not Yet Effective

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the City's financial reporting.

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, "Certain Asset Retirement Obligations". This statement is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the City's financial reporting.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, "Fiduciary Activities". This statement is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the City's financial reporting.

In March 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 85, "Omnibus 2017". This statement is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the City's financial reporting.

In May 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 86, "Certain Debt Extinguishment Issues". This statement is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the City's financial reporting.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, "Leases". This statement is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the City's financial reporting.

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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 2017 and 2016 statutory budgets included a reserve for uncollected taxes in the amount of \$92,600 and \$92,251. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2017 and 2016 statutory budgets was \$190,000 and \$193,100.

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. There were no significant budget transfers during the 2017 or 2016 calendar years

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 2017 and 2016, the following significant budget insertions were approved:

<u>Budget Category</u>	<u>2017</u>	<u>2016</u>
Clean Communities	\$ 4,000.00	\$ 11,414.98
Alcohol Education Rehabilitation		60.43
Municipal Alliance	7,742.00	17,574.67
Recycling Tonnage	1,592.25	1,600.53

The City may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. The City approved a special emergency appropriation in 2016 for \$60,000. The emergency was for a revaluation. The unfunded balance as of December 31, 2017 was \$36,000. The City approved a special emergency appropriation in 2014 for \$29,000 for revisions of the tax maps. The unfunded balance as of December 31, 2017 was \$11,527.

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

Note 3: 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 can invest in any one issuer.

Note 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or fund that may pass to the municipality relative to the happening of a future condition. As of December 31, 2017 and 2016, \$0 of the municipality's bank balance of \$1,543,144.46 and \$1,491,870.05 was exposed to custodial credit risk.

Note 5: FIXED ASSETS

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2017 and 2016:

	Balance 12/31/2016	Additions	Retirements/ Adjustments	Balance 12/31/2017
Land	\$ 2,060,028.00			2,060,028.00
Building	1,222,583.91	12,398.00		1,234,981.91
Transportation Equipment	218,218.00			218,218.00
	<u>\$ 3,500,829.91</u>	<u>12,398.00</u>	<u>-</u>	<u>3,513,227.91</u>

CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	Balance 12/31/2015	Additions	Retirements	Balance 12/31/2016
Land	\$ 2,060,028.00			2,060,028.00
Building	1,210,680.00	11,903.91		1,222,583.91
Transportation Equipment	208,218.00	10,000.00		218,218.00
	<u>\$ 3,478,926.00</u>	<u>21,903.91</u>	<u>-</u>	<u>3,500,829.91</u>

Note 6: SHORT-TERM OBLIGATIONS

	Balance 12/31/16	Issued	Retired	Balance 12/31/17
Bond Anticipation Notes payable:				
General	\$ 500,000.00		200,000.00	300,000.00
	<u>\$ 500,000.00</u>	<u>-</u>	<u>200,000.00</u>	<u>300,000.00</u>

	Balance 12/31/15	Issued	Retired	Balance 12/31/16
Bond Anticipation Notes payable:				
General	\$ 1,000,000.00		500,000.00	500,000.00
	<u>\$ 1,000,000.00</u>	<u>-</u>	<u>500,000.00</u>	<u>500,000.00</u>

The note was issued on September 24, 2015 and is due and payable on September 23, 2016 with interest at 1.5%. As of December 31, 2017 the City has authorized but not issued bonds in the amount of \$36,249 in the General Capital Fund.

<u>Summary of Municipal Debt</u>	<u>Year 2017</u>	<u>Year 2016</u>	<u>Year 2015</u>
<u>Issued:</u>			
General - Bonds and Notes	\$ 300,000.00	500,000.00	1,000,000.00
Total Issued	<u>300,000.00</u>	<u>500,000.00</u>	<u>1,000,000.00</u>
<u>Authorized but not issued:</u>			
General - Bonds and Notes	36,249.00	36,249.00	36,249.00
Total Authorized But Not Issued	<u>36,249.00</u>	<u>36,249.00</u>	<u>36,249.00</u>
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 336,249.00</u>	<u>536,249.00</u>	<u>1,036,249.00</u>

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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 .269%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ -	-	-
General Debt	336,249.00	-	336,249.00
	<u>\$ 336,249.00</u>	<u>-</u>	<u>336,249.00</u>

Net Debt \$336,249 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$125,025,919.00 = .269%.

