

BOROUGH OF LONGPORT
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2016

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BOROUGH OF LONGPORT

PART I

REPORT ON AUDIT OF

FINANCIAL STATEMENTS - REGULATORY BASIS

DECEMBER 31, 2016



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

The Honorable Mayor and
Borough Commissioners
Borough of Longport Borough, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Longport, as of December 31, 2016 and 2015, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 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 the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Longport as of December 31, 2016 and 2015, or changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2016 and 2015, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2016 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Longport's basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2017 on our consideration of the Borough of Longport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Longport's internal control over financial reporting and compliance.

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

Michael S. Garcia
Michael S. Garcia
Certified Public Accountant
Registered Municipal Accountant
No. 472

April 7, 2017

EXHIBIT - A
CURRENT FUND

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

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Regular Fund:		
Cash:		
Cash Treasurer	\$ 4,796,514.07	6,815,602.53
Cash - Change	375.00	375.00
Total Cash	<u>4,796,889.07</u>	<u>6,815,977.53</u>
Other Receivables:		
Due from State - Chapter 20 P.L. 1971	-	250.00
Total Other Receivables	<u>-</u>	<u>250.00</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	92,546.19	141,804.34
Property Acquired for Taxes - at Assessed Valuation	17,695.00	17,695.00
Revenue Accounts Receivable	2,268.75	4,485.32
Interfund Receivable:		
Dog Trust Fund	432.92	431.86
Total Receivables and Other Assets	<u>112,942.86</u>	<u>164,416.52</u>
Deferred Charges:		
Emergency Appropriation	208,575.00	-
Special Emergency Appropriations	-	97,119.42
Total Deferred Charges	<u>208,575.00</u>	<u>97,119.42</u>
Total Regular Fund	<u>5,118,406.93</u>	<u>7,077,763.47</u>
Federal and State Grant Fund:		
Cash	-	-
Federal and State Grants Receivable	190,173.38	182,182.77
Due from Current Fund	79,542.21	81,134.78
Total Federal and State Grant Fund	<u>269,715.59</u>	<u>263,317.55</u>
Total Current Fund	<u>\$ 5,388,122.52</u>	<u>7,341,081.02</u>

See accompanying Notes to Financial Statements - Regulatory Basis

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2016</u>	<u>2015</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 309,755.54	402,314.37
Reserve for Encumbrances	43,837.09	61,659.35
Accounts Payable	14,450.45	-
Prepaid Taxes	361,652.49	401,655.60
Overpaid Taxes	9,205.88	10.88
Local School Tax Payable	28,093.26	131,836.46
County Added Tax Payable	54,403.44	49,484.49
Due to State:		
Senior Citizens & Veterans	1,000.00	-
Interfund Payable:		
Trust Other	2,976.17	2,830.17
General Capital	1,599,603.87	3,202,648.15
Due to Federal & State Grant Fund	79,542.21	81,134.78
Other		
Payroll Taxes Payable	22,118.44	19,692.57
Prepaid Beach Tag Fees	4,100.00	4,200.00
Reserve for Reassessment	468.22	468.22
Reserve for Insurance Reimbursements	98,840.38	103,970.38
Reserve for Hurricane Sandy	145,358.58	171,011.43
Special Emergency Note Payable	-	190,000.00
	2,775,406.02	4,822,916.85
Reserve for Receivables and Other Assets	112,942.86	164,416.52
Fund Balance	2,230,058.05	2,090,430.10
Total Regular Fund	5,118,406.93	7,077,763.47
Federal and State Grant Fund:		
Unappropriated Reserves	-	15,000.00
Appropriated Reserves	265,715.59	244,317.55
Due to Utility Operating Fund	4,000.00	4,000.00
	269,715.59	263,317.55
Total Federal and State Grant Fund	269,715.59	263,317.55
Total Current Fund	\$ 5,388,122.52	7,341,081.02

See accompanying Notes to Financial Statements - Regulatory Basis

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

	2016	2015
Revenue and Other Income Realized		
Fund Balance	\$ 695,000.00	695,000.00
Miscellaneous Revenue Anticipated	956,880.11	1,321,917.74
Receipts from Delinquent Taxes	126,048.75	224,560.87
Receipts from Current Taxes	16,771,605.22	16,283,868.13
Non Budget Revenue	198,445.80	1,030,721.33
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	318,685.05	348,536.84
Interfund Returned	-	47,253.50
Total Income	19,066,664.93	19,951,858.41
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	2,878,275.51	3,054,313.49
Other Expenses	2,109,201.00	2,181,862.00
Deferred Charges & Statutory Expenditures	736,951.00	724,085.00
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	21,251.98	-
Other Expenses	271,656.25	26,326.16
Capital Improvements	533,575.00	270,000.00
Debt Service	947,609.12	1,280,633.66
Deferred Charges	104,619.42	244,501.87
Local District School Tax	1,035,064.00	1,014,769.00
County Tax	9,747,755.40	9,340,001.05
County Share of Added Tax	54,403.30	49,484.49
Other:		
Prior Year's Deduction Disallowed	250.00	543.73
Total Expenditures	18,440,611.98	18,186,520.45
Excess/(Deficit) in Revenue	626,052.95	1,765,337.96

See accompanying Notes to Financial Statements - Regulatory Basis

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

	<u>2016</u>	<u>2015</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	208,575.00	-
Total Adjustments	<u>208,575.00</u>	<u>-</u>
Statutory Excess to Fund Balance	<u>834,627.95</u>	<u>1,765,337.96</u>
Fund Balance January 1	<u>2,090,430.10</u>	<u>1,020,092.14</u>
	2,925,058.05	2,785,430.10
Decreased by:		
Utilization as Anticipated Revenue	<u>695,000.00</u>	<u>695,000.00</u>
Fund Balance December 31	<u>\$ 2,230,058.05</u>	<u>2,090,430.10</u>

