

BOROUGH OF SURF CITY  
COUNTY OF OCEAN, NEW JERSEY  
FOR THE YEAR ENDED DECEMBER 31, 2016

FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION

with

INDEPENDENT AUDITOR'S REPORTS

and

COMMENTS AND RECOMMENDATIONS



BOROUGH OF SURF CITY  
COUNTY OF OCEAN, NEW JERSEY

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COUNTY OF OCEAN, NEW JERSEY

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## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and Members  
of the Borough Council  
Borough of Surf City  
County of Ocean  
Surf City, New Jersey 08008

### **Report on the Financial Statements**

We have audited the accompanying statements of assets, liabilities, reserves and fund balance - regulatory basis of the various funds and account group of the Borough of Surf City, County of Ocean, State of New Jersey as of December 31, 2016 and 2015, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, the related statement of revenues - regulatory basis, and statement of expenditures - regulatory basis for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the Borough'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 accounting principles and practices 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 misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

## **Opinions**

### **Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America**

As described in Note 1 to the financial statements, the Borough of Surf City prepares its financial statements using accounting practices that demonstrate compliance with regulatory basis of accounting and budget laws of 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 the State 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 Accounting Principles Generally Accepted in the United States of America**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America” 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 the Borough of Surf City, County of Ocean, State of New Jersey, as of December 31, 2016 and 2015, or the results of its operations and changes in fund balance for the years then ended.

### **Basis for Qualified Opinion on Regulatory Basis of Accounting**

As discussed in Note 1, the financial statements of the Length of Service Award Program Fund (“LOSAP”) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2016 and 2015. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Fund, and represent 64.92% and 60.24% of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2016 and 2015.

### **Qualified Opinion on Regulatory Basis of Accounting**

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as 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 assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Borough of Surf City, County of Ocean, State of New Jersey, as of December 31, 2016 and 2015, and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended, and the statement of revenues - regulatory basis, statement of expenditures - regulatory basis of the various funds, and general fixed assets group of accounts – regulatory basis, for the year ended December 31, 2016 in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

## **Other Matters**

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements referred to in the first paragraph as a whole. The supplemental statements and schedules presented for the various funds are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not a required part of the above financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds and account group taken as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2017, on our consideration of the Borough of Surf City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Surf City's internal control over financial reporting and compliance.

Respectfully submitted,

**HOLMAN FRENIA ALLISON, P.C.**

Kevin P. Frenia  
Certified Public Accountant  
Registered Municipal Accountant  
RMA #435

Medford, New Jersey  
September 22, 2017

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

Honorable Mayor and Members  
of the Borough Council  
Borough of Surf City  
Surf City, New Jersey 08008

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements-regulatory basis of the Borough of Surf City (herein referred to as "the Borough"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated September 22, 2017. Our report indicated that the Borough's financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Our report on the financial statements - regulatory basis included a qualified opinion on the financial statements of the Length of Service Award Program Fund ("LOSAP") Trust Fund. As discussed in Note 1 the LOSAP Trust Fund financial statements were not audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough of Surf City's financial statements as of and for the year ended December 31, 2016. With the exception of the LOSAP Trust Fund our opinion on the financial statements-regulatory basis was unmodified.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Borough's internal 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 Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough'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 Borough'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 Borough'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* or audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

### **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 Borough's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the Borough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

**HOLMAN FRENIA ALLISON, P.C.**

Kevin P. Frenia  
Certified Public Accountant  
Registered Municipal Accountant  
RMA #435

Medford, New Jersey  
September 22, 2017

<b>BASIC FINANCIAL STATEMENTS</b>
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## CURRENT FUND

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**BOROUGH OF SURF CITY  
CURRENT FUND  
STATEMENT OF ASSETS, LIABILITIES, RESERVES AND  
FUND BALANCE - REGULATORY BASIS  
DECEMBER 31, 2016 AND 2015**

<u>Assets</u>	<u>Reference</u>	<u>2016</u>	<u>2015</u>
Cash - Treasurer	A-4	\$ 7,087,799.98	\$ 6,345,108.37
Cash - Change Funds	A	600.00	600.00
Investment - Bond Anticipation Notes	D	125,000.00	250,000.00
Due from State for Exemptions	A-5	832.25	4,025.10
		<u>7,214,232.23</u>	<u>6,599,733.47</u>
Receivables With Full Reserves:			
Taxes Receivable	A-6	155,902.39	176,868.97
Tax Title Liens Receivable	A-7	749.64	708.52
Property Acquired for Taxes - Assessed Value	A	4,725.00	4,725.00
Revenue Accounts Receivable	A-8	1,243.76	2,444.44
Accounts Receivable	A	-	47,295.69
Due From Dog License Fund	B	302.29	174.04
Due from Capital Fund	C	-	115.17
		<u>162,923.08</u>	<u>232,331.83</u>
		<u>7,377,155.31</u>	<u>6,832,065.30</u>
Federal and State Grant Fund:			
Grant Receivable	A-18	-	15,000.00
Due From Current Fund	A	22,649.42	13,566.25
		<u>22,649.42</u>	<u>28,566.25</u>
Total Assets		<u>\$ 7,399,804.73</u>	<u>\$ 6,860,631.55</u>

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

**BOROUGH OF SURF CITY  
CURRENT FUND  
STATEMENT OF ASSETS, LIABILITIES, RESERVES AND  
FUND BALANCE - REGULATORY BASIS  
DECEMBER 31, 2016 AND 2015**

<u>Liabilities, Reserves and Fund Balance</u>	<u>Reference</u>	<u>2016</u>	<u>2015</u>
Appropriation Reserves	A-3, A-9	\$ 1,180,917.88	\$ 1,164,111.92
Encumbrances Payable	A-10	80,133.64	58,426.46
Accounts Payable	A-11	4,250.90	3,370.40
Tax Overpayments	A-12	3,409.26	-
Prepaid Taxes	A-13	273,758.43	245,565.10
Local District School Tax Payable	A-15	187,894.73	139,137.23
Regional School Tax Payable	A-16	1,528,133.91	1,360,255.43
Due To:			
Federal & State Grant Fund	A	22,649.42	13,566.25
Capital Fund	C	32,759.42	-
Trust Other Fund	B	48,277.38	64,678.07
Utility Operating Fund	D	24,627.38	15,167.22
County for Added Tax	A-14	46,348.31	32,788.76
Reserve for Prepaid Beach Badges	A-17	10,500.00	-
Reserve for Hurricane Expense	A-17	76,973.20	76,973.20
Reserve for Hurricane Sandy - FEMA receipts	A-17	-	79,891.76
Reserve for Library Aid	A-17	14.00	14.00
		<u>3,520,647.86</u>	<u>3,253,945.80</u>
Reserve for Receivables	A	162,923.08	232,331.83
Fund Balance	A-1	<u>3,693,584.37</u>	<u>3,345,787.67</u>
		<u>7,377,155.31</u>	<u>6,832,065.30</u>
Federal and State Grant Fund:			
Encumbrances Payable	A-19	960.50	-
Reserve for Grant Expenditures:			
Appropriated	A-19	7,954.99	15,210.79
Unappropriated	A-20	<u>13,733.93</u>	<u>13,355.46</u>
		<u>22,649.42</u>	<u>28,566.25</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 7,399,804.73</u>	<u>\$ 6,860,631.55</u>

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



**BOROUGH OF SURF CITY**  
**CURRENT FUND**  
**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
Revenue and Other Income Realized:			
Fund Balance Utilized	A-2	\$ 1,332,500.00	\$ 1,592,900.00
Miscellaneous Revenue Anticipated	A-2	977,038.10	941,082.79
Receipts From Delinquent Taxes	A-2	182,973.31	187,096.14
Non-Budget Revenue	A-2	144,522.76	132,308.19
Receipts From Current Taxes	A-2, A-6	15,649,896.57	14,852,747.34
Other Credits To Income:			
Unexpended Balance of Appropriation			
Reserves	A-9	1,030,706.94	781,703.55
Collection on Prior Years Receivables	A-4	37,206.17	-
Prior Years Interfunds Returned	A-1	2,827.06	119.00
Total Revenues		<u>19,357,670.91</u>	<u>18,487,957.01</u>
Expenditures:			
Budget Appropriations Within "CAPS":			
Operations:			
Salaries and Wages	A-3	2,720,500.00	2,603,800.00
Other Expenses	A-3	2,473,275.00	2,397,740.00
Deferred Charges and Statutory			
Expenditures	A-3	482,400.00	454,600.00
Appropriations Excluded From "CAPS":			
Other Expenses	A-3	108,318.28	129,774.17
Capital Improvements	A-3	125,000.00	191,500.00
Deferred Charges	A-3	213,270.96	376,710.97
County Taxes	A-14	6,808,191.45	6,660,117.27
County Share of Added Taxes	A-14	46,348.31	32,788.76
Local District School Tax	A-15	719,586.00	622,072.00
Regional High School Tax	A-16	3,980,424.00	3,639,645.00
Interfunds Advances	A	60.21	47,835.15
Total Expenditures		<u>17,677,374.21</u>	<u>17,156,583.32</u>
Statutory Excess To Fund Balance		1,680,296.70	1,331,373.69
Fund Balance, January 1	A	<u>3,345,787.67</u>	<u>3,607,313.98</u>
		5,026,084.37	4,938,687.67
Decreased By:			
Utilized as Anticipated Revenue	A-2	<u>1,332,500.00</u>	<u>1,592,900.00</u>
Fund Balance, December 31	A	<u><u>\$ 3,693,584.37</u></u>	<u><u>\$ 3,345,787.67</u></u>

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

**BOROUGH OF SURF CITY**  
**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**YEAR ENDED DECEMBER 31, 2016**

	BUDGET	SPECIAL N.J.S.A. 40:4-87	REALIZED	EXCESS/ (DEFICIT)
Fund Balance Anticipated	\$ 1,332,500.00	\$ -	\$ 1,332,500.00	\$ -
Miscellaneous Revenues:				
Licenses:				
Alcohol Beverages	1,400.00	-	1,400.00	-
Fees & Permits	10,000.00	-	21,521.00	11,521.00
Interest & Costs on Taxes	23,501.95	-	38,919.44	15,417.49
Beach Badge Fees	450,000.00	-	582,362.00	132,362.00
Energy Receipts Taxes	164,430.00	-	164,430.00	-
Uniform Construction Code Fees	67,000.00	-	61,535.62	(5,464.38)
Reserve for Hurricane Sandy Aid Recovered	79,891.76	-	79,891.76	-
Clean Communities Program	12,013.52	-	12,013.52	-
Body Armor Replacement Fund	1,341.94	1,301.99	2,643.93	-
Recycling Tonnage Grant	5,320.83	-	5,320.83	-
Civic Donation - Lifeguards & Emergency Services	5,000.00	-	5,000.00	-
Civic Donation - Lifeguards	2,000.00	-	2,000.00	-
	821,900.00	1,301.99	977,038.10	153,836.11
Receipts From Delinquent Taxes	142,500.00	-	182,973.31	40,473.31
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	4,190,500.00	-	4,434,171.81	243,671.81
Budget Totals	6,487,400.00	1,301.99	6,926,683.22	437,981.23
Non-Budget Revenue	-	-	144,522.76	144,522.76
	\$ 6,487,400.00	\$ 1,301.99	\$ 7,071,205.98	\$ 582,503.99

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

**BOROUGH OF SURF CITY  
CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016**

Analysis of Realized Revenue

Allocation of Current Tax Collection:

Revenue From Collections	\$ 15,649,896.57
Allocated To School and County Taxes	<u>11,554,549.76</u>

Balance for Support of Municipal Budget	4,095,346.81
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Add:

Appropriation Reserve for Uncollected Taxes	<u>338,825.00</u>
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Balance for Support of Municipal Budget

Appropriations	<u><u>\$ 4,434,171.81</u></u>
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Delinquent Taxes:

Taxes Receivable	<u><u>\$ 182,973.31</u></u>
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Analysis of Non-Budget Revenue

Miscellaneous revenue not anticipated:

Revenue Accounts Receivable:

Municipal Court Fines & Costs	\$ 36,692.88	
Interest on Investments & Savings	9,483.38	
Vendors' Licenses	<u>6,015.00</u>	
		<u>\$ 52,191.26</u>

T.V. Cable Franchise Fee	21,775.21	
Zoning/Planning/Occupancy Fees	7,000.00	
Land Use Board Reimbursement and Fees	11,187.89	
Insurance Refunds & Claims	31,697.59	
Miscellaneous	12,757.59	
Senior Citizen & Vets Administrative Fees	626.25	
Recycling Receipts	<u>7,286.97</u>	
		<u>92,331.50</u>

	<u><u>\$ 144,522.76</u></u>
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**BOROUGH OF SURF CITY  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016**

	APPROPRIATIONS		EXPENDED			CANCELLED
	ORIGINAL BUDGET	BUDGET AFTER MODIFICATIONS	PAID OR CHARGED	ENCUMBERED	RESERVED	
General Appropriations						
Operations - Within "CAPS"						
GENERAL GOVERNMENT						
General Administration						
Salaries & Wages	\$ 69,800.00	\$ 69,800.00	\$ 56,345.41	\$ -	\$ 13,454.59	\$ -
Other Expenses	20,000.00	20,000.00	9,714.60	283.79	10,001.61	-
Human Resources						
Other Expenses	7,500.00	7,500.00	-	-	7,500.00	-
Mayor and Council						
Salaries & Wages	50,200.00	50,200.00	48,509.50	-	1,690.50	-
Other Expenses	5,000.00	5,000.00	3,364.46	-	1,635.54	-
Municipal Clerk						
Salaries & Wages	103,700.00	103,700.00	95,362.07	-	8,337.93	-
Other Expenses	14,000.00	14,000.00	11,298.75	267.88	2,433.37	-
Financial Administration						
Salaries & Wages	97,200.00	97,200.00	80,064.12	-	17,135.88	-
Other Expenses	15,000.00	15,000.00	9,646.22	355.44	4,998.34	-
Audit Services						
Other Expenses - Annual Audit	17,000.00	17,000.00	15,600.00	-	1,400.00	-
Collection of Taxes						
Salaries & Wages	51,500.00	51,500.00	17,547.35	-	33,952.65	-
Other Expenses	37,000.00	37,000.00	21,121.55	312.53	15,565.92	-
Assessment of Taxes						
Salaries & Wages	8,800.00	8,800.00	1,098.40	-	7,701.60	-
Other Expenses	35,000.00	35,000.00	17,392.66	1,019.70	16,587.64	-
Legal Services						
Other Expenses	15,000.00	15,000.00	6,200.71	-	8,799.29	-
Engineering Services						
Other Expenses	10,000.00	13,000.00	9,441.72	-	3,558.28	-
Municipal Court						
Salaries & Wages	62,400.00	62,400.00	56,261.22	-	6,138.78	-
Other Expenses	8,500.00	8,500.00	6,087.29	288.39	2,124.32	-
Public Defender						
Other Expenses	1,800.00	1,800.00	362.25	-	1,437.75	-