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

3% of Equalized Valuation Basis (Municipal)	\$ 3,750,777.57
Net Debt	336,249.00
Remaining Borrowing Power	<u>\$ 3,414,528.57</u>

The City of Port Republic School District, as a K-8 school district, is permitted to borrow up to 3% of the average equalized valuation for the past three years. State statutes allow a school district to exceed the districts limitation with voter approval. Any amount approved by the voters in excess of the limit is treated as an impairment of the municipal limit.

Note 7: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2017 and 2016, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Current Fund	\$ 220,000	190,000

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

Note 8: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2017, the following deferred charges are shown on the balance sheets of the various funds:

	Balance December 31, 2017	2018 Budget Appropriation	Balance to Succeeding
Current fund:			
Special Emergency Appropriation	\$ 36,000.00	12,000.00	24,000.00
Special Emergency Appropriation	11,527.00	5,800.00	5,727.00
	<u>\$ 47,527.00</u>	<u>17,800.00</u>	<u>29,727.00</u>

The appropriations in the 2018 Budget are not less than that required by statute.

Note 9: 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:

	12/31/2017	12/31/2016
Balance of Tax	\$ 868,103.04	852,730.06
Deferred	460,000.00	460,000.00
Tax Payable	<u>\$ 408,103.04</u>	<u>392,730.06</u>

Note 10: TAXES COLLECTED IN ADVANCE

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

	Balance 12/31/17	Balance 12/31/16
Prepaid Taxes	\$ 242,597.44	56,302.41
Cash Liability for Taxes Collected in Advance	<u>\$ 242,597.44</u>	<u>56,302.41</u>

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

Note 11: PENSION FUNDS

Description of Plans

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

Public Employees' Retirement System

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The PERS 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.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.20% through June 30, 2017 and 7.34% thereafter of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The City's contributions to PERS for the years ended December 31, 2017, 2016, and 2015 were \$25,746.00, \$25,120.00, and \$20,264.00, respectively. The total payroll for the year ended December 31, 2017, 2016 and 2015 was \$303,668.63, \$282,175.77, and \$274,298.19, respectively. Payroll covered by PERS was \$195,126.00, \$192,934.00, and \$196,302.00.

Significant Legislation

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

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

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2013, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

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

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60th from 1/55th, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1/7th of the required amount, beginning in fiscal years 2012.

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

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

Note 12: PENSION LIABILITIES

In 2012, the Governmental Accounting Standards Board issued GASB statement 68. This statement is effective for fiscal years beginning after June 15, 2014. This statement changes the method of reporting the municipality's pension liabilities. However, due to the fact that the municipality reports on the regulatory basis of accounting, no financial statement impact will be recognized. . GASB statement 68 requires that the June 30, 2017 actuarial valuation be used for this disclosure, but as of the date of this report the 2017 actuarial valuations are not yet available from the Division of Pensions. The Division of Local Government Services has stated that disclosing the 2016 valuation is in compliance with the Regulatory Basis of Accounting described in Note 1.

The following represents the municipality's pension liabilities as June 30, 2016:

Public Employees' Retirement System

The Municipality has a liability of \$853,757 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Municipality's proportion would be .00288264430%, which would be a decrease of 1.34% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Municipality would have recognized pension expense of \$97,697. At December 31, 2016, the Municipality would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 15,877	
Changes of assumptions	176,853	
Changes in proportion	64,864	(6,387)
Net difference between projected and actual earnings on pension plan investments	32,555	
Total	<u>\$ 290,149</u>	<u>(6,387)</u>

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

CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	Year ended June 30,	
	<u> </u>	
2017	\$	64,217
2018		64,217
2019		73,413
2020		61,435
2021		20,480
Total	<u>\$</u>	<u>283,762</u>

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	3.08%
Salary increases:	
Through 2026	1.65% - 4.15% (based on age)
Thereafter	2.65% - 5.15% (based on age)
Investment rate of return:	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2014 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more experience deviates, the larger the impact on future financial statements.

CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflations. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt (Except US)	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate of 3.98%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.98%) or 1-percentage point higher (4.98%) than the current rate:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Municipality's proportionate share of the net pension liability	\$ 1,023,146	853,757	714,062

Pension plan fiduciary net position.

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

Note 13: POST-RETIREMENT BENEFITS

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

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

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

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

Funding Policy Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the City of Port Republic on a monthly basis. The rates charged by the system for the year ended December 31, 2017 vary according to the type of coverage selected by the retiree and range from \$378 to \$1,770 monthly per retiree.

The City of Port Republic contributions to SHBP for post-retirement benefits for the year ended December 31, 2017 and 2016, were \$0 and \$0 respectively, which equaled the required contribution for the year.

Note 14: 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 15: 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 16: RISK MANAGEMENT

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

Property and Liability Insurance - The City maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2017 and 2016 the City did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The City is a member of the Atlantic County Joint Insurance Fund (JIF) and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The City is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The City has a general liability limit of \$100,000 under JIF, which increases to \$5,000,000 under MEL.

CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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

Calendar Year	City Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2017	\$ -	598.05	91.66	6,100.79
2016	-	867.00		5,594.40
2015	-	518.02	164.25	4,727.40

Note 16: LENGTH OF SERVICE AWARDS PROGRAM (UNAUDITED)

In 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: DEFERRED COMPENSATION

Employees of the City of Port Republic may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect to Service for State and Local Governments). The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

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

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

Note 18: CONTINGENT LIABILITIES

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

**CITY OF PORT REPUBLIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

Note 19: INTERFUND BALANCES

During the most current calendar year ended December 31, 2017, 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:		
Animal Control Fund	\$ 2,908.13	
Open Space Trust		66,641.17
Other Trust Funds	4,495.88	
General Capital		20,780.52
Grant Fund	53,023.42	
Grant Fund:		
Current Fund		53,023.42
Trust Fund:		
Current - Animal Control Fund		2,908.13
Current - Open Space Trust	66,641.17	
Current - Other Trusts		4,495.88
General Capital Fund:		
Current Fund	20,780.52	
	<u>\$ 147,849.12</u>	<u>147,849.12</u>

The interfunds occurred since the Grant and the Capital funds do not have separate bank accounts. The interfund with the Animal Control Fund is due to the statutory excess resulting during the current year. The interfund in the other trust funds is due to interest earnings that were not transferred to the Current Fund prior to December 31 and bills paid by the Current Fund.

Note 20: 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 2017, \$22,773.20 was raised and 15,627.00 was paid to the Open Space Trust Fund.

Note 21: SUBSEQUENT EVENTS

The City has evaluated subsequent events through April 20, 2018, the date which the financial statements were available to be issued and identified no events requiring disclosure.

SUPPLEMENTARY INFORMATION



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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 20, 2018, 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.

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

Nancy Sbrolla
Nancy Sbrolla
Certified Public Accountant
Registered Municipal Accountant
No. 542

April 20, 2018

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

		<u>Current Fund</u>
Balance December 31, 2016	\$	1,355,685.17
Increased by Receipts:		
Taxes Receivable	2,871,148.84	
Delinquent Taxes	68,864.46	
Revenue Accounts Receivable	289,853.07	
Miscellaneous Revenue	52,246.54	
Prepaid Taxes	242,597.44	
Due to Grants	16,327.29	
State of New Jersey		
Senior Citizens and Veterans	15,000.00	
Marriage Licenses	275.00	
DCA Fees	1,323.00	
Tax Overpayments		
		<u>3,557,635.64</u>
		4,913,320.81
Decreased by Disbursements:		
Current Year Appropriation	1,023,797.77	
Prior Year Appropriations	26,574.04	
County Taxes	662,263.34	
Local District School Taxes	1,720,837.02	
County Added Taxes	1,251.65	
Due to Federal and State Grant Fund	13,744.08	
Due to State of New Jersey		
Marriage Licenses	275.00	
DCA Fees	1,323.00	
Reserve for Revaluation	9,202.80	
Tax Overpayment Repayment		
		<u>3,459,268.70</u>
Balance December 31, 2017	\$	<u><u>1,454,052.11</u></u>