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget	Anticipated N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	\$ 695,000.00		695,000.00	-
Total Fund Balance Anticipated	<u>695,000.00</u>	-	<u>695,000.00</u>	<u>-</u>
Miscellaneous Revenues:				
Section A: Local Revenues				
Fees and Permits	3,800.00		4,275.00	475.00
Fines and Costs:				
Municipal Court	60,000.00		58,820.00	(1,180.00)
Interest and Costs on Taxes	50,000.00		33,453.67	(16,546.33)
Interest Earned on Investments	8,000.00		9,493.60	1,493.60
Anticipated Utility Operating Surplus	267,000.00		267,000.00	-
Beach Fees	200,000.00		213,290.00	13,290.00
Ice Cream Vendor	25,000.00		33,745.92	8,745.92
Total Section A: Local Revenues	<u>613,800.00</u>	-	<u>620,078.19</u>	<u>6,278.19</u>
Section B: State Aid Without Offsetting Appropriations				
Energy Receipts Tax	122,345.00		122,345.00	-
Total Section B: State Aid Without Offsetting Appropriations	<u>122,345.00</u>	-	<u>122,345.00</u>	<u>-</u>
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	150,000.00		146,151.50	(3,848.50)
Total Section C: Uniform Construction Code Fees	<u>150,000.00</u>	-	<u>146,151.50</u>	<u>(3,848.50)</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
Optional Safety Incentive Grant	1,900.00		1,900.00	-
Drunk Driving Enforcement	1,826.98	4,425.00	6,251.98	-
NJ Click it or Ticket	5,000.00		5,000.00	-
Clean Communities Program		9,664.51	9,664.51	-
Drive Sober or Get Pulled Over		10,000.00	10,000.00	-
Recycling Tonnage	1,723.66		1,723.66	-
Body Armor Replacement		3,368.08	3,368.08	-
Atlantic County CDBG	15,000.00		15,000.00	-
Total Section F: Special Items - Public and Private Programs	<u>25,450.64</u>	<u>27,457.59</u>	<u>52,908.23</u>	<u>-</u>
Section G: Other Special Items				
Comcast Franchise Fee	15,000.00		15,397.19	397.19
Total Section G: Other Special Items	<u>15,000.00</u>	<u>-</u>	<u>15,397.19</u>	<u>397.19</u>
Total Miscellaneous Revenues:	<u>926,595.64</u>	<u>27,457.59</u>	<u>956,880.11</u>	<u>2,826.88</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	N.J.S. 40A:4-87		
Receipts from Delinquent Taxes		125,000.00		126,048.75	1,048.75
Amount to be Raised by Taxes for Support of Municipal Budget		6,017,352.63		6,328,233.22	310,880.59
Local Tax for Municipal Purposes					
Total Amount to be Raised by Taxes for Support of Municipal Budget		<u>6,017,352.63</u>	<u>-</u>	<u>6,328,233.22</u>	<u>310,880.59</u>
Budget Totals		<u>7,763,948.27</u>	<u>27,457.59</u>	<u>8,106,162.08</u>	<u>314,756.22</u>
Non- Budget Revenues:					
Other Non- Budget Revenues:				198,445.80	198,445.80
	\$	<u>7,763,948.27</u>	<u>27,457.59</u>	<u>8,304,607.88</u>	<u>513,202.02</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Analysis of Realized Revenues	
Allocation of Current Tax Collections:	
Net Revenue from Collections	\$ 16,771,605.22
Allocated to:	
School, County and Other Taxes	<u>10,837,222.70</u>
Balance for Support of Municipal Budget Appropriations	5,934,382.52
Increased by:	
Appropriation "Reserved for Uncollected Taxes"	<u>393,850.70</u>
Amount for Support of Municipal Budget Appropriations	<u><u>6,328,233.22</u></u>
Receipts from Delinquent Taxes:	
Delinquent Tax Collection	<u>126,048.75</u>
Total Receipts from Delinquent Taxes	<u><u>126,048.75</u></u>
Analysis of Non-Budget Revenue:	
Miscellaneous Revenue Not Anticipated:	
Zoning Approval	39,300.00
Tennis Court Fees	5,859.00
Liquor License	200.00
Election Reimbursements	297.75
Rental Approval	7,500.00
Police Reports	63.53
Zoning Board Maps & Ordinances	600.00
200 Foot Lists	370.00
JIF Dividend	26,743.00
Uniform Fire Safety	668.50
Farmers Market	2,648.00
OPRA Fees	210.80
Street Opening	25,870.00
Dumpster	11,250.00
Land Use	12,075.00
Vital Statistics	449.00
Workers Compensation Reimbursements	3,299.40
DMV Fines	250.00
State of NJ - Senior & Veteran Administrative Fees	305.00
State of NJ - Homestead Rebate Administrative Fees	62.40
Community Building Rent	125.00
Insurance Refund - ATV	2,451.00
Scrap Metal	532.00
Vending Commissions	908.20
FEMA	24,746.18
Demolition Fee	3,885.70
Library Rental	9,500.00
Sale or Lease of Borough Property	8,472.82
Sale of Chevy Tahoe	8,350.00
Miscellaneous	1,453.52
Total Miscellaneous Revenue Not Anticipated:	<u><u>\$ 198,445.80</u></u>