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

**BOROUGH OF SURF CITY  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016**

	APPROPRIATIONS		EXPENDED			<u>CANCELLED</u>
	<u>ORIGINAL BUDGET</u>	<u>BUDGET AFTER MODIFICATIONS</u>	<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
Land Use Administration:						
Land Use Board						
Salaries & Wages	7,000.00	7,000.00	6,441.16	-	558.84	-
Other Expenses	14,500.00	14,500.00	1,894.95	77.98	12,527.07	-
Code Enforcement & Administration:						
Other Code Enforcement Functions						
Salaries & Wages	7,700.00	7,700.00	6,507.28	-	1,192.72	-
Other Expenses	3,000.00	3,000.00	-	-	3,000.00	-
Insurance:						
General Liability	77,000.00	77,000.00	71,709.68	-	5,290.32	-
Workers Compensation	110,000.00	110,000.00	102,233.34	-	7,766.66	-
Employee Group Health	972,400.00	972,400.00	923,416.42	200.00	48,783.58	-
Health Benefit Waiver						
Salaries & Wages	25,000.00	25,000.00	18,750.00	-	6,250.00	-
Public Safety Functions:						
Police Department						
Salaries & Wages	1,339,500.00	1,314,500.00	1,132,009.42	-	182,490.58	-
Other Expenses	75,000.00	100,000.00	29,965.23	41,735.45	28,299.32	-
Police Dispatch/911						
Other Expenses	52,000.00	52,000.00	-	-	52,000.00	-
Office of Emergency Management						
Salaries & Wages	3,100.00	3,100.00	3,081.77	-	18.23	-
Other Expenses	6,000.00	6,000.00	1,458.84	-	4,541.16	-
Aid to Volunteer Fire Company	25,000.00	25,000.00	25,000.00	-	-	-
Fire Hydrant Service	100,000.00	100,000.00	100,000.00	-	-	-
Municipal Prosecutor's Office						
Other Expenses	8,500.00	8,500.00	7,791.63	708.37	-	-
Public Work Functions:						
Streets and Road Maintenance						
Salaries & Wages	71,900.00	71,900.00	51,909.73	-	19,990.27	-
Other Expenses	35,000.00	35,000.00	17,488.45	2,449.07	15,062.48	-
Solid Waste Collection						
Salaries & Wages	289,600.00	289,600.00	253,589.20	-	36,010.80	-
Other Expenses	27,000.00	27,000.00	18,571.89	1,102.00	7,326.11	-

**BOROUGH OF SURF CITY  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016**

	APPROPRIATIONS		EXPENDED			<u>CANCELLED</u>
	<u>ORIGINAL BUDGET</u>	<u>BUDGET AFTER MODIFICATIONS</u>	<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
Building and Grounds						
Salaries & Wages	130,300.00	130,300.00	94,738.55	-	35,561.45	-
Other Expenses	63,000.00	63,000.00	30,404.13	4,043.05	28,552.82	-
Vehicle Maintenance (Incl. Police Vehicles)						
Salaries & Wages	38,000.00	38,000.00	32,726.01	-	5,273.99	-
Other Expenses	93,000.00	93,000.00	37,926.88	14,873.62	40,199.50	-
Health & Human Services Functions:						
Board of Health						
Salaries & Wages	2,700.00	2,700.00	2,020.00	-	680.00	-
Other Expenses	58,000.00	58,000.00	56,341.60	-	1,658.40	-
Environmental Health Services						
Salaries & Wages	5,400.00	5,400.00	40.00	-	5,360.00	-
Other Expenses	1,000.00	1,000.00	-	-	1,000.00	-
Animal Control Services						
Other Expenses	9,200.00	9,200.00	6,720.00	672.00	1,808.00	-
Contributions to Social Service Agencies						
Senior Citizen Center (NJS 40:48-9.4)	5,000.00	5,000.00	-	-	5,000.00	-
Health Care Facilities (NJS 44:5-2)	100.00	100.00	-	-	100.00	-
Mental Health Facilities (NJS 40:48-9.4a)	100.00	100.00	-	-	100.00	-
Recreation of Services and Programs						
Salaries & Wages	6,100.00	6,100.00	40.00	-	6,060.00	-
Other Expenses	2,000.00	2,000.00	-	-	2,000.00	-
Maintenance of Parks						
Salaries & Wages	36,100.00	36,100.00	26,347.16	-	9,752.84	-
Other Expenses - Veterans' Memorial Park	3,000.00	3,000.00	1,287.02	-	1,712.98	-
Other Expenses - Other Facilities	4,000.00	4,000.00	2,677.80	-	1,322.20	-
Beach & Boardwalk Operations						
Salaries & Wages	331,000.00	325,500.00	254,534.04	-	70,965.96	-
Other Expenses	56,000.00	56,000.00	36,412.83	8,188.00	11,399.17	-
Other Common Operating Functions (Unclassified)						
Municipal Bus Service						
Other Expenses	10,000.00	10,000.00	10,000.00	-	-	-
Accumulated Leave Compensation						
Salaries & Wages	3,500.00	3,500.00	3,500.00	-	-	-
Celebration of Public Events						
Other Expenses	1,000.00	1,000.00	24.88	-	975.12	-

**BOROUGH OF SURF CITY  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016**

	APPROPRIATIONS		EXPENDED			CANCELLED
	ORIGINAL BUDGET	BUDGET AFTER MODIFICATIONS	PAID OR CHARGED	ENCUMBERED	RESERVED	
Utility Expenses & Bulk Purchases						
Electricity	30,000.00	30,000.00	17,628.78	-	12,371.22	-
Street Lighting	45,000.00	45,000.00	38,602.83	-	6,397.17	-
Telephone	30,000.00	30,000.00	26,331.49	788.07	2,880.44	-
Gas (natural or propane)	20,000.00	20,000.00	9,280.27	-	10,719.73	-
Telecommunications	4,675.00	4,675.00	2,116.46	114.03	2,444.51	-
Gasoline	76,000.00	76,000.00	28,061.33	1,814.25	46,124.42	-
Landfill/Solid Waste Disposal Costs:						
Landfill/Solid Waste Disposal Costs	180,000.00	180,000.00	148,304.88	823.22	30,871.90	-
Other Expenses						
Uniform Construction Code - Appropriations Offset by Dedicated Revenues (N.J.A.C.5:23-4.17)	10,500.00	10,500.00	7,917.31	-	2,582.69	-
Salaries & Wages	56,500.00	59,000.00	30,278.10	16.80	28,705.10	-
Other Expenses						
Contingent	4,000.00	4,000.00	-	-	4,000.00	-
Total Operations Including Contingent Within CAPS	5,193,775.00	5,193,775.00	4,141,499.62	80,133.64	972,141.74	-
Detail:						
Salaries & Wages	2,751,000.00	2,720,500.00	2,249,339.70	-	471,160.30	-
Other Expenses	2,442,775.00	2,473,275.00	1,892,159.92	80,133.64	500,981.44	-
Deferred Charges & Statutory Expenditures - Within CAPS:						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	62,024.00	62,024.00	62,024.00	-	-	-
Social Security System (O.A.S.I)	211,000.00	211,000.00	153,357.22	-	57,642.78	-
Police and Firemen's System of NJ	197,131.00	197,131.00	197,131.00	-	-	-
Unemployment Insurance	10,000.00	10,000.00	2,508.59	-	7,491.41	-
Defined Contribution Retirement Program	2,245.00	2,245.00	103.36	-	2,141.64	-
Total Statutory Expenditures Within CAPS	482,400.00	482,400.00	415,124.17	-	67,275.83	-
Total General Appropriations Within CAPS	5,676,175.00	5,676,175.00	4,556,623.79	80,133.64	1,039,417.57	-

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

**BOROUGH OF SURF CITY  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016**

	APPROPRIATIONS		EXPENDED			
	ORIGINAL BUDGET	BUDGET AFTER MODIFICATIONS	PAID OR CHARGED	ENCUMBERED	RESERVED	CANCELLED
Operations Excluded from CAPS:						
Insurance						
Employee Group Health	12,600.00	12,600.00	-	-	12,600.00	-
Length of Service Awards Program (L.O.S.A.P.)						
Other Expenses	61,440.00	61,440.00	-	-	61,440.00	-
Recycling Tax (P.L. 2007, c. 311)						
Other Expenses	7,300.00	7,300.00	5,178.69	-	2,121.31	-
Public & Private Programs Offset by Revenues:						
Clean Communities Program	12,013.52	12,013.52	12,013.52	-	-	-
Body Armor Replacement Fund (C159 \$1,301.99)	1,341.94	2,643.93	2,643.93	-	-	-
Recycling Tonnage Grant	5,320.83	5,320.83	5,320.83	-	-	-
Civic Donation-Lifeguard Equipment	2,000.00	2,000.00	2,000.00	-	-	-
Civic Donation-Lifeguard & Emergency Services	5,000.00	5,000.00	4,661.00	-	339.00	-
State & Federal Programs - Local Match	2,112.75	2,112.75	-	-	-	2,112.75
Total Operations Excluded from CAPS	109,129.04	110,431.03	31,817.97	-	76,500.31	2,112.75
Detail:						
Other Expenses	109,129.04	110,431.03	31,817.97	-	76,500.31	2,112.75
Capital Improvements - Excluded from CAPS:						
Capital Improvement Fund	60,000.00	60,000.00	60,000.00	-	-	-
Rehabilitation of / Enhancement to Borough Property	50,000.00	50,000.00	-	-	50,000.00	-
Purchase of Public Safety Equipment	15,000.00	15,000.00	-	-	15,000.00	-
Total Capital Improvements	125,000.00	125,000.00	60,000.00	-	65,000.00	-



**BOROUGH OF SURF CITY  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016**

	APPROPRIATIONS		EXPENDED			
	ORIGINAL BUDGET	BUDGET AFTER MODIFICATIONS	PAID OR CHARGED	ENCUMBERED	RESERVED	CANCELLED
Municipal Debt Service - Excluded from CAPS:						
Interest of Notes	25,000.00	25,000.00	-	-	-	25,000.00
Total Municipal Debt Services	25,000.00	25,000.00	-	-	-	25,000.00
Deferred Charges - Municipal - Excluded from CAPS						
Deferred Charges to Future Taxation - Unfunded:						
Beach Replenishment	6,430.96	6,430.96	6,430.96	-	-	-
Acquisition of Fire Apparatus & Related Equipment	200,000.00	200,000.00	200,000.00	-	-	-
Removal of Underground Diesel Storage Tank	6,840.00	6,840.00	6,840.00	-	-	-
Total Deferred Charges	213,270.96	213,270.96	213,270.96	-	-	-
Total General Appropriations Excluded from CAPS	472,400.00	473,701.99	305,088.93	-	141,500.31	27,112.75
Subtotal General Appropriations	6,148,575.00	6,149,876.99	4,861,712.72	80,133.64	1,180,917.88	27,112.75
Reserve for Uncollected Taxes	338,825.00	338,825.00	338,825.00	-	-	-
Total General Appropriations	\$ 6,487,400.00	\$ 6,488,701.99	\$ 5,200,537.72	\$ 80,133.64	\$ 1,180,917.88	\$ 27,112.75
Budget						
C.159 (N.J.S. 40A:4-87)	\$ 6,487,400.00	1,301.99				
	\$ 6,488,701.99					
Federal & State Grants			\$ 19,978.28			
Due to General Capital Fund			273,270.96			
Due to Trust Fund			3,500.00			
Refunds			(150,440.18)			
Reserve for Uncollected Taxes			338,825.00			
Cash			4,715,403.66			
			\$ 5,200,537.72			

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

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TRUST FUND

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**BOROUGH OF SURF CITY  
TRUST FUND  
STATEMENT OF ASSETS, LIABILITIES, RESERVES AND  
FUND BALANCE - REGULATORY BASIS  
DECEMBER 31, 2016 AND 2015**

<u>Assets</u>	<u>Reference</u>	<u>2016</u>	<u>2015</u>
Animal Control Fund:			
Cash	B-1	\$ 641.29	\$ 463.39
		<u>641.29</u>	<u>463.39</u>
Trust - Other Fund:			
Cash	B-1	314,839.49	350,316.93
Due from Current Fund	B-2	<u>48,277.38</u>	<u>64,678.07</u>
		<u>363,116.87</u>	<u>414,995.00</u>
Length of Service Award Program Fund ("LOSAP") - Unaudited:			
Investments	B-7	<u>673,103.33</u>	<u>629,360.41</u>
Total Assets		<u>\$ 1,036,861.49</u>	<u>\$ 1,044,818.80</u>
 <u>Reserves</u>			
Animal Control Fund:			
Due Current Fund	B-4	\$ 302.29	\$ 174.04
Reserve for Dog Fund Expenditures	B-5	<u>339.00</u>	<u>289.35</u>
		<u>641.29</u>	<u>463.39</u>
Trust - Other Fund:			
Due from Water/Sewer Operating Fund	B-3	26,801.56	16,627.00
Various Reserves	B-6	<u>336,315.31</u>	<u>398,368.00</u>
		<u>363,116.87</u>	<u>414,995.00</u>
Length of Service Award Program Fund ("LOSAP") - Unaudited:			
Miscellaneous Reserves	B-8	<u>673,103.33</u>	<u>629,360.41</u>
Total Reserves		<u>\$ 1,036,861.49</u>	<u>\$ 1,044,818.80</u>

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

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## GENERAL CAPITAL FUND

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**BOROUGH OF SURF CITY  
GENERAL CAPITAL FUND  
STATEMENT OF ASSETS, LIABILITIES, RESERVES AND  
FUND BALANCE - REGULATORY BASIS  
DECEMBER 31, 2016 AND 2015**

<u>Assets</u>	<u>Reference</u>	<u>2016</u>	<u>2015</u>
Cash	C-2	\$ 1,366,109.40	\$ 1,891,148.10
Due From Current Fund	C-4	32,759.42	-
Deferred Charges To Future Taxation: Unfunded	C-5	<u>1,639,198.91</u>	<u>1,705,469.87</u>
Total Assets		<u><u>\$ 3,038,067.73</u></u>	<u><u>\$ 3,596,617.97</u></u>

Liabilities, Reserves and Fund Balance

Improvement Authorizations:			
Funded	C-6	\$ 731,055.56	\$ 820,985.39
Unfunded	C-6	1,343,693.67	1,139,685.91
Reserve for Encumbrances	C-6	-	717,513.00
Due To Current Fund	C-4	-	115.17
Capital Improvement Fund	C-7	836,682.50	791,682.50
Reserve for Debt Service	C-8	36,683.33	36,683.33
Reserve for Purchase of Lifeguard Boat	C-8	7,500.00	7,500.00
Capital Fund Balance	C-1	<u>82,452.67</u>	<u>82,452.67</u>
Total Liabilities, Reserves and Fund Balance		<u><u>\$ 3,038,067.73</u></u>	<u><u>\$ 3,596,617.97</u></u>

There were bonds and notes authorized but not issued on December 31, 2016 of \$1,639,198.91 and on December 31, 2015 was \$1,705,469.87.

**BOROUGH OF SURF CITY  
GENERAL CAPITAL FUND  
STATEMENT OF CAPITAL FUND BALANCE -  
REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Balance, December 31, 2016 and 2015

\$ 82,452.67

WATER-SEWER UTILITY FUND

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**BOROUGH OF SURF CITY  
WATER/SEWER UTILITY FUND  
STATEMENT OF ASSETS, LIABILITIES, RESERVES AND  
FUND BALANCE - REGULATORY BASIS  
DECEMBER 31, 2016 AND 2015**

<u>Assets</u>	<u>Reference</u>	<u>2016</u>	<u>2015</u>
Operating Fund:			
Cash	D-4	\$ 1,516,363.09	\$ 1,424,973.92
Change Fund	D	250.00	250.00
Due from Utility Capital Fund	D	-	26.19
Due from Trust-Other Fund	B	26,801.56	16,627.00
Due from Current Fund	A	24,627.38	15,167.22
Subtotal		1,568,042.03	1,457,044.33
Water/Sewer Rents Receivable	D-6	46,272.03	32,589.15
Total Operating Fund		1,614,314.06	1,489,633.48
Capital Fund:			
Cash	D-4	435,892.98	435,268.80
Due from Water/Sewer Operating Fund	D	71,409.63	-
Fixed Capital - Completed	D-7	7,372,514.80	7,351,707.80
Fixed Capital - Authorized and Uncompleted	D-8	660,260.63	663,200.63
Total Capital Fund		8,540,078.04	8,450,177.23
Total Assets		\$ 10,154,392.10	\$ 9,939,810.71
<u>Liabilities, Reserves and Fund Balances</u>			
Operating Fund:			
Accounts Payable	D-12	\$ 8,681.52	\$ 8,681.52
Encumbrances Payable	D-10	59,974.13	22,409.51
Appropriation Reserves	D-3	384,878.45	454,058.44
Due to Utility Capital Fund	D-13	71,409.63	-
Prepaid Rents	D-11	14,168.35	10,407.88
Subtotal		539,112.08	495,557.35
Reserve for Water/Sewer Rents Receivables		46,272.03	32,589.15
Operating Fund Balance	D-1	1,028,929.95	961,486.98
Total Operating Fund		1,614,314.06	1,489,633.48
Capital Fund:			
Bond Anticipation Notes	D-14	125,000.00	250,000.00
Due To Utility Operating Fund	D	-	26.19
Capital Improvement Fund	D-16	449,565.51	424,565.51
Improvement Authorizations:			
Unfunded	D-15	660,260.63	663,200.63
Reserve for Amortization	D-17	7,297,775.43	7,104,908.43
Capital Fund Balance	D-1(a)	7,476.47	7,476.47
Total Capital Fund		8,540,078.04	8,450,177.23
Total Liabilities, Reserves and Fund Balances		\$ 10,154,392.10	\$ 9,939,810.71

There were bonds and notes authorized but not issued on December 31, 2016 of \$610,000.00 and on December 31, 2015 was \$660,000.00.