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

Year	Balance Dec. 31, 2016	Current Year Levy	Added Taxes	Collections by Cash		Transferred To Tax Title Lien	Arrears	Balance Dec. 31, 2017
				2016	2017			
Arrears \$	-							-
2015	-							-
2016	68,864.46				68,864.46			-
	68,864.46	-	-	-	68,864.46	-	-	-
2017		2,998,056.61	30,458.92	56,302.41	2,885,435.69	2,466.77	1,051.76	83,258.90
\$	68,864.46	2,998,056.61	30,458.92	56,302.41	2,954,300.15	2,466.77	1,051.76	83,258.90
</								

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

Balance December 31, 2016		\$	5,627.18
Increased by:			
Transfers from Taxes Receivable	1,051.76		
Interest and Costs Accrued by Sale			
	<hr/>		<hr/>
			1,051.76
			6,678.94
Decreased by:			
Collections	-		
	<hr/>		<hr/>
			-
Balance December 31, 2017		\$	<u><u>6,678.94</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2016	Accrued in 2017	Collected by Treasurer	Balance Dec. 31, 2017
Interest on Taxes				
Fines and Costs:				
Municipal Court		12,890.65	12,890.65	-
Energy Receipts Tax	1,461.78	22,923.58	22,373.72	2,011.64
Communication Tower Rental	-	176,307.00	176,307.00	-
Investment Interest	-	75,208.20	75,208.20	-
Reserve for Gravel	-	3,073.50	3,073.50	-
		111,855.00	111,855.00	
Miscellaneous Revenue Not Anticipated		52,247.56	52,247.56	-
	<u>1,461.78</u>	<u>454,505.49</u>	<u>453,955.63</u>	<u>2,011.64</u>
		Reserves	111,855.00	
		Cash	342,100.63	
			<u>453,955.63</u>	

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT:					
Municipal Clerk					
Other Expenses	\$ 1,333.20	1,333.20	1,122.98	210.22	-
Revenue Administration (Tax Collector)					
Other Expenses	770.35	770.35	100.00	670.35	-
Tax Assessment Administration					
Other Expenses	3,154.72	3,154.72	110.58	3,044.14	-
Legal Services and Costs					
Other Expenses	8,313.12	3,088.12		3,088.12	-
LAND USE ADMINISTRATION					
Planning Board					
Other Expenses	127.00	1,927.00	1,769.84	157.16	-
PUBLIC WORKS					
Streets and Road Maintenance					
Other Expenses	463.66	463.66	337.11	126.55	-
Garbage and Trash Removal					
Other Expenses	17,627.40	17,627.40	5,970.31	11,657.09	-
Building and Grounds					
Other Expenses	150.11	150.11	143.50	6.61	-
HEALTH AND HUMAN SERVICES					
Dog Regulation					
Other Expenses	717.00	717.00	405.00	312.00	-
UTILITY EXPENSES AND BULK PURCHASES					
Street Lighting	6.73	3,431.73	3,429.67	2.06	-
CAPITAL IMPROVEMENTS					
Purchase of Generator	23,096.09	23,096.09	13,185.05	9,911.04	-
Other Accounts with no Change	49,355.74	49,355.74		49,355.74	-
	<u>\$ 105,115.12</u>	<u>105,115.12</u>	<u>26,574.04</u>	<u>78,541.08</u>	<u>-</u>

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

Balance December 31, 2016		
School Tax Payable	\$	392,730.06
School Tax Deferred		<u>460,000.00</u>
	\$	852,730.06
Increased by:		
Levy - School Year July 1, 2016 to June 30, 2017		<u>1,736,210.00</u>
		2,588,940.06
Decreased by:		
Payments		<u>1,720,837.02</u>
Balance December 31, 2017		
School Tax Payable		408,103.04
School Tax Deferred		<u>460,000.00</u>
		<u>868,103.04</u>
Current Year Liability for Local School District School Tax:		
Tax Paid		1,720,837.02
Tax Payable Ending		<u>408,103.04</u>
		2,128,940.06
Less: Tax Payable Beginning		<u>392,730.06</u>
Amount charged to Current Year Operations	\$	<u><u>1,736,210.00</u></u>

CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

<u>Purpose</u>	<u>Balance Dec. 31, 2016</u>	<u>Transferred From 2017 Revenues</u>	<u>Received</u>	<u>Adjustments</u>	<u>Balance Dec. 31, 2017</u>
FEDERAL GRANTS:					
Help America Vote Act	\$ 8,575.00				8,575.00
Community Development Block Grant	38,600.00				38,600.00
Total Federal	<u>47,175.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,175.00</u>
STATE GRANTS:					
New Jersey Transportation Grant					
Church	88,383.50				88,383.50
Mill Road	7,088.11				7,088.11
Blake	93,392.50				93,392.50
Clean Communities Program	-	4,000.00	4,000.00		-
Wetland Preservation Park	6,508.00				6,508.00
Dept. of Environmental Protection	1,705.00				1,705.00
Alcohol Education Rehabilitation	-				-
Recycling Tonnage Grant	-	1,592.25	1,592.25		-
Atlantic County Municipal Alliance	8,788.56	7,742.00	7,742.00		8,788.56
Atlantic County Open Spaces	61,804.00				61,804.00
Atlantic County Open Spaces - 6	2,983.50				2,983.50
Atlantic County Open Spaces - 8	147,545.00				147,545.00
Comcast Technology	-				-
Total State	<u>418,198.17</u>	<u>13,334.25</u>	<u>13,334.25</u>	<u>-</u>	<u>418,198.17</u>
\$	<u>465,373.17</u>	<u>13,334.25</u>	<u>13,334.25</u>	<u>-</u>	<u>465,373.17</u>
Cash					
Unappropriated Reserves			13,334.25		
			-		
			<u>13,334.25</u>		

CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS

	Balance December 31, 2016		2017	Disbursed	Encumbrances	Prior Encumbrances Canceled	Balance Dec. 31, 2017
	Appropriated	Reserve for Encumbrances	Appropriations				
FEDERAL GRANTS:							
Help America Vote Act	\$ 8,575.00						8,575.00
Housing and Urban Development Community Development Block Grant	37,075.00						37,075.00
Dept. of Environmental Protection Municipal Stormwater Regulation	4,444.31						4,444.31
Total Federal	50,094.31	-	-	-	-	-	50,094.31
STATE GRANTS:							
Recycling Tonnage	9,510.50		1,592.25				11,102.75
Clean Communities Grant	7,752.58		4,000.00	3,951.45			7,801.13
New Jersey Transportation Grant							
Church	43,510.24						43,510.24
Mill Road	7,088.11						7,088.11
Blake	63,734.25						63,734.25
Comcast Technology	3,059.33						3,059.33
Alcohol Education Rehabilitation	6,654.25						6,654.25
Atlantic County Drug Alliance - County	23,638.56		7,742.00	9,792.63			21,587.93
Atlantic County Drug Alliance - Local	21,526.00		2,581.00				24,107.00
Atlantic County Open Spaces - 4	30,992.41						30,992.41
Atlantic County Open Spaces - 9	139,625.00						139,625.00
Total State	357,091.23	-	15,915.25	13,744.08	-	-	359,262.40
	407,185.54	-	15,915.25	13,744.08	-	-	409,356.71

CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES

<u>Purpose</u>	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Transferred</u> <u>To 2017</u> <u>Appropriations</u>	<u>Received</u>	<u>Adjustments</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
STATE GRANTS:					
Recycling Tonnage Grant	\$ -		942.41		942.41
Municipal Alliance			2,050.63		2,050.63
Total State	<u>\$ -</u>	<u>-</u>	<u>2,993.04</u>	<u>-</u>	<u>2,993.04</u>

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

	<u>Dog Licenses</u>	<u>Other</u>
Balance December 31, 2016	\$ 3,536.82	107,605.08
Increased by Receipts:		
Dog License Fees 2017	437.60	
Due to State of New Jersey	164.40	
Other	8.68	
Miscellaneous Trust Reserves		4,015.10
Due to Current		<u>6.06</u>
	<u>610.68</u>	<u>4,021.16</u>
	4,147.50	111,626.24
Decreased by Disbursements		
Statutory Expenditures	210.00	
Due to State of New Jersey	163.20	
Miscellaneous Trust Reserves		175.66
Due to Current	<u>-</u>	
	<u>373.20</u>	<u>175.66</u>
Balance December 31, 2017	\$ <u><u>3,774.30</u></u>	<u><u>111,450.58</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