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
General Administration						
Salaries and Wages	\$ 15,000.00	15,000.00	12,871.00		2,129.00	-
Other Expenses	20,000.00	20,000.00	17,171.18	221.97	2,606.85	-
Human Resources						
Salaries and Wages	25,500.00	25,900.00	25,881.15		18.85	-
Other Expenses	15,100.00	15,100.00	9,648.88	249.75	5,201.37	-
Mayor and Commissioners						
Salaries and Wages	25,600.00	25,600.00	25,374.70		225.30	-
Other Expenses	6,150.00	6,150.00	5,244.88		905.12	-
Municipal Clerk						
Salaries and Wages	70,600.00	70,600.00	70,545.54		54.46	-
Other Expenses	25,950.00	25,950.00	25,360.69		589.31	-
Financial Administration						
Salaries and Wages	27,300.00	27,300.00	26,940.94		359.06	-
Other Expenses	4,750.00	4,750.00	4,458.11	255.73	36.16	-
Audit Services						
Other Expenses	30,600.00	30,600.00	30,600.00		-	-
Data Processing						
Other Expenses	17,000.00	17,000.00	12,465.10		4,534.90	-
Collection of Taxes						
Salaries and Wages	50,800.00	52,800.00	51,703.92		1,096.08	-
Other Expenses	6,000.00	6,000.00	4,101.20	18.37	1,880.43	-
Assessment of Taxes						
Salaries and Wages	12,800.00	12,800.00	12,691.12		108.88	-
Other Expenses	5,450.00	5,450.00	3,731.87		1,718.13	-
Legal Services						
Other Expenses	150,000.00	210,000.00	204,156.24	5,322.50	521.26	-
Engineering Services						
Other Expenses	30,000.00	30,000.00	30,000.00		-	-

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
LAND USE ADMINISTRATION						
Planning Board						
Salaries and Wages	65,000.00	65,000.00	64,912.12		87.88	-
Other Expenses	6,200.00	6,200.00	3,843.54	1,800.00	556.46	-
PUBLIC SAFETY						
Police						
Salaries and Wages	1,345,206.00	1,420,206.00	1,413,030.93		7,175.07	-
Other Expenses	125,193.00	100,193.00	92,481.72	1,562.81	6,148.47	-
Emergency Management Services						
Salaries and Wages	5,900.00	5,900.00	5,824.00		76.00	-
Other Expenses	8,000.00	8,000.00	6,085.26	1,669.80	244.94	-
Community Rating System						
Salaries and Wages	3,800.00	3,800.00	3,793.92		6.08	-
Other Expenses	7,840.00	7,840.00	5,499.84		2,340.16	-
Fire						
Salaries and Wages	40,600.00	40,600.00	39,448.34		1,151.66	-
Other Expenses	45,118.00	45,118.00	30,930.57	12,911.35	1,276.08	-
Prosecutor						
Salaries and Wages	10,200.00	10,200.00	10,149.88		50.12	-
Beach Guard						
Salaries and Wages	448,236.51	458,236.51	447,463.22		10,773.29	-
Other Expenses	25,600.00	25,600.00	24,433.90	600.00	566.10	-
Beach Control						
Salaries and Wages	52,000.00	42,000.00	38,973.86		3,026.14	-
Other Expenses	9,700.00	9,700.00	7,876.61		1,823.39	-
HEALTH AND HUMAN SAFETY						
Animal Control						
Other Expenses	2,000.00	2,000.00	2,000.00		-	-

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
PUBLIC WORKS						
Streets and Roads						
Salaries and Wages	340,600.00	340,600.00	316,648.59		23,951.41	-
Other Expenses	79,550.00	59,050.00	53,055.61	1,597.48	4,396.91	-
Garbage and Trash Removal						
Other Expenses						
Solid Waste Collection	90,500.00	90,500.00	81,538.38	7,412.58	1,549.04	-
Tipping Fees	48,000.00	48,000.00	38,630.31	2,000.00	7,369.69	-
Public Buildings and Grounds						
Other Expenses	51,000.00	51,000.00	48,057.47		2,942.53	-
PARKS AND RECREATION						
Parks and Recreation						
Other Expenses	14,000.00	14,000.00	11,384.25		2,615.75	-
Maintenance of Parks						
Other Expenses	25,500.00	25,500.00	25,480.76		19.24	-
Municipal Court						
Salaries and Wages	132,358.00	132,358.00	130,451.67		1,906.33	-
Other Expenses	5,000.00	5,000.00	3,464.33	70.97	1,464.70	-
Public Defender						
Salaries and Wages	5,100.00	5,100.00	5,075.00		25.00	-
INSURANCE						
Salaries and Wages	9,375.00	9,375.00	9,364.94		10.06	-
General Liability	132,300.00	138,300.00	138,083.12		216.88	-
Workers Compensation Insurance	195,000.00	195,000.00	194,060.00		940.00	-
Employee Group Health	500,000.00	500,000.00	419,546.72	2,564.82	77,888.46	-
Employee Group Health Opt Out	7,300.00	10,600.00	10,281.94		318.06	-

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
UNIFORM CONSTRUCTION CODE						
State Uniform Construction Code						
Construction Official	114,300.00	114,400.00	114,305.62		94.38	-
Salaries and Wages	55,700.00	55,700.00	51,697.68	3,050.10	952.22	-
Other Expenses						
Other Code Enforcement	500.00	500.00			500.00	-
Salaries and Wages	1,200.00	1,200.00	246.41		953.59	-
Other Expenses						
UNCLASSIFIED						
Celebration of Public Events, Anniversary or Holiday	3,000.00	3,000.00	2,999.73		0.27	-
Accumulated Sick Time	30,000.00	30,000.00	30,000.00		-	-
UTILITY EXPENSES AND BULK PURCHASES						
Electricity	156,000.00	137,000.00	134,074.84		2,925.16	-
Street Lighting	64,000.00	68,000.00	67,191.51		808.49	-
Telephone	31,000.00	31,000.00	30,573.55		426.45	-
Natural Gas	32,000.00	17,000.00	15,871.80		1,128.20	-
Gasoline/Diesel	65,000.00	53,700.00	31,703.39	2,528.86	19,467.75	-
TOTAL OPERATIONS WITHIN "CAPS"	4,927,476.51	4,987,476.51	4,733,481.85	43,837.09	210,157.57	-
Detail:						
Salaries and Wages	2,830,775.51	2,908,275.51	2,825,450.46	-	52,825.05	-
Other Expenses	2,096,701.00	2,079,201.00	1,908,031.39	43,837.09	157,332.52	-