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

**BOROUGH OF SURF CITY**  
**WATER/SEWER UTILITY OPERATING FUND**  
**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
Revenue and Other Income Realized:			
Fund Balance Anticipated	D-2	\$ 720,600.00	\$ 665,000.00
Water/Sewer Rents	D-2	1,671,762.66	1,656,864.25
Fire Hydrant Service	D-2	118,400.00	118,400.00
Miscellaneous Revenues Not Anticipated	D-2	85,136.14	83,669.61
Other Credits to Income:			
Accounts Payable Cancelled	D-12	-	5,659.16
Appropriation Reserves Lapsed	D-9	446,864.07	420,578.94
		<hr/>	<hr/>
Total Revenues		3,042,762.87	2,950,171.96
		<hr/>	<hr/>
Expenditures:			
Budget Appropriations:			
Operating	D-3	1,891,200.00	1,862,900.00
Capital Improvements	D-3	100,000.00	100,000.00
Debt Service	D-3	125,000.00	100,000.00
Deferred Charges and			
Statutory Expenditures	D-3	127,200.00	124,900.00
Refund of Prior Year Revenue	D-4	11,319.90	-
		<hr/>	<hr/>
Total Expenditures		2,254,719.90	2,187,800.00
		<hr/>	<hr/>
Excess in Revenue		788,042.97	762,371.96
		<hr/>	<hr/>
Fund Balance, January 1	D	961,486.98	864,115.02
		<hr/>	<hr/>
		1,749,529.95	1,626,486.98
Decreased By:			
Utilized as Anticipated Revenue	D-1	720,600.00	665,000.00
		<hr/>	<hr/>
Fund Balance, December 31	D	\$ 1,028,929.95	\$ 961,486.98
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The accompanying Notes to Financial Statements are an integral part of this statement.

**BOROUGH OF SURF CITY  
WATER/SEWER UTILITY CAPITAL FUND  
STATEMENT OF FUND BALANCE -  
REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Balance, December 31, 2016 and 2015

\$ 7,476.47

**BOROUGH OF SURF CITY**  
**WATER/SEWER UTILITY OPERATING FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>ANTICIPATED</u>	<u>REALIZED</u>	<u>EXCESS/ (DEFICIT)</u>
Surplus Anticipated	\$ 720,600.00	\$ 720,600.00	\$ -
Water Rents	750,000.00	915,633.97	165,633.97
Sewer Rents	750,000.00	756,128.69	6,128.69
Fire Hydrant Service	47,800.00	118,400.00	70,600.00
	<hr/>	<hr/>	<hr/>
	\$ 2,268,400.00	\$ 2,510,762.66	\$ 242,362.66
	<hr/>	<hr/>	<hr/>

Analysis of Miscellaneous Revenue Not Anticipated

Tower Rent for Cellular Antennae	\$ 73,580.16
Shut-Off Fees	1,499.04
Tap Fees	2,600.00
Interest on Delinquents	4,686.58
Interest on Investments	2,146.18
	<hr/>
	84,511.96
Interest Earned in Utility Capital Fund	624.18
	<hr/>
Total Miscellaneous Revenue Not Anticipated	\$ 85,136.14
	<hr/>

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



**BOROUGH OF SURF CITY**  
**WATER/SEWER UTILITY OPERATING FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**YEAR ENDED DECEMBER 31, 2016**

	APPROPRIATIONS					
	ORIGINAL BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	CANCELLED
Operating:						
Salaries and Wages	\$ 454,000.00	\$ 454,000.00	\$ 378,245.53	\$ -	\$ 75,754.47	\$ -
Other Expenses	1,437,200.00	1,437,200.00	1,154,789.38	16,658.13	265,752.49	-
Total Operating	1,891,200.00	1,891,200.00	1,533,034.91	16,658.13	341,506.96	-
Capital Improvements:						
Capital Improvement Fund	25,000.00	25,000.00	25,000.00	-	-	-
Capital Outlay	75,000.00	75,000.00	5,000.00	43,316.00	26,684.00	-
Total Capital Improvements	100,000.00	100,000.00	30,000.00	43,316.00	26,684.00	-
Debt Service:						
Payment of Bond Anticipation Notes	125,000.00	125,000.00	125,000.00	-	-	-
Interest on Notes	25,000.00	25,000.00	-	-	-	25,000.00
Total Debt Service	150,000.00	150,000.00	125,000.00	-	-	25,000.00
Deferred Charges & Statutory Expenditures:						
Deferred Charges:						
Costs of Improvements Authorized:						
Improvements to Water/Sewer System	50,000.00	50,000.00	50,000.00	-	-	-
Total Deferred Charges	50,000.00	50,000.00	50,000.00	-	-	-
Statutory Expenditures:						
Contribution To:						
Public Employees' Retirement System	37,214.00	37,214.00	37,214.00	-	-	-
Social Security System (O.A.S.I.)	35,000.00	35,000.00	22,044.22	-	12,955.78	-
Defined Contribution Retirement Plan	786.00	786.00	-	-	786.00	-
Unemployment Compensation Insurance	4,200.00	4,200.00	1,254.29	-	2,945.71	-
Total Statutory Expenditures	77,200.00	77,200.00	60,512.51	-	16,687.49	-
Total Water/Sewer Utility Fund Appropriations	\$ 2,268,400.00	\$ 2,268,400.00	\$ 1,798,547.42	\$ 59,974.13	\$ 384,878.45	\$ 25,000.00
Refunds			\$ (63,609.96)			
Cash Disbursements			1,787,157.38			
Due to Water/Sewer Utility Capital			75,000.00			
			\$ 1,798,547.42			

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

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GENERAL FIXED ASSETS ACCOUNT GROUP

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**BOROUGH OF SURF CITY**  
**GENERAL FIXED ASSETS ACCOUNT GROUP**  
**STATEMENT OF GENERAL FIXED ASSETS -**  
**REGULATORY BASIS**  
**DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	BALANCE DECEMBER 31, <u>2016</u>	BALANCE DECEMBER 31, <u>2015</u>
Land	E-1	\$ 748,506.36	\$ 748,506.36
Buildings	E-1	839,927.80	726,738.12
Equipment	E-1	578,888.59	578,888.59
Motor Vehicles	E-1	<u>2,783,618.10</u>	<u>2,152,699.69</u>
Total General Fixed Assets		<u>\$ 4,950,940.85</u>	<u>\$ 4,206,832.76</u>
Investment in General Fixed Assets	E	<u>\$ 4,950,940.85</u>	<u>\$ 4,206,832.76</u>

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

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BOROUGH OF SURF CITY  
COUNTY OF OCEAN, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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## **BOROUGH OF SURF CITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

#### **Note 1. Summary of Significant Accounting Policies**

##### **Description of the Financial Reporting Entity**

The Borough of Surf City was incorporated under the laws of the State of New Jersey. The financial statements of the reporting entity include those of the Borough of Surf City only.

##### **Component Units**

GASB Statement No. 14, *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB No. 61, *The Financial Reporting Entity: Omnis – an Amendment of GASB Statements No. 14 and No. 34*. The Borough had no component units as of and for the year ended December 31, 2016.

##### **Descriptions of Funds**

The accounting policies of the Borough 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, (the “Division”). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through the following separate funds:

In accordance with the “Requirements”, the Borough of Surf City accounts for its financial transactions through the use of separate funds, which are described as follows:

**Current Fund** – The Current Fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grant funds.

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

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

**Water and Sewer Operating and Capital Funds** – resources for government utility operations, including Federal and State grants in aid of construction, and expenditures for the acquisition of water-sewer capital facilities, other than those acquired through the Water-Sewer Utility Operating Fund, including the status of bonds and notes authorized for said purposes.

**General Fixed Assets Account Group** – used to account for fixed assets used in general government operations.

## BOROUGH OF SURF CITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

#### Note 1. Summary of Significant Accounting Policies (continued):

**Budgets and Budgetary Accounting** - The Borough of Surf City must adopt an annual budget for its Current Fund in accordance with *N.J.S.A.40A:4* et seq. *N.J.S.A.40A:4-5* requires the governing body to introduce and approve the annual municipal budget no later than February 10<sup>th</sup> of each year. At introduction, the governing body must fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the municipality. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with *N.J.S.A.40A:4-9*. Amendments to adopted budgets, if any are detailed in the statements of revenues and expenditures.

An extension of the statutory dates for introduction, approval and adoption of the municipal budget may be granted by the Director of Local Government Services, with the permission of the Local Finance Board. Budgets are adopted on the same basis of accounting utilized for the preparation of the Borough's financial statements. Once a budget is approved it may be amended after November 1, by a resolution adopted by the governing body.

**Cash, Cash Equivalents and Investments** - Cash and Cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost. Consequently, unrealized gain or loss on investments has not been recorded in accordance with Governmental Accounting Standards Board Statement No. 31.

New Jersey municipal units are required by *N.J.S.A.40A:5-14* to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. *N.J.S.A.40A:5-15.1* provides a list of investments, which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local utilities and other state agencies.

*N.J.S.A.17:9-41* et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the Governmental Units. The cash management plan adopted by the Borough of Surf City requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

**Interfunds** - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

## BOROUGH OF SURF CITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

#### Note 1. Summary of Significant Accounting Policies (continued):

**Inventories and Supplies** - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets of assets, liabilities, reserves and fund balance.

**General Fixed Assets** – Property and equipment purchased by the Current and General Capital Fund are recorded as expenditures at the time of purchase and are not capitalized. All interest costs are recorded as expenditures when paid.

Accounting for governmental Fixed Assets, as promulgated by Technical Accounting Directive No. 85-2 as issued by the Division of Local Government Services, differs in certain respects from accounting principles generally accepted in the United States of America. The following is a brief description of the provisions of the Directive:

Fixed assets used in governmental operations (General Fixed Assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") 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. No depreciation has been provided for in the financial statements. Donated general fixed assets are valued at their estimated fair market value on the date received.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation. Fixed assets acquired through grants-in-aid or contributed capital has not been accounted for separately.

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

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

**Fund Balance** – Fund Balance included in the Current Fund represent the amount available for anticipation as revenue in future year's budgets, with certain restrictions.

**Revenues** – are recorded when received in cash except for certain amounts, which are due from other governmental units. Revenue from Federal and State grants are realized when anticipated as such in the Borough's budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the Borough's Current Fund; accordingly, such amounts

## **BOROUGH OF SURF CITY**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016**

#### **Note 1. Summary of Significant Accounting Policies (continued):**

are not recorded as revenue until collected. Other amounts that are due the Borough, which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenues when received.

**Property Tax Revenues** – are collected in quarterly installments due February 1, May 1, August 1 and November 1. The amount of tax levied includes not only the amount required in support of the Borough's annual budget, but also the amounts required in support of the budgets of the County of Ocean and the local School District. Unpaid property taxes are subject to tax sale in accordance with statutes.

**School Taxes** – The municipality is responsible for levying, collecting and remitting school taxes for the local School District. Operations are charged for the full amount required to be raised from taxation to operate the local school district for the period from January 1 to December 31.

**County Taxes** – The municipality is responsible for levying, collecting and remitting County taxes for the County of Ocean. Operations is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10<sup>th</sup> of the current year. In addition, operations is charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10<sup>th</sup> of the current year and due to be paid to the County by February 15<sup>th</sup> of the following year.

**Reserve for Uncollected Taxes** – The inclusion of the "Reserve for Uncollected Taxes" appropriation in the Borough's annual budget protects the Borough from taxes not paid currently. The Reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year, with certain exceptions, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations.

**Expenditures** – are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed as required by Technical Accounting Directive No. 85-1. When an expenditure is paid, the amount encumbered is simultaneously liquidated in its original amount. Encumbrances are offset by an account entitled reserve for encumbrances. The reserve is classified as a cash liability under New Jersey municipal accounting. At December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same statutory provisions as appropriation reserves.

Appropriations for principal and interest payments on outstanding general capital bonds and notes are provided on the cash basis.

**Appropriation Reserves** – Appropriation reserves covering unexpended appropriation balances are automatically created at year-end and recorded as liabilities, except for amounts, which may be cancelled 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.

## BOROUGH OF SURF CITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

#### **Note 1. Summary of Significant Accounting Policies (continued):**

**Long-Term Debt** - Long-Term Debt relative to the acquisition of capital assets, is recorded as a liability in the General Capital Fund. Where an improvement is a “local improvement”, i.e. assessable upon completion, long-term debt associated with that portion of the cost of the improvement to be funded by assessments is transferred to the Trust Fund upon the confirmation of the assessments or when the improvement is fully and permanently funded.

**Compensated Absences and Post-employment Benefits** – Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a pay-as-you-go basis. Likewise, no accrual is made for post-employment benefits, if any, which are also funded on a pay-as-you-go basis.

#### **Length of Service Award Program (“LOSAP”)**

The Borough has established a Volunteer Length of Service Award Plan (“LOSAP”) (“Plan”) to ensure retention of the Borough’s volunteer First Aid Squad members. The Plan shall be construed under the laws of the State of New Jersey and is established with the intent that it meets the requirements of a “Length of Service Award Plan under Section 457(e)11 of the Internal Revenue Code”.

LOSAP Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements. *N.J.A.C.5:30-14.49* requires that the Borough perform a separate review report of the Plan in accordance with the American Institute of Certified Public Accounts Statements for Accounting and Auditing Review Services.

#### **Impact of Recently Issued Accounting Principles**

##### Adopted Accounting Pronouncements

For the year ended December 31, 2016, the Borough implemented GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of implementing this statement, the Borough is required to measure certain investments at fair value for financial reporting purposes. In addition, the Borough is required to measure donated capital assets at acquisition value (an entry price); these assets were previously required to be measured at fair value. Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Implementation of this Statement did not impact the Borough’s financial statements.

The Borough implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Implementation of this Statement did not impact the Borough’s financial statements.

The Borough implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Implementation of this Statement did not impact the Borough’s financial statements.

## BOROUGH OF SURF CITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

#### Note 1. Summary of Significant Accounting Policies (continued):

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. Implementation of this Statement did not impact the Borough's financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. Implementation of this Statement did not impact the Borough's financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Implementation of this Statement did not impact the Borough's financial statements.

#### Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the Borough's financial statements.

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the Borough's financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the Borough's financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and

## BOROUGH OF SURF CITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

#### Note 1. Summary of Significant Accounting Policies (continued):

measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the Borough's financial statements.

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement will be effective for the year ended December 31, 2017. Management has not yet determined the potential impact on the Borough's financial statements.

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting requirements for certain asset retirement obligations and establishes the timing and pattern of recognition of a liability and corresponding deferred outflow of resources. This Statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to impact the Borough's financial statements.

Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to impact the Borough's financial statements.

Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the Borough's financial statements.

#### Subsequent Events

The Borough has evaluated subsequent events occurring after December 31, 2016 through the date of September 22, 2017, which is the date the financial statements were available to be issued.