Balance December 31, 2016		\$ 1,075.77
Increased by:		
Dog License Fees Collected	437.60	
Other	8.68	
	<u> </u>	<u>446.28</u>
		1,522.05
Decreased by:		
Statutory Excess	413.48	
Expenditures under N.J.S. 4:19-15:11	210.00	
	<u> </u>	<u>623.48</u>
Balance December 31, 2017		<u>\$ 898.57</u>

License Fees Collected:

Year	Amount
2016	\$ 442.00
2015	456.57
	<u> </u>
	<u>\$ 898.57</u>

TRUST FUND
SCHEDULE OF AMOUNT DUE TO CURRENT FUND - DOG LICENSE FUND

Balance December 31, 2016		\$ 2,494.65
Increased by:		
Statutory Excess	<u>413.48</u>	<u>413.48</u>
		2,908.13
Decreased by:		
Payment		<u> </u>
Balance December 31, 2017		\$ <u><u>2,908.13</u></u>

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

Balance December 31, 2016		\$ (33.60)
Increased by:		
2017 State License Fees	<u>164.40</u>	<u>164.40</u>
		130.80
Decreased by:		
Disbursements to the State		<u>163.20</u>
Balance December 31, 2017		\$ <u><u>(32.40)</u></u>

TRUST - OTHER FUNDS
SCHEDULE OF DUE TO/(FROM) CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Increased by		Decreased by			Balance Dec 31, 2017
	Balance Dec 31, 2016	Receipts	Disbursements	2017 Budget Appropriation	Collections made by Current Fund	
<u>Reserve</u>						
Other Trust Funds	\$ 4,489.82	6.06				4,495.88
	\$ 4,489.82	6.06	-	-	-	4,495.88

TRUST - OTHER FUNDS
SCHEDULE OF MISCELLANEOUS RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Increased by			Decreased by				
	Balance Dec 31, 2016	Interfunds Cancelled	Collections made by Current Fund	Receipts Held in Trust	Interfunds Cancelled	Disbursements Held in Trust	Payments made by Current Fund	Balance Dec 31, 2017
<u>Reserve</u>								
Unemployment Compensation	\$ 5,594.40			598.05		91.66		6,100.79
Escrow Deposits	15.78							15.78
Recycling Trust	2,743.72			6.23				2,749.95
Celebration Trust	88.60			0.11		84.00		4.71
Open Space Trust	118,789.28		22,978.10	171.04				141,938.42
Recreation Trust	244.32			0.51				244.83
Historical	1,174.83			2.67				1,177.50
Quality Properties Escrow	5,458.21			1.63				5,459.84
Holly Creek Construction Escrow	12,669.19			3.77				12,672.96
Chestnut Neck Boat Yard Escrow	-							-
Gravel Security	-			1,500.25				1,500.25
Glenn Marienski Tenant	-			330.73				330.73
Oscar Halldorson Escrow	-			1,400.11				1,400.11
	<u>\$ 146,778.33</u>	<u>-</u>	<u>22,978.10</u>	<u>4,015.10</u>	<u>-</u>	<u>175.66</u>	<u>-</u>	<u>173,595.87</u>

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

Balance December 31, 2016		\$	172.05
Increased by:			
Interest	1.19		
	<hr/>		<hr/>
			1.19
			<hr/>
			173.24
Decreased by:			
No current year activity	-		
	<hr/>		<hr/>
			-
			<hr/>
Balance December 31, 2017		\$	<u><u>173.24</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2016	Receipts		Debt Issued	Disbursements		Transfers		Balance Dec. 31, 2017
		Miscellaneous			Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 29,917.00								29,917.00
Capital Improvement Fund	12,454.00	5,000.00							17,454.00
Due from Current Fund	(15,781.71)	1.19				5,000.00			(20,780.52)
Encumbrances Payable	-								-
Improvement Authorizations:									
05-14 Computer/Equipment	(36,189.74)								(36,189.74)
02-13 Construction of New City Hall	-								-
03-11 Construction of New City Hall/Backhoe	-								-
01-02 Construction of Park and Landfill Closure	9,772.50								9,772.50
	<u>172.05</u>	<u>5,001.19</u>		<u>-</u>	<u>-</u>	<u>5,000.00</u>	<u>-</u>	<u>-</u>	<u>173.24</u>
	\$								