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
DEFERRED CHARGES AND STATUTORY EXPENDITURES:					
Deferred Charges:					
None					-
Statutory Expenditures:					
Contributions to:					
Public Employees' Retirement System	136,887.00	136,887.00	136,887.00	-	-
Social Security System (O.A.S.I.)	225,000.00	225,000.00	207,957.38	17,042.62	-
Police and Firemen's Retirement System	312,164.00	312,164.00	312,164.00	-	-
Unemployment Compensation Insurance	35,000.00	35,000.00	35,000.00	-	-
Lifeguard Pension	18,000.00	18,000.00		18,000.00	-
Defined Contribution Retirement Program	2,400.00	2,400.00	2,095.29	304.71	-
Pension-Retro	7,500.00	7,500.00	4,983.94	2,516.06	-
	<u>736,951.00</u>	<u>736,951.00</u>	<u>699,087.61</u>	<u>37,863.39</u>	<u>-</u>
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:					
	5,664,427.51	5,724,427.51	5,432,569.46	43,837.09	248,020.96
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"					
OPERATIONS - EXCLUDED FROM "CAPS"					
(A) Operations - Excluded from "CAPS"					
Interlocal Municipal Service Agreements					
Police Dispatch	240,000.00	240,000.00	240,000.00	-	-
	<u>240,000.00</u>	<u>240,000.00</u>	<u>240,000.00</u>	<u>-</u>	<u>-</u>

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
(A) Public and Private Programs Off-Set by Revenues					
Optional Safety Grant	1,900.00	1,900.00	1,900.00	-	
Atlantic County - CDBG	15,000.00	15,000.00	15,000.00	-	
Drunk Driving Enforcement	1,826.98	6,251.98	6,251.98	-	
Drive Sober or Get Pulled Over		10,000.00	10,000.00	-	
NJ Click it or Ticket	5,000.00	5,000.00	5,000.00	-	
Clean Communities Program		9,664.51	9,664.51	-	
Recycling Tonnage	1,723.66	1,723.66	1,723.66	-	
Body Armor Replacement		3,368.08	3,368.08	-	
Total Public and Private Programs Off-Set by Revenues	<u>25,450.64</u>	<u>52,908.23</u>	<u>52,908.23</u>	<u>-</u>	<u>-</u>
Total Operations - Excluded from "CAPS"	265,450.64	292,908.23	292,908.23	-	-
Detail:					
Salaries and Wages	6,826.98	21,251.98	21,251.98	-	-
Other Expenses	258,623.66	271,656.25	271,656.25	-	-

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
(C) Capital Improvements						
Capital Improvement Fund	25,000.00	25,000.00	25,000.00	-	-	-
Down Payments on Improvements		148,575.00	148,575.00	-	-	-
Police Vehicle-4WD	35,000.00	35,000.00	35,000.00	-	-	-
HVAC	150,000.00	150,000.00	150,000.00	-	-	-
Policy Body & Car Cameras	35,000.00	35,000.00	35,000.00	-	-	-
Purchase of Equipment & Improvements						
Municipal Property	140,000.00	140,000.00	78,265.42	61,734.58	-	-
New Jersey Transportation Trust Fund Authority		-				
Total Capital Improvements	385,000.00	533,575.00	471,840.42	-	61,734.58	-
(D) Debt Service						
Payment of Bond Principal	475,000.00	475,000.00	475,000.00	-	-	-
Interest on Bonds	205,750.00	205,750.00	205,750.00	-	-	-
Interest on Notes	2,850.00	2,850.00	1,825.09	-	-	1,024.91
Green Trust Loan Program:						
Loan Repayments for Principal and Interest	267,000.00	267,000.00	265,034.03	-	-	1,965.97
Total Debt Service	950,600.00	950,600.00	947,609.12	-	-	2,990.88

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
(E) Deferred Charges						
Special Emergency Authorizations - 5 years	97,119.42	97,119.42	97,119.42			-
Deferred Charges to Future Taxation						
Unfunded - 2006 Ambulance Ordinance	7,500.00	7,500.00	7,500.00			-
Total Deferred Charges	<u>104,619.42</u>	<u>104,619.42</u>	<u>104,619.42</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	1,705,670.06	1,881,702.65	1,816,977.19	-	61,734.58	2,990.88
SUBTOTAL GENERAL APPROPRIATIONS	<u>7,370,097.57</u>	<u>7,606,130.16</u>	<u>7,249,546.65</u>	<u>43,837.09</u>	<u>309,755.54</u>	<u>2,990.88</u>
(M) Reserve for Uncollected Taxes	<u>393,850.70</u>	<u>393,850.70</u>	<u>393,850.70</u>			-
TOTAL GENERAL APPROPRIATIONS	<u>\$ 7,763,948.27</u>	<u>7,999,980.86</u>	<u>7,643,397.35</u>	<u>43,837.09</u>	<u>309,755.54</u>	<u>2,990.88</u>
Budget		7,763,948.27			Cancelled	2,990.88
Appropriations by 40A:4-87		27,457.59			Overexpended	-
Emergency Appropriations		<u>208,575.00</u>				<u>2,990.88</u>
		<u>7,999,980.86</u>				
Reserve for Uncollected Taxes			393,850.70			
Federal and State Grants			52,908.23			
Deferred Charges			104,619.42			
Capital Improvement Fund			173,575.00			
Disbursements			6,918,444.00			
			<u>7,643,397.35</u>			

See accompanying Notes to Financial Statements - Regulatory Basis

**EXHIBIT - B
TRUST FUND**

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

	2016	2015
<u>ASSETS</u>		
<u>DOG TRUST FUND</u>		
Cash	\$ 705.18	666.46
	705.18	666.46
<u>OTHER TRUST FUND</u>		
Cash and Investments	613,088.98	542,245.96
Interfunds and Receivables:		
Due from Current Fund	2,976.17	2,830.17
	616,065.15	545,076.13
	616,770.33	545,742.59
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
<u>DOG TRUST FUND</u>		
Reserve for Dog Fund Expenditures	267.46	212.40
Due to State of New Jersey	4.80	22.20
Interfunds and Payables:		
Due from Current Fund	432.92	431.86
	705.18	666.46
<u>OTHER TRUST FUND</u>		
Reserve for:		
Unemployment Compensation	68,320.29	54,193.18
Lifeguard Pension	384,705.19	358,746.45
Parking Offenses Adjudication Act	1,946.00	1,800.00
Developers Escrow	574.33	573.49
Accumulated Sick Leave Fund	156,898.42	126,707.74
Recreation	1,049.24	485.86
Donations for Municipal Equipment and Building Improvements	1,054.17	1,054.17
Disposal of Forfeited Property	1,517.50	1,515.23
Flexible Spending Account	0.01	0.01
	616,065.15	545,076.13
	\$ 616,770.33	545,742.59