#### Note 2. Cash

The Borough is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2016 are reported at fair value are as follows:

<u>Type</u>	<u>Carrying Value</u>
<b>Deposits</b>	
Demand Deposits	\$ 10,721,646.23
Total Deposits	<u>\$ 10,721,646.23</u>

## BOROUGH OF SURF CITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

#### Note 2. Cash (continued):

##### The Borough's Cash is Reported as Follows:

Current Fund	\$ 7,087,799.98
Trust Other Fund	314,839.49
Animal Control Fund	641.29
Capital Fund	1,366,109.40
Utility Operating Fund	1,516,363.09
Utility Capital Fund	<u>435,892.98</u>
Total Cash	<u>\$ 10,721,646.23</u>

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the Borough's deposits might not be recovered. Although the Borough does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Borough in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds, or funds that may pass to the Borough relative to the happening of a future condition. Such funds are shown as uninsured and uncollateralized in the schedule that follows.

As of December 31, 2016, the Borough's bank balances of \$10,799,913.85 were exposed to custodial credit risk as follows:

Insured through FDIC	\$ 250,000.00
Uninsured and uncollateralized	336,897.63
Collateralized in the Borough's Name Under GUDPA	<u>10,213,016.22</u>
Total	<u>\$10,799,913.85</u>

#### Note 3. Investments

##### A. Custodial Credit Risk

For an investment, custodial credit risk is a risk that, in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Borough and are held by either the counterparty or the counterparty's trust department or agent but not in the Borough's name.



## BOROUGH OF SURF CITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

#### Note 3. Investments (continued):

##### B. Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Borough has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2016, are provided in the below schedules.

##### C. Investment Credit Risk

The Borough has no investment policy that limits its investment choices other than the limitation of state law as follows:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Borough or bonds or other obligations of the local unit or units within which the Borough is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Borough;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.

	Fair Value (LOSAP)	Book Value	Total Reported Value
2016:			
Uninsured and Collateralized:			
Collateral held by pledging financial Institution's Trust Department but not in the Borough's name	<u>\$ 673,103.33</u>	<u>\$ 673,103.33</u>	<u>\$ 673,103.33</u>

# BOROUGH OF SURF CITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

### Note 3. Investments (continued):

2015:

Uninsured and Collateralized:

Collateral held by pledging financial Institution's Trust Department but not in the Borough's name	<u>\$ 629,360.41</u>	<u>\$ 629,360.41</u>	<u>\$ 629,360.41</u>
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As of December 31, 2016, the Borough had the following additional investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Rating</u>	<u>Fair Value</u>
Investments Held by Borough			
Current Fund	N/A	N/A	<u>\$125,000.00</u>
Total Investments			<u>\$125,000.00</u>

### Note 4. Property Taxes

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

#### Comparison of Tax Rate Information

	2016	2015	2014
Total Tax Rate	<u>\$ 1.003</u>	<u>\$ 0.962</u>	<u>\$ 0.957</u>
Apportionment of Tax Rate:			
Municipal	0.267	0.260	0.252
County	0.435	0.428	0.425
Local School	0.046	0.040	0.046
Regional School	0.255	0.234	0.234

#### Net Valuation Taxable

2016	<u>\$ 1,566,248,177</u>			
2015	<u>\$ 1,557,657,082</u>			
2014		<u>\$ 1,548,330,149</u>		

#### Comparison of Tax Levies and Collection Currently

Year	Tax Levy	Cash Collections	Percentage Of Collection
2016	\$ 15,808,132	\$ 15,649,897	98.99%
2015	15,041,725	14,852,747	98.74%
2014	14,916,049	14,719,626	98.68%

# BOROUGH OF SURF CITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

### Note 4. Property Taxes (continued)

<u>Delinquent Taxes and Tax Title Liens</u>					
Year Ended December 31	Amount of Tax Title Liens	Amount of Delinquent Taxes	Total Delinquent	Percentage Of Tax Levy	
2016	\$ 749.64	\$ 155,902.39	\$ 156,652.03	0.99%	
2015	708.52	176,868.97	177,577.49	1.18%	
2014	669.08	183,281.80	183,950.88	1.23%	

### Note 5. Water Utility Service Charges

The following is a three-year comparison of water utility charges (rents) for the current and previous two years.

Year Ended December 31	Beginning Receivable	Rents Levied	Total	Cash Collections	Collection Percentage
2016	\$ 32,589.15	\$ 1,685,445.54	\$ 1,718,034.69	\$ 1,671,762.66	97.31%
2015	36,216.90	1,653,236.50	1,689,453.40	1,656,864.25	98.07%
2014	59,363.39	1,641,817.15	1,701,180.54	1,664,963.94	97.87%

### Note 6. Fund Balances Appropriated

The following schedule details the amount of fund balances available at the end of the current year and four previous years and the amounts utilized in the subsequent year's budgets:

Year	Balance December 31,	Utilized In Budget of Succeeding Year	Percentage of Fund Balance Used
<b>Current Fund</b>			
2016	\$ 3,693,584.37	\$ 1,569,000.00	42.48%
2015	3,345,787.67	1,332,500.00	39.83%
2014	3,607,313.98	1,592,900.00	44.16%
2013	3,369,080.66	1,332,500.00	39.55%
2012	3,364,171.00	1,332,500.00	39.61%
Year	Balance December 31,	Utilized In Budget of Succeeding Year	Percentage of Fund Balance Used
<b>Utility Operating Fund</b>			
2016	\$ 1,028,929.95	\$ 760,705.00	73.93%
2015	961,486.98	720,600.00	74.95%
2014	864,115.02	665,000.00	76.96%
2013	827,157.08	665,000.00	80.40%
2012	756,278.00	607,000.00	80.26%

## BOROUGH OF SURF CITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

#### Note 7. Interfund Receivables and Payables

The following interfunds remained as of December 31, 2016:

<b>Fund</b>	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
Current Fund	\$ 302.29	\$ 128,313.60
Federal and State Grant Fund	22,649.42	-
Trust - Animal Control Fund	-	302.29
Trust - Other Fund	48,277.38	26,801.56
General Capital Fund	32,759.42	-
Water-Sewer Operating Fund	51,428.94	71,409.63
Water-Sewer Capital Fund	71,409.63	-
	<u>\$ 226,827.08</u>	<u>\$ 226,827.08</u>

The interfund receivables and payables above predominately resulted from payment made by certain funds on behalf of other funds. All interfund balances are expected to be repaid within one year.

The summary of interfund transfers follows:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
Current Fund	\$ 1,002,505.68	\$ 967,616.70
Federal and State Grant Fund	26,273.58	35,356.75
Trust - Animal Control Fund	128.25	-
Trust - Other Fund	30,075.25	3,500.00
General Capital Fund	906,146.96	939,021.55
Water-Sewer Operating Fund	90,167.22	38,366.12
Water-Sewer Capital Fund	3,564.18	75,000.00
	<u>\$ 2,058,861.12</u>	<u>\$ 2,058,861.12</u>

The purpose of interfund transfers were for the liquidation of prior year interfund receivables and payables and for payments made on behalf of other funds.

#### Note 8. Pension Obligations

##### A. Public Employees' Retirement System (PERS)

**Plan Description** - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

## BOROUGH OF SURF CITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

#### Note 8. Pension Obligations (continued):

##### A. Public Employees' Retirement System (PERS)(continued):

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of  $1/55^{\text{th}}$  of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of  $1/60^{\text{th}}$  of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62 and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**Basis of Presentation** - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**Contributions** - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2016, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded

# BOROUGH OF SURF CITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

### Note 8. Pension Obligations (continued):

#### A. Public Employees' Retirement System (PERS)(continued):

liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

**Components of Net Pension Liability** - At December 31, 2016, the Municipality reported a liability of \$3,853,790.00 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The Municipality's proportion of the net pension liability was based on the Municipality's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The Municipality's proportion measured as of June 30, 2016, was .01301%, which was an increase of .00147% from its proportion measured as of June 30, 2015.

Balances at December 31, 2016 & December 31, 2015		
	<u>12/31/16</u>	<u>12/31/15</u>
Actuarial Valuation Date (including roll Forward)	June 30, 2016	June 30, 2015
Deferred Outflows of Resources	1,256,337.00	340,085.00
Deferred Inflows of Resources	33,655.00	84,437.00
Net Pension Liability	3,853,790.00	2,591,150.00
Municipality's Portion of the Plan's Total		
Net Pension Liability	0.01301%	0.01154%

**Pension Expense and Deferred Outflows/Inflows of Resources** - At December 31, 2016, the Municipality reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 71,669.00	\$ -
Changes of Assumptions	798,299.00	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	146,949.00	-
Changes in Proportion and Differences between Municipality Contributions and Proportionate Share of Contributions	239,420.00	33,655.00
	<u>\$ 1,256,337.00</u>	<u>\$ 33,655.00</u>

# BOROUGH OF SURF CITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

### Note 8. Pension Obligations (continued):

#### A. Public Employees' Retirement System (PERS)(continued):

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension expense as follows:

Year Ending <u>Dec 31,</u>	<u>PERS</u>		
2017	\$ 264,489.00		
2018	264,490.00		
2019	297,364.00		
2020	262,429.00		
2021	<u>133,910.00</u>		
	<u>\$ 1,222,682.00</u>		
		<u>Deferred</u>	<u>Deferred</u>
		<u>Outflows of</u>	<u>Inflows of</u>
		<u>Resources</u>	<u>Resources</u>
Differences between Expected and Actual Experience			
Year of Pension Plan Deferral:			
June 30, 2014	-	-	-
June 30, 2015	5.72	-	-
June 30, 2016	5.57	-	-
Changes of Assumptions			
Year of Pension Plan Deferral:			
June 30, 2014	6.44	-	-
June 30, 2015	5.72	-	-
June 30, 2016	5.57	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments			
Year of Pension Plan Deferral:			
June 30, 2014	-	5.00	5.00
June 30, 2015	-	5.00	5.00
June 30, 2016	5.00	-	-
Changes in Proportion and Differences between Municipality Contributions and Proportionate Share of Contributions			
Year of Pension Plan Deferral:			
June 30, 2014	6.44	6.44	6.44
June 30, 2015	5.72	5.72	5.72
June 30, 2016	5.57	5.57	5.57

## BOROUGH OF SURF CITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

#### Note 8. Pension Obligations (continued):

##### A. Public Employees' Retirement System (PERS)(continued):

**Actuarial Assumptions** - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

<u>PERS</u>	
Inflation	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%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2011 - June 30, 2014

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 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the 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 scales. 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 the experience deviates, the larger the impact on future financial statements.

**Long-Term Expected Rate of Return** - 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



# BOROUGH OF SURF CITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

### Note 8. Pension Obligations (continued):

#### A. Public Employees' Retirement System (PERS)(continued):

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 inflation. Best estimates of arithmetic 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 U.S. 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 ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

**Discount Rate** - The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. The single blended discount rate was based on 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 municipals 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 their 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 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.

## BOROUGH OF SURF CITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

#### Note 8. Pension Obligations (continued):

##### A. Public Employees' Retirement System (PERS)(continued):

**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 as disclosed above, 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:

	Decrease (2.98%)	Discount Rate (3.98%)	Increase (4.98%)
Municipality's proportionate share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability associated with the Municipality	\$ 4,722,369.83	\$ 3,853,790.00	\$ 3,136,702.04

##### Pension Plan Fiduciary Net Position

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

##### B. Police and Firemen's Retirement System (PFRS)

**Plan Description** – The State of New Jersey, Police and Firemen's Retirement System (PFRS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to May 22, 2010.
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1 % for each year if creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

## BOROUGH OF SURF CITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

#### Note 8. Pension Obligations (continued):

##### B. Police and Firemen's Retirement System (PFRS)(continued):

**Basis of Presentation** - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PFRS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PFRS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PFRS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**Contributions** - The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2016, the State contributed an amount less than the actuarially determined amount. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Municipality contributions to PFRS amounted to \$211,260.00 for 2016.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

**Net Pension Liability and Pension Expense** - At December 31, 2016, the Municipality's proportionate share of the PFRS net pension liability is valued to be \$4,949,596.00. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, to the measurement date of June 30, 2016. The Municipality's proportion of the net pension liability was based on the Municipality's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The Municipality's proportion measured as of June 30, 2016, was .02591%, which was an increase of .00166% from its proportion measured as of June 30, 2015.

Balances at December 31, 2016 & December 31, 2015		
	<u>12/31/16</u>	<u>12/31/15</u>
	June 30, 2016	June 30, 2015
Actuarial Valuation Date (including roll Forward)		
Deferred Outflows of Resources	1,420,842.00	1,003,399.00
Deferred Inflows of Resources	32,445.00	2,890,285.00
Net Pension Liability	4,949,596.00	4,039,505.00
Municipality's Portion of the Plan's Total		
Net Pension Liability	0.02591%	0.02425%

**BOROUGH OF SURF CITY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**Note 8. Pension Obligations (continued):**

**B. Police and Firemen's Retirement System (PFRS)(continued):**

**Pension Expense and Deferred Outflows/Inflows of Resources** - At December 31, 2016, the Municipality had deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ -	\$ 32,445.00
Changes of Assumptions	685,560.00	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	346,808.00	-
Changes in Proportion and Differences between Municipality Contributions and Proportionate Share of Contributions	<u>388,474.00</u>	<u>-</u>
	<u><u>\$ 1,420,842.00</u></u>	<u><u>\$ 32,445.00</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense as follows:

<b>Year Ending</b>		
<b><u>Dec 31,</u></b>		<b><u>PFRS</u></b>
2017	\$	302,794.00
2018		302,795.00
2019		377,823.00
2020		274,243.00
2021		<u>130,742.00</u>
	<u><u>\$</u></u>	<u><u>1,388,397.00</u></u>

# BOROUGH OF SURF CITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

### Note 8. Pension Obligations (continued):

#### B. Police and Firemen's Retirement System (PFRS)(continued):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	-	5.53
June 30, 2016	-	5.58
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.17	-
June 30, 2015	5.53	-
June 30, 2016	5.58	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
Changes in Proportion and Differences between Municipality Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.17	6.17
June 30, 2015	5.53	5.53
June 30, 2016	5.58	5.58

**Special Funding Situation** – Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the state is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension

# BOROUGH OF SURF CITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

### Note 8. Pension Obligations (continued):

#### B. Police and Firemen's Retirement System (PFRS)(continued):

liability to report in the financial statements of the local participating employers related to this legislation.

Additionally, the State's proportionate share of the net pension liability attributable to the Municipality is \$415,643.00 as of December 31, 2016. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, to the measurement date of June 30, 2016. The State's proportion of the net pension liability associated with the Municipality 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 members, actuarially determined. The State's proportion measured as of June 30, 2016 was .02591%, which was an increase of .00019% from its proportion measured as of June 30, 2015, which is the same proportion as the Municipality's.

Municipality's Proportionate Share of the Net Pension Liability	\$ 4,949,596.00
State's Proportionate Share of the Net Pension Liability Associated with the Municipality	<u>415,643.00</u>
Total Net Pension Liability	<u><u>\$ 5,365,239.00</u></u>

For the year ended December 31, 2016, the Municipality's total allocated pension expense was \$631,207.00.

**Actuarial Assumptions** - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

<b><u>PFRS</u></b>	
Inflation	3.08%
Salary Increases:	
Through 2026	2.10% - 8.98% Based on Age
Thereafter	3.10% - 9.98% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2010 - June 30, 2013

# BOROUGH OF SURF CITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

### Note 8. Pension Obligations (continued):

#### B. Police and Firemen's Retirement System (PFRS)(continued):

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 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the 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 scales. 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, 2010 to June 30, 2013.