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

Balance December 31, 2016		\$	12,454.00
Increased by:			
Budget Appropriation	<u>5,000.00</u>		<u>5,000.00</u>
			17,454.00
Decreased by:			
Down Payment on Bond Ordinance	<u>-</u>		<u>-</u>
Balance December 31, 2017		\$	<u><u>17,454.00</u></u>

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

Balance December 31, 2016	\$ -
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No current year activity

Balance December 31, 2017	\$ <u>-</u>
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**GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord #	Improvement Description	Ord. Date	Amount	Authorizations						
				Balance December 31, 2016		Other Funding	Deferred Charges to Future Taxation	Paid or Charged	Balance December 31, 2017 Unfunded	
				Funded	Unfunded					
2014-5	Computer/Equipment	6/17/2014	\$ 38,157.00	-	59.26					59.26
2002-1	Construction of Park and Landfill Closure	3/15/2003	14,000	9,772.50						
			\$	9,772.50	59.26	-				59.26
						Disbursements		-		
						Encumbrances		-		

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2017		Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
			Date	Amount					
No Current Year Activity						\$ -			
						\$ -			
						\$ -			

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

Improvement Description	Ordinance Number	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
Construction of New City Hall/Backhoe	2011-3	9/28/2011	9/22/2016	9/21/2017	1.250% \$	400,000.00		100,000.00	300,000.00
Construction of New City Hall	2013-2	9/27/2013	9/22/2016	9/21/2017	1.250%	100,000.00		100,000.00	-
					\$	500,000.00	-	200,000.00	300,000.00

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2016	2017 Authorizations	Debt Issued	Other	Balance Dec. 31, 2017
2014-5	Computer/Equipment	\$ 36,249.00				36,249.00
		<u>\$ 36,249.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,249.00</u>

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CITY OF PORT REPUBLIC

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2017

GENERAL COMMENTS

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

N.J.S.A. 40A:11-4 states, "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. Due to the City having a Qualified Purchasing Agent, pursuant to N.J.S.A. 40A:11-3(a), the maximum bid threshold is \$40,000.

The governing body of the City of Port Republic has the responsibility of determining whether the expenditures in any category will exceed \$40,000 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 for the following by public advertising:

No bids during 2017

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 \$40,000 "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, 2017, 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 2017.

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>
2017	3
2016	3
2015	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 2018 and 2017 Taxes	5
Delinquent Taxes	3
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>Collections</u>	<u>Collections</u>
2017	\$2,998,057	2,941,739	98.12%
2016	2,909,463	2,828,790	97.23%
2015	2,904,491	2,823,441	97.21%
2014	2,820,983	2,742,160	97.21%
2013	2,705,624	2,620,332	96.85%

Comparative Schedule of Tax Rate Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Tax Rate	2.636	3.717	3.705	3.622	3.480
Apportionment of Tax Rate:					
Municipal	0.509	0.650	0.650	0.653	0.653
Municipal Open Space	0.020	0.020	0.021	0.020	0.020
County	0.583	0.865	0.852	0.796	0.817
Local School	1.524	2.182	2.182	2.153	1.990
Assessed Valuation	113,866,000	78,129,800	78,132,706	77,420,428	77,703,164

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>	Amount of Tax Title <u>Liens</u>	Amount of Delinquent <u>Taxes</u>	<u>Total</u> <u>Delinquent</u>	Percentage of Tax <u>Levy</u>
2017	\$ 6,679	83,259	89,938	3.00%
2016	5,627	68,864	74,491	2.56%
2015	2,469	77,920	80,389	2.77%
2014	2,098	75,400	77,498	2.75%
2013	24,995	79,302	104,297	3.85%

FINDINGS AND RECOMMENDATIONS

None

STATUS OF PRIOR RECOMMENDATIONS

None

FINDINGS

None

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

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

Very truly yours,

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

Nancy Sbrolla
Nancy Sbrolla
Certified Public Accountant
Registered Municipal Accountant
No. 542

April 20, 2018