See accompanying Notes to Financial Statements - Regulatory Basis

EXHIBIT - C
GENERAL CAPITAL FUND

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

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Cash	\$ 300,622.49	306,669.49
Deferred Charges to Future Taxation -		
Funded	6,790,899.49	7,510,460.00
Unfunded	3,772,925.00	7,500.00
Interfunds and Receivables		
Due from Current Fund	1,599,603.87	3,202,648.15
	<u>12,464,050.85</u>	<u>11,027,277.64</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	170,250.29	90,126.00
Serial Bonds Payable	6,225,000.00	6,700,000.00
Loans Payable	565,899.49	810,460.00
Improvement Authorizations:		
Funded	1,594,355.41	3,183,849.23
Unfunded	3,693,312.25	2,609.00
Capital Improvement Fund	-	25,000.00
Fund Balance	215,233.41	215,233.41
	<u>\$ 12,464,050.85</u>	<u>11,027,277.64</u>

There were bonds and notes authorized but not issued at December 31 (C - 10)

2015	7,500.00
2016	3,772,925.00

See accompanying Notes to Financial Statements - Regulatory Basis

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

	2016	2015
Beginning Balance January 1	\$ 215,233.41	365,233.41
Increased by:		
Premium on Sale of Bonds	-	-
Decreased by:		
Budget Appropriation to Current Fund	-	150,000.00
Ending Balance December 31	\$ 215,233.41	215,233.41

See accompanying Notes to Financial Statements - Regulatory Basis

EXHIBIT - D
WATER AND SEWER UTILITY FUND

**WATER AND SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

	2016	2015
ASSETS		
Operating Fund:		
Cash	\$ 168,682.45	236,065.43
Interfunds and Receivables		
Due from Utility Capital Fund	13,949.14	11,881.94
Due from Federal & State Grant Fund	4,000.00	4,000.00
	186,631.59	251,947.37
Receivables and Other Assets with Full Reserves:		
Water & Sewer Accounts Receivable	17,848.16	52,494.10
	17,848.16	52,494.10
Total Operating Fund	204,479.75	304,441.47
Capital Fund:		
Cash - Treasurer	37,786.85	37,786.85
Fixed Capital - Complete	6,953,504.52	6,953,504.52
Fixed Capital - Authorized and Uncomplete	613,238.25	613,238.25
Total Capital Fund	7,604,529.62	7,604,529.62
	\$ 7,809,009.37	7,908,971.09

See accompanying Notes to Financial Statements - Regulatory Basis

**WATER AND SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2016</u>	<u>2015</u>
Operating Fund:		
Appropriation Reserves	\$ 14,608.68	9,814.02
Reserve for Encumbrances	2,265.93	561.52
Prepaid Water & Sewer Rents	11,330.39	7,062.21
Overpaid Water & Sewer Rents	1,078.73	7,912.96
Accrued Interest on Bonds and Notes	19,347.95	19,093.60
	<u>48,631.68</u>	<u>44,444.31</u>
Reserve for Receivables	17,848.16	52,494.10
Fund Balance	137,999.91	207,503.06
Total Operating Fund	<u>204,479.75</u>	<u>304,441.47</u>
Capital Fund:		
Interfunds:		
Due to Utility Operating Fund	13,949.14	11,881.94
Bond Anticipation Notes Payable	375,000.00	375,000.00
Serial Bonds Payable	1,025,000.00	1,100,000.00
Improvement Authorizations:		
Funded	9,893.88	9,893.88
Unfunded	181,484.60	183,551.80
Reserve for Amortization	5,956,002.00	5,881,002.00
Deferred Reserve for Amortization	43,200.00	43,200.00
Fund Balance	-	-
Total Capital Fund	<u>7,604,529.62</u>	<u>7,604,529.62</u>
	<u>\$ 7,809,009.37</u>	<u>7,908,971.09</u>

There were bonds and notes authorized but not issued at December 31 (D - 15)

2015	167,540.77
2016	167,540.77

See accompanying Notes to Financial Statements - Regulatory Basis

WATER AND SEWER UTILITY FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
Revenue and Other Income Realized		
Fund Balance	\$ 176,630.00	110,665.45
Water & Sewer Rents	1,025,976.51	971,440.54
Miscellaneous Revenue Anticipated	-	57,434.55
Miscellaneous Revenue Not Anticipated	40,178.28	49,717.75
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	1,347.49	32,906.91
Total Income	<u>1,244,132.28</u>	<u>1,222,165.20</u>
Expenditures		
Operations	725,080.00	682,900.00
Capital Improvements		
Debt Service	110,925.43	111,377.35
Deferred Charges and Statutory Expenditures	34,000.00	29,500.00
Surplus (General Budget)	267,000.00	267,000.00
Total Expenditures	<u>1,137,005.43</u>	<u>1,090,777.35</u>
Excess/(Deficit) in Revenue	<u>107,126.85</u>	<u>131,387.85</u>
Adjustments to Income before Fund Balance:		
None		
Total Adjustments	<u>-</u>	<u>-</u>
Excess in Operations	<u>107,126.85</u>	<u>131,387.85</u>
Fund Balance January 1	<u>207,503.06</u>	<u>186,780.66</u>
	314,629.91	318,168.51
Decreased by:		
Utilization as Anticipated Revenue	176,630.00	110,665.45
Fund Balance December 31	<u>\$ 137,999.91</u>	<u>207,503.06</u>