**Long-Term Expected Rate of Return** - 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 inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS'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 ex US	5.00%	-0.25%
REIT	5.25%	5.63%
Total	100.00%	

# BOROUGH OF SURF CITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

### Note 8. Pension Obligations (continued):

#### B. Police and Firemen's Retirement System (PFRS)(continued):

**Discount Rate** - The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. The single blended discount rate was based on 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 municipals 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 their 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 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050 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 as disclosed above, 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 (4.55%) or 1-percentage-point higher (6.55%) than the current rate:

	Decrease (4.55%)	Discount Rate (5.55%)	Increase (6.55%)
Municipality's proportionate share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability associated with the Municipality	\$ 6,382,141.11	\$ 4,949,596.00	\$ 3,781,441.63

#### Pension Plan Fiduciary Net Position

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

### Note 9. Long-Term Debt

During the fiscal year ended December 31, 2016 the following changes occurred in long-term debt:

	December 31, 2015	Accrued/ Increases	Retired/ Decreases	December 31, 2016	Due Within One Year
Bond Anticipation Notes	\$ 250,000.00	\$ 125,000.00	\$ (250,000.00)	\$ 125,000.00	\$ 125,000.00
Net Pension Liability - PERS	2,591,150.00	1,262,640.00	-	3,853,790.00	-
Net Pension Liability - PFRS	4,039,505.00	910,091.00	-	4,949,596.00	-
Compensated Absences	128,232.55	-	(12,562.06)	115,670.49	-
Total	\$ 7,008,887.55	\$ 2,297,731.00	\$ (262,562.06)	\$ 9,044,056.49	\$ 125,000.00



# BOROUGH OF SURF CITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

### Note 9. Long-Term Debt (continued):

#### A Summary of Municipal Debt is as follows:

	2016	2015	2014
Bonds & Notes Issued:			
General Capital Fund	\$ -	\$ -	\$ -
Water & Sewer Utility Capital Fund	125,000.00	250,000.00	350,000.00
Bonds & Notes Authorized but not Issued:			
General Capital Fund	1,639,198.91	1,705,470.00	1,559,804.00
Water & Sewer Utility Capital Fund	<u>610,000.00</u>	<u>660,000.00</u>	<u>710,000.00</u>
Total Loans & Bonds & Notes Issued & Authorized but not Issued	<u>\$2,374,198.91</u>	<u>\$2,615,470.00</u>	<u>\$2,619,804.00</u>
Less: Funds Temporarily Held to Pay Bonds & Notes:			
Deduction for Self-Liquidating Purposes	735,000.00	910,000.00	1,060,000.00
Reserve for payment of Debt	<u>36,683.33</u>	<u>36,683.00</u>	<u>36,683.00</u>
Total Deductions	<u>771,683.33</u>	<u>946,683.00</u>	<u>1,096,683.00</u>
Net Bond & Notes Issued & Authorized but not Issued	<u>\$ 1,602,515.58</u>	<u>\$ 1,668,787.00</u>	<u>\$ 1,523,121.00</u>

#### Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.095%.

	GROSS DEBT	DEDUCTIONS	NET DEBT
Local School District Debt	\$ -	\$ -	\$ -
Water-Sewer Utility Debt	735,000.00	735,000.00	-
General Debt	<u>1,639,198.91</u>	<u>36,683.33</u>	<u>1,602,515.58</u>
Total	<u>\$ 2,374,198.91</u>	<u>\$ 771,683.33</u>	<u>\$ 1,602,515.58</u>

Net Debt, \$1,602,515.58 divided by Equalized Valuation Basis per N.J.S.A.40A:2-2, as amended, \$1,681,156,476.33 equals 0.095%.

#### Borrowing Power Under 40A:2-6:

3 1/2% of Equalized Valuation Bases (Municipal)	\$ 58,840,476.67
Net Debt	<u>1,602,515.58</u>
Remaining Borrowing Power	<u>\$ 57,237,961.09</u>

# BOROUGH OF SURF CITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

### Note 9. Long-Term Debt (continued):

#### Calculation of Self-Liquidating Purpose - Water Utility per N.J.S.40A:2-45

Cash Receipts From Fees, Rents & Other Charges		\$ 2,510,762.66
Deductions:		
Operating & Maintenance Costs	\$ 1,968,400.00	
Debt Service	125,000.00	2,093,400.00
		<hr/>
Excess Revenue - Self Liquidating		<u>\$ 417,362.66</u>

### Bond Anticipation Notes

During the year ended December 31, 2016 the Borough issued a bond anticipation note in the amount of \$125,000 with an interest rate of 0.00% and maturing on May 15, 2017 for the purpose of improvements to water and sewer systems.

### Note 10. Deferred School District Taxes

The Long Beach Island Board of Education Tax and Southern Regional Board of Education have been raised and Current Fund has the following liabilities as of December 31, 2016:

	Local District		Regional School	
	2016	2015	2016	2015
Balance of Tax	\$ 359,794.00	\$ 311,036.50	\$ 1,924,342.39	\$ 1,756,463.91
Deferred	171,899.27	171,899.27	396,208.48	396,208.48
	<hr/>		<hr/>	
Tax Payable	\$ 187,894.73	\$ 139,137.23	\$ 1,528,133.91	\$ 1,360,255.43
	<hr/>		<hr/>	

### Note 11. Length of Service Award Program ("LOSAP") - Unaudited

The Borough has established a Volunteer Length of Service Award Plan ("LOSAP") ("Plan") to ensure retention of the Borough's volunteer Fire Company and First Aid Squad members. The Plan shall be construed under the laws of the State of New Jersey and is established with the intent that it meets the requirements of a "Length of Service Award Plan under Section 457(e)11 of the Internal Revenue Code".

**Annual Contributions** – The annual contribution to be made by the Borough for each active volunteer member was \$1,150 for the year ended December 31, 2016. Contributions of \$54,272 have been made during 2016.

**Appropriations** – Appropriations for the purpose of funding the Borough's LOSAP shall be included as a separate line item in the Borough's budget.

**Periodic Increases** – Notwithstanding the provisions above, the annual contribution to be made by the

## BOROUGH OF SURF CITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

#### **Note 11. Length of Service Award Program (“LOSAP”) – Unaudited (continued):**

Borough for each active volunteer member shall be subject to periodic increases based upon the “Consumer Price Index Factor” pursuant to subsection f. of section 3 of P.L. 1997, c.388 (*N.J.S.A.40A:14-185*).

**Criteria for Eligibility; Contributions; Points** – Any active volunteer member shall be eligible to participate in the LOSAP Plan immediately upon commencement of the member’s performance of active emergency service in the Borough’s volunteer Fire Company and First Aid Squad. Annual contributions shall only be made by the Borough, however, for those active volunteer members who have earned the minimum number of points performing certain volunteer services on a yearly basis.

**Determination as to Eligibility** – The Surf City Borough Fire Company and First Aid Squad Organizations shall provide to the Borough Chief Financial Officer, acting as the Plan Administrator of the LOSAP Plan, a certified list as to the active volunteer members who are initially eligible to participate in the Plan as of January 1, 2004 and those who are eligible to participate as of each January 1 thereafter. The Plan Administrator shall forward the provisions of *N.J.A.C.5:30-14.10*. The decision of the Borough Council as to such active member’s eligibility shall be binding upon the Plan Administrator, Participants, beneficiaries and any and all other persons having an interest hereunder, subject to appropriate judicial review.

**Terms of Participation** – The Plan Administrator shall have the right to require any active volunteer member at the time of his or her becoming a participant to agree, in writing, to be bound by the terms, covenants and conditions of the LOSAP and accompanying trust. Each participant shall furnish to the Plan Administrator all pertinent information required for the administration of the LOSAP. The Plan Administrator shall rely upon all such information furnished.

**Vesting** – The active volunteer member shall not be permitted to receive a distribution of the fund in his or her LOSAP account until the completion of a five-year vesting period.

**Termination of Service** – Any participant who terminates service as an active volunteer member shall cease to participate hereunder. A former participant may resume participation immediately upon returning to the service of the Surf City Volunteer Fire Company No. 1 and Emergency Medical Services as an active volunteer member. Any active volunteer member who terminates service with the Surf City Volunteer Fire Company No. 1 and Emergency Medical Services, subsequently returns to service and again becomes a participant shall be treated as a new participant for purposes of eligibility unless said participant was fully vested prior to his or her termination from service.

**Reporting Requirements** – *N.J.A.C.5:30-14.49* requires that the Borough perform a separate review report of the Plan in accordance with the American Institute of Certified Public Accounts Statements on Standards for Accounting and Auditing Review Services.

# BOROUGH OF SURF CITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2016

### Note 12. General Fixed Assets

The following schedule is a summarization of the changes in General Fixed Assets for the fiscal year ended December 31, 2016:

	December 31, 2015	Additions	Deletions	December 31, 2016
Fixed Assets not being depreciated:				
Land	\$ 748,506.36	\$ -	\$ -	\$ 748,506.36
Buildings	726,738.12	113,189.68	-	839,927.80
Equipment	578,888.59	-	-	578,888.59
Motor Vehicles	2,152,699.69	762,647.33	(131,728.92)	2,783,618.10
	<hr/>	<hr/>	<hr/>	<hr/>
Capital assets not being depreciated	\$ 4,206,832.76	\$ 875,837.01	\$ (131,728.92)	\$ 4,950,940.85
	<hr/>	<hr/>	<hr/>	<hr/>

All additions are recorded at cost.

### Note 13. Contingent Liabilities

#### State and Federal Grants

The Borough receives financial assistance from the State of New Jersey and the U.S. government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2016, the Borough estimates that no material liabilities will result from such audits.

### Note 14. Accounts Receivable

Accounts receivable at December 31, 2016 consisted of intergovernmental grants, taxes, rents and other accounts receivable. All receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds. Accounts receivable as of fiscal year end for the Borough's individual major and fiduciary funds, in the aggregate, are as follows:

	Current Fund	Utility Operating Fund	Total
Taxes	\$ 161,377.03	\$ -	\$ 161,377.03
State Aid	832.25	-	832.25
Federal Aid	-	-	-
Other	1,243.76	46,272.03	47,515.79
	<hr/>	<hr/>	<hr/>
Total	\$ 163,453.04	\$ 46,272.03	\$ 209,725.07
	<hr/>	<hr/>	<hr/>

## SUPPLEMENTARY EXHIBITS

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## CURRENT FUND

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**BOROUGH OF SURF CITY  
COUNTY OF OCEAN, NEW JERSEY  
CURRENT FUND  
SCHEDULE OF CASH - COLLECTOR/TREASURER  
YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015		\$ 6,345,108.37
Increased By:		
Interest & Costs on Taxes	\$ 38,919.44	
Miscellaneous Revenue Not Anticipated	92,331.50	
Due from State for Exemptions	31,312.48	
Taxes Receivable	15,571,698.28	
Revenue Accounts Receivable	890,439.88	
Prepaid Taxes	273,758.43	
Grants Receivable	21,622.82	
Reserve for Grants Unappropriated	13,733.93	
Appropriation Refunds	150,440.18	
Accounts Receivable	37,206.17	
Due from General Capital Fund	665,750.59	
Due to Water Sewer Utility Operating Fund	24,627.38	
Investment in Bond Anticipation Notes	125,000.00	
Various Reserves	10,500.00	
		<u>17,947,341.08</u>
		24,292,449.45
Decreased By:		
2016 Budget Appropriations	4,715,403.66	
2015 Appropriation Reserves	190,933.94	
Accounts Payable	17.00	
Refund of Tax Overpayments	9,103.87	
County Taxes	6,840,980.21	
Local District School Tax	670,828.50	
Regional High School Tax	3,812,545.52	
Reserve for Grants Appropriated	26,273.58	
Due from Animal Control Fund	60.21	
Due from Trust Other Fund	19,900.69	
Due to General Capital Fund	903,435.07	
Due from Utility Operating Fund	15,167.22	
		<u>17,204,649.47</u>
Balance, December 31, 2016		<u><u>\$ 7,087,799.98</u></u>

**BOROUGH OF SURF CITY  
CURRENT FUND  
SCHEDULE OF DUE FROM STATE OF NEW JERSEY -  
SENIOR CITIZENS' AND VETERANS' DEDUCTIONS  
YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015		\$	4,025.10
Increased By:			
Senior Citizens' Deductions per Tax Billings	\$	1,750.00	
Veterans' Deductions per Tax Billing		29,250.00	
Deductions Allowed By Collector:			
Senior Citizens' - Current Year		500.00	
			<u>31,500.00</u>
			35,525.10
Decreased By:			
Deductions Disallowed By Collector:			
Senior Citizens' - Current Year		755.37	
Veterans - Current Year		2,250.00	
Senior Citizens' - Prior Year		375.00	
Cash Receipts		31,312.48	
			<u>34,692.85</u>
Balance, December 31, 2016		\$	<u><u>832.25</u></u>

**BOROUGH OF SURF CITY**  
**CURRENT FUND**  
**SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**  
**YEAR ENDED DECEMBER 31, 2016**

YEAR	BALANCE DECEMBER 31, 2015	2016 LEVY	COLLECTIONS		SENIOR CITIZENS' AND VETERANS' DEDUCTIONS ALLOWED/ (DISALLOWED)	TRANSFER TO TAX TITLE LIENS	ADJUSTMENTS/ (CANCELLED)	BALANCE DECEMBER 31, 2016
			2015	2016				
2015	\$ 176,868.97	\$ -	\$ -	\$ 183,348.31	\$ (375.00)	\$ -	\$ 6,229.34	\$ 125.00
2016	-	15,808,132.24	245,565.10	15,375,836.84	28,494.63	41.12	(2,417.16)	155,777.39
	\$ 176,868.97	\$ 15,808,132.24	\$ 245,565.10	\$ 15,559,185.15	\$ 28,119.63	\$ 41.12	\$ 3,812.18	\$ 155,902.39

Cash Receipts	\$ 15,571,698.28
Overpayments Created	(12,513.13)
Total	\$ 15,559,185.15

Analysis of Property Tax Levy

Tax Yield:		
General Purpose Tax	\$ 15,709,470.37	
Added and Omitted Taxes (N.J.S.A 54:4-63.1 et seq)	98,661.87	
	<u>\$ 15,808,132.24</u>	
Tax Levy:		
Local School Taxes	\$ 719,586.00	
Regional School Taxes	3,980,424.00	
County Taxes	\$ 6,808,191.45	
Due To County for Added and Omitted Taxes	<u>46,348.31</u>	6,854,539.76
Local Tax for Municipal Purposes	4,190,500.00	
Additional Tax Levied	<u>63,082.48</u>	4,253,582.48
Total	<u>\$ 15,808,132.24</u>	

**BOROUGH OF SURF CITY  
CURRENT FUND  
SCHEDULE OF TAX TITLE LIENS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015	\$ 708.52
Increased By:	
Transfers From Taxes Receivable	<u>41.12</u>
Balance, December 31, 2016	<u><u>\$ 749.64</u></u>

**BOROUGH OF SURF CITY**  
**CURRENT FUND**  
**SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**  
**YEAR ENDED DECEMBER 31, 2016**

	BALANCE DECEMBER 31, <u>2015</u>	ACCRUED IN <u>2016</u>	<u>COLLECTED</u>	BALANCE DECEMBER 31, <u>2016</u>
Liquor License	\$ -	\$ 1,400.00	\$ 1,400.00	\$ -
	-	6,015.00	6,015.00	-
Other Fees & Permits	-	21,521.00	21,521.00	-
Interest on Investments	-	9,483.38	9,483.38	-
Municipal Court Fines & Costs	2,444.44	35,492.20	36,692.88	1,243.76
Beach Badge Fees	-	582,362.00	582,362.00	-
Energy Receipts Taxes	-	164,430.00	164,430.00	-
Uniform Construction Code Fees	-	61,535.62	61,535.62	-
Civic Donation - Lifeguards & Emergency Services	-	5,000.00	5,000.00	-
Civic Donation - Lifeguards	-	2,000.00	2,000.00	-
	<u>\$ 2,444.44</u>	<u>\$ 889,239.20</u>	<u>\$ 890,439.88</u>	<u>\$ 1,243.76</u>

**BOROUGH OF SURF CITY**  
**CURRENT FUND**  
**SCHEDULE OF 2015 APPROPRIATION RESERVES**  
**YEAR ENDED DECEMBER 31, 2016**