See accompanying Notes to Financial Statements - Regulatory Basis

**WATER AND SEWER UTILITY CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	2016	2015
Beginning Balance January 1	\$ -	57,434.55
Increased by:		
Premiums on sale of Bonds & Notes	-	
Decreased by:		
Surplus budgeted in Current Fund	-	57,434.55
Ending Balance December 31	\$ -	-

See accompanying Notes to Financial Statements - Regulatory Basis

**WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Anticipated Budget	Realized	Excess or (Deficit)
Surplus Anticipated	\$ 176,630.00	176,630.00	-
Water Rents	390,000.00	429,474.17	39,474.17
Sewer Rents	575,000.00	596,502.34	21,502.34
Miscellaneous Revenue Not Anticipated		40,178.28	40,178.28
	<u>\$ 1,141,630.00</u>	<u>1,242,784.79</u>	<u>101,154.79</u>

Analysis of Realized Revenue:

Consumer Accounts Receivable:

Current Collections	1,011,001.34
Prepayments & Overpayments Applied	14,975.17
	<u>1,025,976.51</u>

Miscellaneous Revenue Not Anticipated

Interest on Delinquents	5,437.91
Interest on Investments	840.34
Hydrants	3,200.00
Shut Off Fees	550.00
Disconnection Fees	6,075.00
Connection Fees	50.00
Water Meters	20,730.00
Miscellaneous	3,295.03
	<u>40,178.28</u>

See accompanying Notes to Financial Statements - Regulatory Basis

**WATER AND SEWER UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Operations:						
Salaries and Wages	\$ 347,630.00	369,630.00	364,722.09		4,907.91	
Other Expenses	377,450.00	355,450.00	344,934.44	2,265.93	8,249.63	
	<u>725,080.00</u>	<u>725,080.00</u>	<u>709,656.53</u>	<u>2,265.93</u>	<u>13,157.54</u>	<u>-</u>
Debt Service:						
Payment of Bond Principal	75,000.00	75,000.00	75,000.00		-	1,159.61
Interest on Bonds	33,750.00	33,750.00	32,590.39			3,464.96
Interest On Notes	6,800.00	6,800.00	3,335.04			4,624.57
	<u>115,550.00</u>	<u>115,550.00</u>	<u>110,925.43</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Charges and Statutory Expenditures:						
Unemployment	30,000.00	30,000.00	28,548.86		1,451.14	
Social Security System	4,000.00	4,000.00	4,000.00		-	
	<u>34,000.00</u>	<u>34,000.00</u>	<u>32,548.86</u>	<u>-</u>	<u>1,451.14</u>	<u>-</u>
Surplus (General Budget)	<u>267,000.00</u>	<u>267,000.00</u>	<u>267,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,141,630.00</u>	<u>1,141,630.00</u>	<u>1,120,130.82</u>	<u>2,265.93</u>	<u>14,608.68</u>	<u>4,624.57</u>

EXHIBIT - E
GENERAL FIXED ASSET ACCOUNT GROUP

**GENERAL FIXED ASSET ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Land Buildings and Improvements	\$ 3,548,180.82	2,646,908.82
Machinery and Equipment	<u>4,084,933.75</u>	<u>3,878,595.36</u>
	<u>7,633,114.57</u>	<u>6,525,504.18</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Investment in General Fixed Assets	\$ <u>7,633,114.57</u>	<u>6,525,504.18</u>

See accompanying Notes to Financial Statements - Regulatory Basis

**BOROUGH OF LONGPORT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Component units are legally separate organizations for which the entity is financially accountable. The entity is financially accountable for an organization if the entity appoints a voting majority of the organization's governing board and (1) the entity is able to significantly influence the programs or services performed or provided by the organization; or (2) the entity is legally entitled to or can otherwise access the organization's resources; the entity is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the entity is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the entity in that the entity approves the budget, the issuance of debt or the levying of taxes. The entity has no component units.

B. Description of Funds

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

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

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

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

Water and Sewer Operating and Capital Funds -- account for the operations of the sewer utility and acquisition of water and sewer capital facilities other than those acquired in the Current and General Capital Funds.

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

C. Basis of Accounting

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

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

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

Expenditures -- are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Appropriation reserves covering unencumbered appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the Governing Body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis; interest on utility capital indebtedness is on the accrual basis. Compensated absences are treated on a pay as you go basis with no amount charged to operations in the year incurred.

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

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

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

General Fixed Assets -- The entity has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles.

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

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. Expenditures for long lived assets with an original cost in excess of \$2,000.00 are capitalized. No depreciation has been provided for in the financial statements.

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

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

**BOROUGH OF LONGPORT
NOTES TO FINANCIAL STATEMENTS
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Property and equipment purchased by the Sewer Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

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

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

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

Levy of Utility Charges – The entity operates a sewer utility fund. Rates are determined by ordinance and changed as necessary. Sewer charges are based on flat fees and usage based on the type of entity. Charges are billed annually and due in quarterly installments on January 1, April 1, July 1 and October 1.

Interest on Delinquent Utility Charges -- It is the policy of the entity to collect interest for the nonpayment of utility charges on or before the date when they would become delinquent. The Utility Collector is authorized to charge one and one half percent (1.5%) per month on charges becoming delinquent after due date. There is a ten day grace period.

Capitalization of Interest -- It is the policy of the Borough of Longport to treat interest on projects as a current expense and the interest is included in both the current and utility operating budgets.

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

D. Required Financial Statements

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

**BOROUGH OF LONGPORT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

E. Comparative Data

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

F. Recent Accounting Pronouncements Not Yet Effective

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 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, which is effective for fiscal periods beginning after June 30, 2016, will not have any effect on the Borough's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". This statement, which is effective for fiscal periods beginning after June 30, 2016, establishes new accounting and financial reporting requirements for OPEB plans. It is anticipated that this statement will not have any effect on the Borough's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement is effective for fiscal periods beginning after June 30, 2017. It is anticipated that this statement will not have any effect on the Borough's financial reporting.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80, "Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14". This statement is effective for fiscal periods beginning after June 15, 2016. It is anticipated that this statement will not have any effect on the Borough's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 81, "Irrevocable Split-Interest Agreements". This statement is effective for fiscal periods beginning after June 15, 2016. It is anticipated that this statement will not have any effect on the Borough's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82, "Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73". This statement is effective for fiscal periods beginning after June 15, 2016. The impact of this statement will be additional disclosures.

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

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

Note 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2016 and 2015 statutory budgets included a reserve for uncollected taxes in the amount of \$393,850.70 and \$407,906.54. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund

**BOROUGH OF LONGPORT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

balance budgeted to balance the 2016 and 2015 statutory budgets was \$695,000.00 and \$695,000.00. In addition, the entity operates a self-liquidating water and sewer utility. Under New Jersey Statutes a separate budget for the utility must be adopted concurrently with the operating budget of the entity. The utility budget must be a balanced cash basis budget with fund balance being used to balance the budget. The amount of fund balance budgeted to balance the 2016 and 2015 statutory budgets was \$176,630.00 and \$110,665.45.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by The Borough's Governing Body. The following significant budget transfers were approved in the 2016 and 2015 calendar years:

<u>Budget Category</u>	<u>2016</u>	<u>2015</u>
<u>Current Fund:</u>		
Salaries and Wages		
Police	\$ 75,000.00	(16,200.00)
General Administration		1,500.00
Finance		2,000.00
Human Resource	400.00	800.00
Collection of Taxes	2,000.00	
Beach Guards	10,000.00	(46,800.00)
Construction Official	100.00	
Beach Control	(10,000.00)	
Other Expenses		
Police	(25,000.00)	
General Administration		(1,750.00)
Streets and Roads	(20,500.00)	
Labor Relations		(2,800.00)
Dispatch		63,000.00
Mayor and Commissioners		250.00
General Liability	6,000.00	
Electricity	(19,000.00)	
Street Lighting	4,000.00	
Natural Gas	(15,000.00)	
Employee Group Health Opt Out	3,300.00	
Gasoline/Diesel	(11,300.00)	

<u>Budget Category</u>	<u>2016</u>	<u>2015</u>
<u>Water & Sewer Utility Fund:</u>		
Salaries and Wages		
Utility	22,000	10,000
Other Expenses		
Utility	(22,000)	(10,000)

**BOROUGH OF LONGPORT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2016 and 2015, the following significant budget insertions were approved:

<u>Budget Category</u>	2016	2015
Municipal Alcohol Education & Rehabilitation Program	\$	530.40
NJ Click it or Ticket	4,425.00	4,000.00
Clean Communities Program	9,664.51	8,453.18
Drive Sober or Get Pulled Over	10,000.00	7,500.00
Optional Safety Incentive Grant		1,000.00
Body Armor or Replacement Fund	3,368.08	1,510.33
Total	\$ <u>27,457.59</u>	<u>22,993.91</u>

The entity may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. There were two Regular Emergency Appropriations authorized in 2016. One was for \$60,000.00 for legal fees and the other was for \$148,575.00 for down payment on improvements.

Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. The entity did not approve any special emergencies in 2016. The unfunded balance of the most recent Special Emergency relating to Hurricane Sandy of \$97,119.42 was raised in full in the 2016 budget. There was no unfunded balance remaining in 2016.

Note 3: INVESTMENTS

As of December 31, 2016 and 2015, the municipality held no investments.

Note 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or funds that may pass to the municipality relative to the happening of a future condition. As of December 31, 2016 and 2015, \$303,071.41 and \$297,151.81 of the municipality's bank balances of \$6,004,087.20 and \$7,975,889.41 were exposed to custodial credit risk.

**BOROUGH OF LONGPORT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Note 5: FIXED ASSETS

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2016 and 2015:

	Balance 12/31/2014	Additions	Retirements/ Adjustments	Balance 12/31/2015
Land Buildings & Improvements	\$ 1,817,536.82	829,372.00		2,646,908.82
Machinery & Equipment	3,774,200.44	142,869.92	(38,475.00)	3,878,595.36
	<u>\$ 5,591,737.26</u>	<u>972,241.92</u>	<u>(38,475.00)</u>	<u>6,525,504.18</u>
	Balance 12/31/2015	Additions	Retirements/ Adjustments	Balance 12/31/2016
Land Buildings & Improvements	\$ 2,646,908.82	901,272.00		3,548,180.82
Machinery & Equipment	3,878,595.36	232,416.39	(26,078.00)	4,084,933.75
	<u>\$ 6,525,504.18</u>	<u>1,133,688.39</u>	<u>(26,078.00)</u>	<u>7,633,114.57</u>

Note 6: SHORT-TERM OBLIGATIONS

The following schedules are a summarization of the changes in short – term debt for the calendar years ended December 31, 2016 and 2015:

	Balance 12/31/14	Issued	Retired	Balance 12/31/15
Notes Payable:				
Special Emergency - Current Fund	\$ 320,000.00		130,000.00	190,000.00
Bond Anticipation General Capital	-			-
Sewer Utility Capital	150,000.00	225,000.00		375,000.00
Total	<u>\$ 470,000.00</u>	<u>225,000.00</u>	<u>130,000.00</u>	<u>565,000.00</u>

A Special Emergency Note totaling \$320,000.00 was issued on January 30, 2014 and was due and payable on January 29, 2015 with interest at 0.95% per annum. The balance of this note was \$190,000.00 at December 31, 2015. The Bond Anticipation Notes totaling \$375,000.00 was one that was issued on January 29, 2015 for \$200,000.00 and was due and payable on January 28, 2016 with interest at 0.95% per annum. The other was issued on October 20, 2015 for \$175,000.00 and was due and payable on October 19, 2016 with interest at 0.95% per annum.