	BALANCE DECEMBER 31, <u>2015</u>	BALANCE AFTER <u>TRANSFER</u>	PAID OR <u>CHARGED</u>	BALANCE <u>LAPSED</u>
<b>GENERAL GOVERNMENT</b>				
General Administration				
Salaries & Wages	\$ 11,510.83	\$ 11,510.83	\$ -	\$ 11,510.83
Other Expenses	8,087.21	8,087.21	245.58	7,841.63
Human Resources				
Other Expenses	7,500.00	7,500.00	-	7,500.00
Mayor and Council				
Salaries & Wages	67.96	67.96	-	67.96
Other Expenses	2,132.21	2,132.21	-	2,132.21
Municipal Clerk				
Salaries & Wages	13,344.08	13,344.08	-	13,344.08
Other Expenses	10,289.37	10,289.37	590.17	9,699.20
Financial Administration				
Salaries & Wages	10,225.49	10,225.49	-	10,225.49
Other Expenses	6,308.79	6,308.79	178.78	6,130.01
Audit Services				
Other Expenses	1,610.00	1,610.00	-	1,610.00
Collection of Taxes				
Salaries & Wages	29,663.05	29,663.05	-	29,663.05
Other Expenses	11,956.49	11,956.49	7,557.72	4,398.77
Assessment of Taxes				
Salaries & Wages	7,086.05	7,086.05	-	7,086.05
Other Expenses	19,288.94	19,288.94	4,691.63	14,597.31
Legal Services				
Other Expenses	6,404.87	6,404.87	2,232.00	4,172.87
Engineering Services				
Other Expenses	6,300.22	6,300.22	950.00	5,350.22
Municipal Court				
Salaries & Wages	5,995.39	5,995.39	-	5,995.39
Other Expenses	3,997.85	3,997.85	1,252.16	2,745.69
Public Defender				
Other Expenses	1,630.50	1,630.50	456.75	1,173.75
Land Use Administration:				
Land Use Board				
Salaries & Wages	12,934.14	12,934.14	-	12,934.14
Other Expenses	12,432.29	12,432.29	-	12,432.29
Code Enforcement & Administration:				
Other Code Enforcement Functions				
Salaries & Wages	157.59	157.59	-	157.59
Other Expenses	3,000.00	3,000.00	-	3,000.00
Insurance:				
General Liability	6,325.78	6,325.78	-	6,325.78
Workers Compensation	9,707.62	9,707.62	-	9,707.62
Employee Group Health	100,605.59	100,605.59	295.00	100,310.59
Health Benefit Waiver				
Salaries & Wages	9,583.33	9,583.33	-	9,583.33

**BOROUGH OF SURF CITY**  
**CURRENT FUND**  
**SCHEDULE OF 2015 APPROPRIATION RESERVES**  
**YEAR ENDED DECEMBER 31, 2016**

	BALANCE DECEMBER 31, <u>2015</u>	BALANCE AFTER <u>TRANSFER</u>	PAID OR <u>CHARGED</u>	BALANCE <u>LAPSED</u>
Public Safety Functions:				
Police Department				
Salaries & Wages	112,373.43	112,373.43	-	112,373.43
Other Expenses	52,707.93	52,707.93	14,005.16	38,702.77
Police Dispatch/911				
Other Expenses	39,500.00	39,500.00	-	39,500.00
Office of Emergency Management				
Salaries & Wages	100.00	100.00	-	100.00
Other Expenses	4,967.25	4,967.25	504.45	4,462.80
Municipal Prosecutor's Office				
Other Expenses	716.70	716.70	708.37	8.33
Public Work Functions:				
Streets and Road Maintenance				
Salaries & Wages	39,237.67	39,237.67	-	39,237.67
Other Expenses	17,975.93	17,975.93	1,753.65	16,222.28
Solid Waste Collection				
Salaries & Wages	52,545.18	52,545.18	-	52,545.18
Other Expenses	22,225.52	22,225.52	1,735.00	20,490.52
Building and Grounds				
Salaries & Wages	42,770.16	42,770.16	-	42,770.16
Other Expenses	35,034.58	35,034.58	2,519.41	32,515.17
Vehicle Maintenance (Incl. Police Vehicles)				
Salaries & Wages	4,398.91	4,398.91	-	4,398.91
Other Expenses	56,203.87	56,203.87	17,565.88	38,637.99
Health & Human Services Functions:				
Board of Health				
Salaries & Wages	680.00	680.00	-	680.00
Other Expenses	5,079.00	5,079.00	-	5,079.00
Environmental Health Services				
Salaries & Wages	2,810.00	2,810.00	-	2,810.00
Other Expenses	1,000.00	1,000.00	-	1,000.00
Animal Control Services				
Other Expenses	2,480.00	2,480.00	1,344.00	1,136.00
Contributions to Social Service Agencies				
Health Care Facilities (NJS 44:5-2)	100.00	100.00	-	100.00
Mental Health Facilities (NJS 40:48-9.4a)	100.00	100.00	-	100.00
Recreation of Services and Programs				
Salaries & Wages	3,510.00	3,510.00	-	3,510.00
Other Expenses	2,000.00	2,000.00	-	2,000.00
Maintenance of Parks				
Salaries & Wages	6,767.04	6,767.04	-	6,767.04
Other Expenses - Veterans' Memorial Park	3,585.34	3,585.34	-	3,585.34
Other Expenses - Other Facilities	1,764.89	1,764.89	1,515.00	249.89
Beach & Boardwalk Operations				
Salaries & Wages	18,905.43	12,905.43	1,392.50	11,512.93
Other Expenses	18,538.94	18,538.94	125.80	18,413.14

**BOROUGH OF SURF CITY  
CURRENT FUND  
SCHEDULE OF 2015 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2016**

	BALANCE DECEMBER 31, <u>2015</u>	BALANCE AFTER <u>TRANSFER</u>	PAID OR <u>CHARGED</u>	BALANCE <u>LAPSED</u>
Other Common Operating Functions (Unclassified)				
Celebration of Public Events				
Other Expenses	755.96	755.96	-	755.96
Utility Expenses & Bulk Purchases				
Electricity	4,673.88	4,673.88	1,913.42	2,760.46
Street Lighting	4,126.27	5,126.27	3,780.83	1,345.44
Telephone	856.06	3,356.06	2,178.83	1,177.23
Gas (natural or propane)	5,704.73	5,704.73	1,145.32	4,559.41
Telecommunications	3,618.47	3,618.47	218.93	3,399.54
Gasoline	56,202.12	52,702.12	-	52,702.12
Landfill/Solid Waste Disposal Costs:				
Other Expenses	25,894.29	25,894.29	1,330.78	24,563.51
Uniform Construction Code:				
Salaries & Wages	4,000.39	4,000.39	-	4,000.39
Other Expenses	22,261.34	28,261.34	26,961.39	1,299.95
Contingent	4,000.00	4,000.00	-	4,000.00
Statutory Expenditures:				
Contribution to:				
Social Security System (O.A.S.I.)	51,391.32	51,391.32	-	51,391.32
Unemployment	1,687.98	1,687.98	-	1,687.98
Defined Contribution Retirement Program	1,813.55	1,813.55	-	1,813.55
Length of Service Awards Program (L.O.S.A.P.)				
Other Expenses	56,320.00	56,320.00	54,272.00	2,048.00
Recycling Tax (P.L. 2007, c. 311):				
Other Expenses	1,952.02	1,952.02	-	1,952.02
Capital Improvements:				
Rehabilitation of Borough Property	50,000.00	50,000.00	29,970.10	20,029.90
Purchase of Public Safety Equipment	15,000.00	15,000.00	5,040.83	9,959.17
Purchase of Computer Hardware	5,000.00	5,000.00	-	5,000.00
Improvements to Recreation Area	41,056.59	41,056.59	3,400.00	37,656.59
	<u>\$ 1,222,538.38</u>	<u>\$ 1,222,538.38</u>	<u>\$ 191,831.44</u>	<u>\$ 1,030,706.94</u>

Appropriation Reserves	\$ 1,164,111.92
Encumbrances Payable	58,426.46

\$ 1,222,538.38

Accounts Payable	\$ 897.50
Cash Disbursed	190,933.94
	<u>\$ 191,831.44</u>



**BOROUGH OF SURF CITY  
CURRENT FUND  
SCHEDULE OF ENCUMBRANCES PAYABLE  
YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015	\$ 58,426.46
Increased By:	
Current Appropriations	<u>80,133.64</u>
	138,560.10
Decreased By:	
Transferred To Appropriation Reserves	<u>58,426.46</u>
Balance, December 31, 2016	<u><u>\$ 80,133.64</u></u>

**BOROUGH OF SURF CITY  
CURRENT FUND  
SCHEDULE OF ACCOUNTS PAYABLE  
YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015	\$ 3,370.40
Increased By:	
Transferred from Appropriation Reserves	<u>897.50</u>
	4,267.90
Decreased By:	
Cash Disbursements	<u>17.00</u>
Balance, December 31, 2016	<u><u>\$ 4,250.90</u></u>

**BOROUGH OF SURF CITY  
CURRENT FUND  
SCHEDULE OF TAX OVERPAYMENTS  
YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015		\$	-
Increased By:			
Transferred from Current Year Taxes	\$	10,743.87	
Transferred from Prior Year Taxes		<u>1,769.26</u>	
			<u>12,513.13</u>
			12,513.13
Decreased By:			
Cash Disbursements			<u>9,103.87</u>
Balance, December 31, 2016		\$	<u><u>3,409.26</u></u>

**BOROUGH OF SURF CITY  
CURRENT FUND  
SCHEDULE OF PREPAID TAXES  
YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015	\$ 245,565.10
Increased By:	
Prepaid Taxes Collected	<u>273,758.43</u>
	519,323.53
Decreased By:	
Applied To Taxes Receivable	<u>245,565.10</u>
Balance, December 31, 2016	<u><u>\$ 273,758.43</u></u>

**BOROUGH OF SURF CITY  
CURRENT FUND  
SCHEDULE OF COUNTY TAXES PAYABLE  
YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015		\$	32,788.76
Increased By:			
2016 Tax Levy:			
County Taxes	\$	5,963,407.40	
County Library Taxes		642,067.09	
County Open Space Taxes		202,716.96	
Due To County for Added and Omitted Taxes		46,348.31	
			<u>6,854,539.76</u>
			6,887,328.52
Decreased By:			
Cash Disbursements			<u>6,840,980.21</u>
Balance, December 31, 2016		\$	<u><u>46,348.31</u></u>

**BOROUGH OF SURF CITY  
CURRENT FUND  
SCHEDULE OF LOCAL DISTRICT SCHOOL TAXES  
BALANCE, DECEMBER 31, 2016**

Balance, December 31, 2015:		
School Tax Payable	\$	139,137.23
School Tax Deferred		171,899.27
		<hr/>
	\$	311,036.50
Increased By:		
Levy - July 1, 2016 to June 30, 2017		719,586.00
		<hr/>
		1,030,622.50
Decreased By:		
Cash Disbursements		670,828.50
		<hr/>
Balance, December 31, 2016:		
School Tax Payable		187,894.73
School Tax Deferred		171,899.27
		<hr/>
	\$	359,794.00
		<hr/> <hr/>
 <u>2016 Liability for Regional High School Tax</u>		
Tax Payable, December 31, 2016	\$	187,894.73
Tax Paid		670,828.50
		<hr/>
		858,723.23
		<hr/>
Less:		
Tax Payable, December 31, 2015		139,137.23
		<hr/>
Amount Charged to 2016 Operations	\$	719,586.00
		<hr/> <hr/>

**BOROUGH OF SURF CITY  
CURRENT FUND  
SCHEDULE OF REGIONAL SCHOOL TAXES  
BALANCE, DECEMBER 31, 2016**

Balance, December 31, 2015:		
School Tax Payable	\$ 1,360,255.43	
School Tax Deferred	<u>396,208.48</u>	
		\$ 1,756,463.91
Increased By:		
Levy - July 1, 2016 to June 30, 2017		<u>3,980,424.00</u>
		5,736,887.91
Decreased By:		
Cash Disbursements		<u>3,812,545.52</u>
Balance, December 31, 2016:		
School Tax Payable	1,528,133.91	
School Tax Deferred	<u>396,208.48</u>	
		<u>\$ 1,924,342.39</u>
<u>2016 Liability for Regional High School Tax</u>		
Tax Payable, December 31, 2016		\$ 1,528,133.91
Tax Paid		<u>3,812,545.52</u>
		5,340,679.43
Less:		
Tax Payable, December 31, 2015		<u>1,360,255.43</u>
Amount Charged to 2016 Operations		<u>\$ 3,980,424.00</u>

**BOROUGH OF SURF CITY  
CURRENT FUND  
SCHEDULE OF VARIOUS RESERVES  
BALANCE DECEMBER 31, 2016**

	BALANCE DECEMBER 31, <u>2015</u>	<u>INCREASED</u>	<u>DECREASED</u>	BALANCE DECEMBER 31, <u>2016</u>
Library Aid	\$ 14.00	\$ -	\$ -	\$ 14.00
Hurricane Sandy - FEMA receipts	79,891.76	-	79,891.76	-
Hurricane Expense (Special Emergency)	76,973.20	-	-	76,973.20
Prepaid Beach Badges	-	10,500.00	-	10,500.00
	<hr/>			
	\$ 156,878.96	\$ 10,500.00	\$ 79,891.76	\$ 87,487.20
	<hr/>			



**BOROUGH OF SURF CITY  
FEDERAL AND STATE GRANT FUND  
SCHEDULE OF GRANTS RECEIVABLE  
BALANCE DECEMBER, 31, 2016**

<u>Program</u>	<u>BALANCE AS OF DECEMBER 31, 2015</u>	<u>REVENUE ANTICIPATED 2016</u>	<u>2016 RECEIVED</u>	<u>TRANSFERRED FROM UNAPPROPRIATED</u>	<u>BALANCE AS OF DECEMBER 31, 2016</u>
<b>Federal Grants:</b>					
Municipal Public Access Plan Grant	\$ 15,000.00	\$ -	\$ 15,000.00	\$ -	\$ -
<b>State Grants:</b>					
Body Armor Replacement Fund	-	2,643.93	1,301.99	1,341.94	-
Recycling Tonnage Grant	-	5,320.83	5,320.83	-	-
Clean Communities	-	12,013.52	-	12,013.52	-
	<u>\$ 15,000.00</u>	<u>\$ 19,978.28</u>	<u>\$ 21,622.82</u>	<u>\$ 13,355.46</u>	<u>\$ -</u>
Original Budget	\$	18,676.29			
Ch. 159 Amendment		<u>1,301.99</u>			
	\$	<u><u>19,978.28</u></u>			

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**BOROUGH OF SURF CITY  
FEDERAL AND STATE GRANT FUND  
SCHEDULE OF RESERVE FOR GRANT EXPENDITURES - UNAPPROPRIATED  
BALANCE DECEMBER 31, 2016**

<u>Program</u>	BALANCE DECEMBER 31, <u>2015</u>	CASH <u>RECEIPTS</u>	TRANSFERRED TO GRANTS <u>RECEIVABLE</u>	BALANCE DECEMBER 31, <u>2016</u>
Body Armor Replacement Fund	\$ 1,341.94	\$ -	\$ 1,341.94	\$ -
Clean Communities Program	12,013.52	13,733.93	12,013.52	13,733.93
	<hr/>			
	\$ 13,355.46	\$ 13,733.93	\$ 13,355.46	\$ 13,733.93
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TRUST FUND

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**BOROUGH OF SURF CITY  
TRUST FUND  
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
YEAR ENDED DECEMBER 31, 2016**

	<u>ANIMAL CONTROL</u>	<u>TRUST- OTHER</u>
Balance, December 31, 2015	\$ 463.39	\$ 350,316.93
Increased By Receipts:		
Dog License Fees Collected	177.00	-
State Registration Fees	82.80	-
Interest Earned	0.90	-
Due from Water/Sewer Operating Fund	-	10,174.56
Various Reserves	-	3,379,029.02
	<u>260.70</u>	<u>3,389,203.58</u>
	<u>724.09</u>	<u>3,739,520.51</u>
Decreased By Disbursements:		
State Registration Fees	82.80	-
Various Reserves	-	3,424,681.02
	<u>82.80</u>	<u>3,424,681.02</u>
Balance, December 31, 2016	<u><u>\$ 641.29</u></u>	<u><u>\$ 314,839.49</u></u>

**BOROUGH OF SURF CITY  
SCHEDULE OF DUE FROM CURRENT FUND  
TRUST - OTHER FUND  
YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015		\$	64,678.07
Increased By:			
Reserve for Accumulated Absences	<u>\$</u>	3,500.00	
			<u>3,500.00</u>
			68,178.07
Decreased By:			
Cash Disbursed by Current Fund	<u></u>	19,900.69	
			<u>19,900.69</u>
Balance, December 31, 2016		\$	<u><u>48,277.38</u></u>



**BOROUGH OF SURF CITY**  
**SCHEDULE OF DUE (TO)/FROM WATER SEWER OPERATING FUND**  
**TRUST - OTHER FUND**  
**YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015	\$ (16,627.00)
Increased By:	
Cash Received	<u>10,174.56</u>
Balance, December 31, 2016	<u><u>\$ (26,801.56)</u></u>

**BOROUGH OF SURF CITY  
TRUST - OTHER FUND  
SCHEDULE OF DUE TO CURRENT FUND  
DOG LICENSE FUND  
YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015		\$	174.04
Increased By:			
Interest Earned	\$	0.90	
Cash Disbursed by Current Fund		60.21	
Statutory Excess Due To Current Fund		67.14	
			<u>128.25</u>
Balance, December 31, 2016		\$	<u><u>302.29</u></u>

**BOROUGH OF SURF CITY  
ANIMAL CONTROL FUND  
SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES  
YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015		\$ 289.35
Increased By:		
Dog License Fees Collected		<u>177.00</u>
		466.35
Decreased By:		
Dog Fund Expenditures Paid by Current Fund	\$ 60.21	
Statutory Excess Due Current Fund	<u>67.14</u>	
		<u>127.35</u>
Balance, December 31, 2016		<u><u>\$ 339.00</u></u>

<u>Year</u>	<u>Amount</u>
2015	\$ 186.00
2014	<u>153.00</u>
	<u><u>\$ 339.00</u></u>

**BOROUGH OF SURF CITY**  
**TRUST - OTHER FUND**  
**SCHEDULE OF TRUST - OTHER RESERVES**  
**YEAR ENDED DECEMBER 31, 2016**

	BALANCE DECEMBER 31, 2015	INCREASES	DECREASES	BALANCE DECEMBER 2016
Tax Certificate	\$ 39,500.00	\$ 74,005.51	\$ 101,005.51	\$ 12,500.00
Cash Bonds & Escrowed Fees	96,310.11	254,234.16	250,341.86	100,202.41
P.O.A.A.	647.05	112.00	134.00	625.05
Veterans' Memorial Park	19,120.92	1,169.00	404.00	19,885.92
Beach Wheels	5,017.50	873.00	2,935.00	2,955.50
Memorial Benches	4,758.24	2,956.00	1,138.83	6,575.41
Accumulated Absences	125,099.03	3,500.00	18,922.21	109,676.82
Payroll Deductions	87,851.26	2,986,222.87	3,014,851.10	59,223.03
Construction Inspection Fees	20,063.89	59,456.48	54,849.20	24,671.17
	<u>\$ 398,368.00</u>	<u>\$ 3,382,529.02</u>	<u>\$ 3,444,581.71</u>	<u>\$ 336,315.31</u>
Cash Receipts		\$ 3,379,029.02		
Due From Current Fund		<u>3,500.00</u>		
		<u><u>\$ 3,382,529.02</u></u>		
Cash Disbursements			\$ 3,424,681.02	
Due From Current Fund			<u>19,900.69</u>	
			<u><u>\$ 3,444,581.71</u></u>	

**BOROUGH OF SURF CITY**  
**LENGTH OF SERVICE AWARDS PROGRAM FUND ("LOSAP")**  
**SCHEDULE OF INVESTMENTS**  
**YEAR ENDED DECEMBER 31, 2016**  
**(Unaudited)**

Balance, December 31, 2015		\$ 629,360.41
Increased By:		
Borough Contributions	\$ 60,950.00	
Appreciation on Investments	<u>43,713.92</u>	
		<u>104,663.92</u>
		734,024.33
Decreased By:		
Withdrawals	59,371.00	
Accounting Charges	<u>1,550.00</u>	
		<u>60,921.00</u>
Balance, December 31, 2016		<u><u>\$ 673,103.33</u></u>

**BOROUGH OF SURF CITY**  
**LENGTH OF SERVICE AWARDS PROGRAM FUND ("LOSAP")**  
**SCHEDULE OF MISCELLANEOUS RESERVES**  
**YEAR ENDED DECEMBER 31, 2016**  
**(Unaudited)**

Balance, December 31, 2015		\$ 629,360.41
Increased By:		
Borough Contributions	\$ 60,950.00	
Appreciation on Investments	43,713.92	
		<u>104,663.92</u>
		734,024.33
Decreased By:		
Withdrawals	59,371.00	
Accounting Charges	1,550.00	
		<u>60,921.00</u>
Balance, December 31, 2016		<u><u>\$ 673,103.33</u></u>

GENERAL CAPITAL FUND

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**BOROUGH OF SURF CITY  
GENERAL CAPITAL FUND  
SCHEDULE OF CASH  
YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015		\$	1,891,148.10
Increased By:			
Interest Earnings Due To Current Fund	<u>\$</u>	<u>2,711.89</u>	<u>2,711.89</u>
			1,893,859.99
Decreased By:			
Due to Current Fund	<u></u>	<u>527,750.59</u>	<u>527,750.59</u>
Balance, December 31, 2016		<u>\$</u>	<u>1,366,109.40</u>

**BOROUGH OF SURF CITY  
GENERAL CAPITAL FUND  
SCHEDULE OF ANALYSIS OF CASH  
YEAR ENDED DECEMBER 31, 2016**

	BALANCE DECEMBER 31, 2016
Capital Improvement Fund	\$ 836,682.50
Reserve for Debt Service	36,683.33
Reserve for Purchase of Lifeguard Boat	7,500.00
Due (From)/To Current Fund	(32,759.42)
Capital Fund Balance	82,452.67

## Ordinance

<u>Date</u>	<u>Improvement Authorizations</u>	
11/30/06	Beach Replenishment	17,360.00
10/31/12	Removal of Underground Diesel Storage Tank	(2,857.91)
09/10/14	Acquisition of Fire Apparatus & Related Equipment	(292,647.33)
03/11/15	Replacement/Repair of Various Bulkheads	28,536.02
03/11/15	Rehabilitation of DPW Facilities	344,072.92
03/11/15	Resurfacing of Various Roads	258,378.71
10/14/15	Reconstruction/Resurfacing of Various Streets	21,250.00
12/09/15	Removal of Underground Storage Tank/Monitoring	46,457.91
06/08/16	Reconstruction/Resurfacing of Various Streets	15,000.00
		<u>\$ 1,366,109.40</u>

**BOROUGH OF SURF CITY  
GENERAL CAPITAL FUND  
SCHEDULE OF DUE FROM/(TO) CURRENT FUND  
YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015		\$ (115.17)
Increased by:		
Capital Improvement Fund Appropriation	\$ 60,000.00	
Deferred Charge Appropriations	213,270.96	
Cash Received by Current Fund	138,000.00	
Cash Disbursed to Current Fund	<u>527,750.59</u>	
		<u>939,021.55</u>
		938,906.38
Decreased By:		
Improvement Authorizations Disbursed by Current Fund	903,435.07	
Interest Due Current	<u>2,711.89</u>	
		<u>906,146.96</u>
Balance, December 31, 2016		<u><u>\$ 32,759.42</u></u>

**BOROUGH OF SURF CITY**  
**GENERAL CAPITAL FUND**  
**SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**  
**YEAR ENDED DECEMBER 31, 2016**

Improvement Authorizations	Ordinance Date	BALANCE DECEMBER 31, 2015	2016 AUTHORIZED	FUNDED BY BUDGET APPROPRIATION	RECEIVED IN CURRENT FUND	BALANCE DECEMBER 31, 2016	Analysis of Balance	
							EXPENDITURES	UNEXPENDED IMPROVEMENT AUTHORIZATIONS
06-03 Beach Replenishment	03/31/06	\$ 154,293.60	\$ -	\$ 6,430.96	\$ -	\$ 147,862.64	\$ -	\$ 147,862.64
06-15 Beach Replenishment	11/30/06	332,500.00	-	-	-	332,500.00	-	332,500.00
11-03 Acquisition of Trash Truck	05/11/11	32,000.00	-	-	-	32,000.00	-	32,000.00
12-06 Removal of Underground Storage Tank	10/31/12	9,697.91	-	6,840.00	-	2,857.91	2,857.91	-
13-05 Acquisition of Trash Truck	10/09/13	29,231.00	-	-	-	29,231.00	-	29,231.00
13-06 Acquisition of a Beach Rake	10/09/13	13,997.36	-	-	-	13,997.36	-	13,997.36
14-05 Acquisition of Fire Apparatus & Related Equipment	09/10/14	635,000.00	-	200,000.00	105,000.00	330,000.00	292,647.33	37,352.67
15-03 Replacement/Repair of Various Bulkheads	03/11/15	95,000.00	-	-	33,000.00	62,000.00	-	62,000.00
15-08 Reconstruction/Resurfacing of Various Streets	10/14/15	403,750.00	-	-	-	403,750.00	-	403,750.00
16-06 Reconstruction/Resurfacing of Various Streets	06/08/16	-	285,000.00	-	-	285,000.00	-	285,000.00
		\$ 1,705,469.87	\$ 285,000.00	\$ 213,270.96	\$ 138,000.00	\$ 1,639,198.91	\$ 295,505.24	\$ 1,343,693.67

**BOROUGH OF SURF CITY**  
**GENERAL CAPITAL FUND**  
**SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**  
**YEAR ENDED DECEMBER 31, 2016**

Improvement Authorizations	Ordinance Date	Ordinance Amount	Balance December 31, 2015		2016 Authorizations	Transferred From Encumbrances	Expended	Balance December 31, 2016	
			Funded	Unfunded				Funded	Unfunded
06-03 Beach Replenishment	03/31/06	\$500,000.00	\$ -	\$ 147,862.64	\$ -	\$ -	-	\$ -	\$ 147,862.64
06-15 Beach Replenishment	11/30/06	350,000.00	17,360.00	332,500.00	-	-	-	17,360.00	332,500.00
11-03 Acquisition of Trash Truck	05/11/11	200,000.00	-	32,000.00	-	-	-	-	32,000.00
12-04 Replacement/Repair of Various Bulkheads	09/30/12	35,000.00	19,896.89	-	-	-	19,896.89	-	-
12-06 Removal of Underground Diesel Storage Tank	10/31/12	40,000.00	-	2,857.91	-	-	2,857.91	-	-
13-05 Acquisition of Trash Truck	10/09/13	200,000.00	-	29,231.00	-	-	-	-	29,231.00
13-06 Acquisition of a Beach Rake	10/09/13	65,000.00	-	13,997.36	-	-	-	-	13,997.36
14-05 Acquisition of Fire Apparatus & Related Equipment	09/10/14	800,000.00	-	82,487.00	-	717,513.00	762,647.33	-	37,352.67
15-03 Replacement/Repair of Various Bulkheads	03/11/15	100,000.00	5,000.00	95,000.00	-	-	9,463.98	28,536.02	62,000.00
15-04 Rehabilitation of DPW Facilities	03/11/15	450,000.00	444,287.50	-	-	-	100,214.58	344,072.92	-
15-05 Resurfacing of Various Roads	03/11/15	300,000.00	263,191.00	-	-	-	4,812.29	258,378.71	-
15-08 Reconstruction/Resurfacing of Various Streets	10/14/15	425,000.00	21,250.00	403,750.00	-	-	-	21,250.00	403,750.00
15-09 Removal of Underground Storage Tank/Monitoring	12/09/15	50,000.00	50,000.00	-	-	-	3,542.09	46,457.91	-
16-06 Reconstruction/Resurfacing of Various Streets	06/08/16	300,000.00	-	-	300,000.00	-	-	15,000.00	285,000.00
			\$ 820,985.39	\$ 1,139,685.91	\$ 300,000.00	\$ 717,513.00	\$ 903,435.07	\$ 731,055.56	\$ 1,343,693.67

Deferred Charges - Unfunded	\$ 285,000.00
Capital Improvement Fund	15,000.00
	<u>\$ 300,000.00</u>

**BOROUGH OF SURF CITY  
GENERAL CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND  
YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015	\$ 791,682.50
Increased By:	
2016 Budget Appropriation	<u>60,000.00</u>
	851,682.50
Decreased By:	
Utilized To Finance Improvement Authorizations	<u>15,000.00</u>
Balance, December 31, 2016	<u><u>\$ 836,682.50</u></u>

**BOROUGH OF SURF CITY  
GENERAL CAPITAL FUND  
SCHEDULE OF VARIOUS RESERVES  
YEAR ENDED DECEMBER 31, 2016**

	BALANCE DECEMBER 31, 2015	TRANSFER FROM CURRENT FUND BUDGET	DECREASED	BALANCE DECEMBER 31, 2016
Reserve for Debt Service	\$ 36,683.33	\$ -	\$ -	\$ 36,683.33
Reserve for Purchase of Lifeguard Boat	7,500.00	-	-	7,500.00
	<u>\$ 44,183.33</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,183.33</u>

**BOROUGH OF SURF CITY  
GENERAL CAPITAL FUND  
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED  
YEAR ENDED DECEMBER 31, 2016**

Ordinance Date	<u>Improvement Authorizations</u>	BALANCE DECEMBER 31, 2015	2016 AUTHORIZATIONS	DECREASED	BALANCE DECEMBER 31, 2016
03/31/06	Beach Replenishment	\$ 154,293.60	\$ -	\$ 6,430.96	\$ 147,862.64
11/30/06	Beach Replenishment	332,500.00	-	-	332,500.00
05/11/11	Acquisition of Trash Truck	32,000.00	-	-	32,000.00
10/31/12	Removal of Underground Diesel Storage Tank	9,697.91	-	6,840.00	2,857.91
10/09/13	Acquisition of Trash Truck	29,231.00	-	-	29,231.00
10/09/13	Acquisition of a Beach Rake	13,997.36	-	-	13,997.36
09/10/14	Acquisition of Fire Apparatus & Related Equipment	635,000.00	-	305,000.00	330,000.00
03/11/15	Replacement/Repair of Various Bulkheads	95,000.00	-	33,000.00	62,000.00
10/14/15	Reconstruction/Resurfacing of Various Streets	403,750.00	-	-	403,750.00
06/08/16	Reconstruction/Resurfacing of Various Streets	-	285,000.00	-	285,000.00
		<u>\$ 1,705,469.87</u>	<u>\$ 285,000.00</u>	<u>\$ 351,270.96</u>	<u>\$ 1,639,198.91</u>
	Grant Receipts Due From Current Fund		\$	33,000.00	
	Contribution from Long Beach Township			105,000.00	
	Funded By Budget Appropriations			<u>213,270.96</u>	
			\$	<u>351,270.96</u>	



WATER-SEWER UTILITY FUND

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**BOROUGH OF SURF CITY**  
**WATER/SEWER UTILITY OPERATING FUND**  
**SCHEDULE OF CASH - TREASURER**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>OPERATING</u>	<u>CAPITAL</u>
Balance, December 31, 2015	\$ 1,424,973.92	\$ 435,268.80
Increased By Receipts:		
Miscellaneous Revenue Not Anticipated	\$ 84,511.96	\$ -
Fire Hydrant Service	118,400.00	-
Water/Sewer Rents Receivable	1,636,727.40	-
Prepaid Rents	14,168.35	-
Budget Appropriation Refunds	63,609.96	-
Due From Current Fund	15,167.22	-
Due To Utility Operating Fund	-	624.18
	<u>1,932,584.89</u>	<u>624.18</u>
	3,357,558.81	435,892.98
Decreased By Disbursements:		
2016 Budget Appropriations	1,787,157.38	-
2015 Appropriation Reserves	29,603.88	-
Refund of Prior Year Revenue	11,319.90	-
Due to Trust - Other Fund	10,174.56	-
Due From Utility Capital Fund	<u>2,940.00</u>	-
	<u>1,841,195.72</u>	<u>-</u>
Balance, December 31, 2016	<u>\$ 1,516,363.09</u>	<u>\$ 435,892.98</u>

**BOROUGH OF SURF CITY**  
**WATER/SEWER UTILITY CAPITAL FUND**  
**SCHEDULE OF ANALYSIS OF WATER/SEWER UTILITY CAPITAL FUND CASH**  
**YEAR ENDED DECEMBER 31, 2016**

		BALANCE <u>DECEMBER 31, 2016</u>
Capital Improvement Fund		\$ 449,565.51
Due To Utility Operating Fund		(71,409.63)
Fund Balance		7,476.47
Ordinance		
<u>Number</u>	<u>Improvement Authorizations</u>	
09-07	Improvements to Water/Sewer System	<u>50,260.63</u>
		<u>\$ 435,892.98</u>

**BOROUGH OF SURF CITY  
WATER/SEWER UTILITY OPERATING FUND  
SCHEDULE OF WATER/SEWER RENTS  
YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015		\$ 32,589.15
Increased By:		
2016 Levy		<u>1,685,445.54</u>
		1,718,034.69
Decreased By:		
Cash Collections	\$ 1,636,727.40	
Cash Collections Due from Current Fund	24,627.38	
Prepaid Rents Applied	<u>10,407.88</u>	
		<u>1,671,762.66</u>
Balance, December 31, 2016		<u><u>\$ 46,272.03</u></u>

**BOROUGH OF SURF CITY  
SCHEDULE OF FIXED CAPITAL  
YEAR ENDED DECEMBER 31, 2016**

	Balance, December 31, <u>2015</u>	<u>Additions</u>	Balance, December 31, <u>2016</u>
Water Fund:			
Land	\$ 5,623.38	\$ -	\$ 5,623.38
Springs and Wells	1,141,817.56	2,940.00	1,144,757.56
Pumping Station & Equipment	169,915.01	-	169,915.01
Distribution Mains & Accessories	898,285.92	-	898,285.92
Meters & Accessories	96,475.00	-	96,475.00
Garage & Storage Building	72,384.87	-	72,384.87
Tower, Standpipe & Storage Tanks	2,296,164.07	-	2,296,164.07
Fire Hydrants	49,213.51	-	49,213.51
Trucks & Other Equipment	137,923.47	-	137,923.47
Water Plant & Equipment	578,742.57	-	578,742.57
Office Facilities	13,938.13	-	13,938.13
Computer System	8,973.23	-	8,973.23
Sewer Fund:			
Collection System	1,582,178.63	17,867.00	1,600,045.63
Landscaping	2,774.20	-	2,774.20
Meters & Accessories	6,573.45	-	6,573.45
Trucks & Other Equipment	194,081.11	-	194,081.11
Garage & Storage Building	74,202.32	-	74,202.32
Office Facilities	13,938.12	-	13,938.12
Computer System	8,503.25	-	8,503.25
	<u>\$ 7,351,707.80</u>	<u>\$ 20,807.00</u>	<u>\$ 7,372,514.80</u>

Transfer from Fixed Capital Authorized & Uncompleted	\$ 2,940.00
Transfer from Capital Outlay	<u>17,867.00</u>
	<u><u>\$ 20,807.00</u></u>

**BOROUGH OF SURF CITY**  
**WATER/SEWER UTILITY CAPITAL FUND**  
**SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED**  
**YEAR ENDED DECEMBER 31, 2016**

<u>Ordinance Number</u>	<u>Purpose</u>	<u>ORDINANCE</u>		<u>BALANCE</u>	<u>TRANSFERRED</u>	<u>BALANCE</u>
		<u>DATE</u>	<u>AMOUNT</u>	<u>DECEMBER 31, 2015</u>	<u>TO FIXED CAPITAL</u>	<u>DECEMBER 31, 2016</u>
09-07	Improvements to Water/Sewer System	8/31/09	\$ 700,000.00	\$ 663,200.63	\$ 2,940.00	\$ 660,260.63
				\$ 663,200.63	\$ 2,940.00	\$ 660,260.63

**BOROUGH OF SURF CITY**  
**WATER/SEWER UTILITY OPERATION FUND**  
**SCHEDULE OF 2015 APPROPRIATION RESERVES**  
**YEAR ENDED DECEMBER 31, 2016**

<u>Appropriation</u>	<u>BALANCE DECEMBER 31, 2015</u>	<u>BALANCE AFTER TRANSFERS</u>	<u>EXPENDED</u>	<u>BALANCE LAPSED</u>
Operating:				
Salaries and Wages	\$ 78,264.96	\$ 78,264.96	\$ 1,392.50	\$ 76,872.46
Other Expenses	307,374.25	316,916.76	15,344.38	301,572.38
Capital Improvements:				
Capital Outlay	52,223.00	65,090.00	12,867.00	52,223.00
Statutory Expenditures:				
Contribution To:				
Social Security System (O.A.S.I.)	12,250.18	12,250.18	-	12,250.18
Defined Contribution Retirement Plan	768.00	768.00	-	768.00
Unemployment Compensation Insurance	3,178.05	3,178.05	-	3,178.05
	<u>\$ 454,058.44</u>	<u>\$ 476,467.95</u>	<u>\$ 29,603.88</u>	<u>\$ 446,864.07</u>
Appropriation Reserves	\$ 454,058.44			
Encumbrances Payable	<u>22,409.51</u>			
	<u>\$ 476,467.95</u>			
Cash Disbursements		\$ 29,603.88		
		<u>\$ 29,603.88</u>		



**BOROUGH OF SURF CITY  
WATER/SEWER UTILITY OPERATING FUND  
SCHEDULE OF ENCUMBRANCES PAYABLE  
YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015	\$ 22,409.51
Increased By:	
Current Appropriations	<u>59,974.13</u>
	82,383.64
Decreased By:	
Transferred To Appropriation Reserves	<u>22,409.51</u>
Balance, December 31, 2016	<u><u>\$ 59,974.13</u></u>

**BOROUGH OF SURF CITY  
WATER/SEWER UTILITY OPERATING FUND  
SCHEDULE OF PREPAID RENTS  
YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015	\$ 10,407.88
Increased By:	
Cash Receipts	<u>14,168.35</u>
	24,576.23
Decreased By:	
Applied To Rents Receivable	<u>10,407.88</u>
Balance, December 31, 2016	<u><u>\$ 14,168.35</u></u>

**BOROUGH OF SURF CITY  
WATER/SEWER UTILITY OPERATING FUND  
SCHEDULE OF ACCOUNTS PAYABLE  
YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015 and 2016

\$ 8,681.52

**BOROUGH OF SURF CITY**  
**WATER/SEWER UTILITY OPERATING FUND**  
**SCHEDULE OF DUE FROM/(TO) WATER/SEWER UTILITY CAPITAL FUND**  
**YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015		\$	26.19
Increased By:			
Interest Earned in Water/Sewer Utility Capital Fund	\$	624.18	
Cash Disbursements		<u>2,940.00</u>	
			<u>3,564.18</u>
			3,590.37
Decreased By:			
Capital Improvement Fund Appropriation		25,000.00	
Deferred Charge Appropriation		<u>50,000.00</u>	
			<u>75,000.00</u>
Balance, December 31, 2016		\$	<u><u>(71,409.63)</u></u>

**BOROUGH OF SURF CITY**  
**WATER/SEWER UTILITY CAPITAL FUND**  
**SCHEDULE OF BOND ANTICIPATION NOTES**  
**YEAR ENDED DECEMBER 31, 2016**

<u>Ordinance</u>	<u>Improvement Description</u>	<u>ORIGINAL ISSUE DATE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE*</u>	<u>BALANCE DECEMBER 31, 2015</u>	<u>INCREASED</u>	<u>DECREASED</u>	<u>BALANCE DECEMBER 31, 2016</u>
2009-05	* Improvements to Water & Sewer System	05/15/12	05/15/15 05/15/16	05/15/16 05/15/17	0.00% 0.00%	\$ 250,000.00 -	\$ - 125,000.00	\$ 250,000.00 -	\$ - 125,000.00
						<u>\$ 250,000.00</u>	<u>\$ 125,000.00</u>	<u>\$ 250,000.00</u>	<u>\$ 125,000.00</u>

\* - Purchased by Municipality

**BOROUGH OF SURF CITY  
WATER/SEWER UTILITY CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS  
YEAR ENDED DECEMBER 31, 2016**

Ordinance Number	Purpose	Ordinance		Balance		Paid or		Balance	
		Date	Amount	December 31, 2015	December 31, 2016	Charged		December 31, 2016	
				Funded	Unfunded			Funded	Unfunded
09-07	Improvements to Water/Sewer System	08/31/09	\$ 700,000.00	\$ -	\$ 663,200.63	\$ 2,940.00	\$ -	\$ -	\$ 660,260.63

**BOROUGH OF SURF CITY  
WATER/SEWER UTILITY CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND  
YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015	\$ 424,565.51
Increased By:	
2016 Budget Appropriations	<u>25,000.00</u>
Balance, December 31, 2016	<u><u>\$ 449,565.51</u></u>

**BOROUGH OF SURF CITY  
WATER/SEWER UTILITY CAPITAL FUND  
SCHEDULE OF RESERVE FOR AMORTIZATION  
YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015		\$ 7,104,908.43
Increased By:		
Bond Anticipation Notes Paid	\$ 125,000.00	
Capital Outlay in Operating Fund Budget	17,867.00	
Funding of Costs of Improvements Authorized By Budget	<u>50,000.00</u>	
		<u>192,867.00</u>
Balance, December 31, 2016		<u><u>\$ 7,297,775.43</u></u>



**BOROUGH OF SURF CITY**  
**WATER/SEWER UTILITY CAPITAL FUND**  
**SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**  
**YEAR ENDED DECEMBER 31, 2016**

Ordinance Number	Purpose	BALANCE DECEMBER 31, <u>2015</u>		BALANCE DECEMBER 31, <u>2016</u>	
			<u>DECREASED</u>		
2009-07	Improvements to Water & Sewer System	\$ 660,000.00	\$ 50,000.00	\$ 610,000.00	
		<u>\$ 660,000.00</u>	<u>\$ 50,000.00</u>	<u>\$ 610,000.00</u>	

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GENERAL FIXED ASSETS ACCOUNT GROUP

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**BOROUGH OF SURF CITY**  
**GENERAL FIXED ASSETS ACCOUNT GROUP**  
**SCHEDULE OF GENERAL FIXED ASSETS**  
**YEAR ENDED DECEMBER 31, 2016**

	BALANCE DECEMBER 31, <u>2015</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	BALANCE DECEMBER 31, <u>2016</u>
Land	\$ 748,506.36	\$ -	\$ -	\$ 748,506.36
Buildings	726,738.12	113,189.68	-	839,927.80
Equipment	578,888.59	-	-	578,888.59
Motor Vehicles	2,152,699.69	762,647.33	131,728.92	2,783,618.10
	<u>\$ 4,206,832.76</u>	<u>\$ 875,837.01</u>	<u>\$ 131,728.92</u>	<u>\$ 4,950,940.85</u>

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## COMMENTS

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The Honorable Mayor and Members of the  
Borough Council  
Borough of Surf City  
County of Ocean  
Surf City, New Jersey 08008

We have audited the financial statements of the Borough of Surf City in the County of Ocean for the year ended December 31, 2016, in accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments and Recommendations* for the year then ended.

### GENERAL COMMENTS

#### **Contracts and Agreements Required to be advertised by (N.J.S.A.40A:11-4)**

*N.J.S.A.40A:11-4* - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$40,000 for the period of January 1, 2016 to December 31, 2016, except by contract or agreement.

It is pointed out that the governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.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 the furnishing 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.

The compliance review of expenditures did not reveal any individual payments or contracts in excess of the statutory limit "for the performance of any work, or the furnishing of any materials, supplies or labor, or the hiring of teams or vehicles," 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.A.40A:11-6*.

#### **Contracts and Agreements Requiring Solicitation of Quotations**

A test was conducted to determine that expenditures greater than \$6,000 for the period of January 1, 2016 to December 31, 2016, obtained solicitation of quotes. No exceptions were noted.

## Collection of Interest on Delinquent Taxes and Assessments

*N.J.S.54:4-67*, as amended, 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 6, 2016 adopted the following resolution authorizing interest to be charged on delinquent taxes:

**“BE IT RESOLVED** that the rate of interest to be charged for the nonpayment of taxes and water/sewer rents on the date when they become delinquent is hereby fixed as eight (8%) percent per annum of the first One Thousand Five Hundred Dollars (\$1,500.00) of the delinquency, and eighteen (18%) percent per annum on any amount in excess of One Thousand Five Hundred Dollars (\$1,500.00). The same to be calculated from the date of actual payment; provided, however, that no interest be charged if payment is made with ten (10) days after the date upon which same became payable.”

The Borough also charges an additional 6% penalty on delinquencies in excess of \$10,000 at the end of the calendar year.

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

## Tax Collector's Annual Report

*N.J.S.54:4-91* requires that on or before May 1<sup>st</sup> of each year, the Tax Collector shall file with the Treasurer and the governing body a statement of receipts during the preceding year as well as added assessments, taxes canceled and taxes unpaid as of December 31, all for the preceding tax year. This report was filed in 2016 with the governing body.

## Delinquent Taxes and Tax Title Liens

The delinquent taxes at December 31, 2016 included real estate taxes for the years 2016 and 2015.

The last tax sale was held on October 21, 2016 and was complete.

Inspection of 2016 tax sale certificates on file revealed that all tax sale certificates were available for audit.

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

YEAR	NUMBER OF LIENS
2016	1
2015	1
2014	1

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

## **Deductions From Taxes**

The audit of senior citizen and veteran deductions on a test basis revealed that deductions appear reasonable.

## **Examination of Bills**

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate.

## **Deposit of Funds Paid to Local Unit**

*N.J.S.40A:5-15* States:

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

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

## **Payroll Fund**

The examination of the payroll fund included testing the detail computation of various deductions or other credits from the payroll of Borough employees, also, the examination ascertained that the accumulated withholdings were distributed to the proper agencies.

## **Municipal Court**

A separate report for the Municipal Court transactions was filed in accordance with the requirements of the Local Finance Board.

As part of the test of the municipal court records, no attempt was made to differentiate between fines due the Borough, County, or State, or to pass upon the authenticity of the preparation and procedures for complaints issued.

## **Follow Up on Prior Year Findings**

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year findings. No prior year findings were noted.

**BOROUGH OF SURF CITY  
COMMENTS  
YEAR ENDED DECEMBER 31, 2016**

Officials in Office and Surety Bonds

<u>Name of Official</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Corporate Surety</u>
Francis R. Hodgson, Sr.	Mayor		
John H. Klose	Council President		
John G. Hadash III	Councilman		
William D. Hodgson	Councilman		
Peter M. Hartney	Councilman		
James B. Russell	Councilman		
Jacqueline Siciliano	Councilwoman		
Mary P. Madonna	Borough Administrator	*	JIF
	Municipal Clerk		
	Assessment Search Officer		
	Registrar of Vital Statistics		
Michael Gross	Chief Financial Officer,	*	JIF
	Treasurer Water/Sewer Rents		
James A. Liguori	Municipal Court Judge	*	JIF
Constance Motter	Court Administrator	*	JIF
Walter R. Higgins, Jr.	Assessor		
Christopher J. Connors, Esq.	Solicitor		
Frank Little	Engineer		

All of the bonds were examined and appear to be properly executed.

\* Joint Insurance Fund (JIF) Blanket Crime coverage in the amount of \$1,000,000.00

**Acknowledgment**

We express our appreciation for the assistance and courtesies extended to the members of the audit team.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P. C.

Kevin P. Frenia  
Certified Public Accountant  
Registered Municipal Accountant  
CR #435

Medford, New Jersey  
September 22, 2017

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