As of December 31, 2015 the Borough has authorized but not issued bonds in the amount of \$7,500.00 and \$167,540.77 in the General Capital Fund and Water Sewer Utility Capital Funds respectively.

**BOROUGH OF LONGPORT
NOTES TO FINANCIAL STATEMENTS
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	Balance 12/31/15	Issued	Retired	Balance 12/31/16
Notes Payable:				
Special Emergency - Current Fund	\$ 190,000.00		190,000.00	-
Bond Anticipation General Capital	-			-
Sewer Utility Capital	375,000.00	225,000.00	225,000.00	375,000.00
Total	<u>\$ 565,000.00</u>	<u>225,000.00</u>	<u>415,000.00</u>	<u>375,000.00</u>

A Special Emergency Note totaling \$320,000.00 was issued on January 30, 2014 and was due and payable on January 29, 2015 with interest at 0.95% per annum. The balance of this note of \$190,000.00 was redeemed in full during 2016. The Bond Anticipation Notes totaling \$375,000.00 was one that was issued on January 28, 2016 for \$200,000.00 and was due and payable on January 27, 2017 with interest at 1% per annum. The other was issued on January 28, 2016 for \$175,000.00 and was due and payable on January 27, 2017 with interest at 1% per annum.

As of December 31, 2016 the Borough has authorized but not issued bonds in the amount of \$3,772,925.00 and \$167,540.77 in the General Capital Fund and Water Sewer Utility Capital Funds respectively.

Note 7: LONG TERM DEBT

Long-term debt as of December 31, 2016 and 2015 consisted of the following:

	Balance 12/31/14	Issued	Retired	Balance 12/31/15	Amounts Due Within One Year
Bonds and Loans payable:					
General	\$ 8,513,528.00		1,003,068.00	7,510,460.00	714,974.00
Utility	1,175,000.00		75,000.00	1,100,000.00	75,000.00
Total	<u>9,688,528.00</u>	-	<u>1,078,068.00</u>	<u>8,610,460.00</u>	<u>789,974.00</u>
Compensated Absences Payable	<u>434,863.99</u>		<u>24,870.25</u>	<u>409,993.74</u>	-
Total long-term liabilities	<u>\$ 10,123,391.99</u>	<u>-</u>	<u>1,102,938.25</u>	<u>9,020,453.74</u>	<u>789,974.00</u>
	Balance 12/31/15	Issued	Retired	Balance 12/31/16	Amounts Due Within One Year
Bonds and Loans payable:					
General	\$ 7,510,460.00		719,560.51	6,790,899.49	719,725.49
Utility	1,100,000.00		75,000.00	1,025,000.00	75,000.00
Total	<u>8,610,460.00</u>	-	<u>794,560.51</u>	<u>7,815,899.49</u>	<u>794,725.49</u>
Compensated Absences Payable	<u>409,993.74</u>		<u>46,783.83</u>	<u>363,209.91</u>	-
Total long-term liabilities	<u>\$ 9,020,453.74</u>	<u>-</u>	<u>841,344.34</u>	<u>8,179,109.40</u>	<u>794,725.49</u>

**BOROUGH OF LONGPORT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Outstanding bonds whose principal and interest are paid from the Current Fund Budget of the Borough:

At December 31, 2016, bonds and loans payable in the General Capital Fund consisted of the following individual issues:

\$7,075,000.00 General Improvement Bonds dated January 29, 2014, due in annual installments through January 15, 2029, bearing interest at various rates from 3.00% to 4.00% per annum. The balance remaining as of December 31, 2016, is \$6,225,000.00.

\$1,417,300.00 New Jersey Wastewater Trust Loan dated October 15, 1997, due in annual installments through October 15, 2017. Interest is paid semiannually at various rates. The balance remaining as of December 31, 2016, is \$91,538.49.

\$2,920,000.00 New Jersey Wastewater Trust Loan dated November 1, 1999, due in annual installments through November 1, 2019. Interest is paid semiannually at various rates. The balance remaining as of December 31, 2016, is \$474,361.00.

Outstanding bonds whose principal and interest are paid from the Water and Sewer Utility Operating Fund of the Borough:

\$1,175,000.00 Water & Sewer Utility Bonds dated January 29, 2014, due in annual installments through January 15, 2029, bearing interest at various rates from 3.00% to 4.00% per annum. The balance remaining as of December 31, 2016, is \$1,025,000.00.

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt and Issued and Outstanding

Year	General Fund		Sewer Utility Fund	
	Principal	Interest	Principal	Interest
2017	\$ 715,697.49	205,565.00	75,000.00	30,750.00
2018	633,218.00	178,865.00	75,000.00	27,750.00
2019	641,984.00	156,825.00	75,000.00	25,125.00
2020	470,000.00	136,950.00	80,000.00	22,800.00
2021	470,000.00	122,850.00	80,000.00	20,400.00
2022 - 2026	2,350,000.00	402,750.00	400,000.00	66,000.00
2027 - 2030	1,510,000.00	69,450.00	240,000.00	10,800.00
	<u>\$ 6,790,899.49</u>	<u>1,273,255.00</u>	<u>1,025,000.00</u>	<u>203,625.00</u>

As of December 31, 2016 the carrying value of the above bonds and notes approximates the fair value of the bonds. No interest was charged to capital projects during the year and the total interest charged to the current budget was \$228,048.61 and to the utility budget was \$35,925.43.

<u>Summary of Municipal Debt</u>	<u>Year 2016</u>	<u>Year 2015</u>	<u>Year 2014</u>
<u>Issued:</u>			
General - Bonds and Notes	\$ 6,790,899.49	7,510,460.00	8,513,528.00
Water & Sewer Utility - Bonds and Notes	1,400,000.00	1,475,000.00	1,175,000.00
Total Issued	<u>8,190,899.49</u>	<u>8,985,460.00</u>	<u>9,688,528.00</u>
<u>Authorized but not issued:</u>			
General - Bonds and Notes	3,772,925.00	7,500.00	18,268.34
Water & Sewer Utility - Bonds and Notes	167,540.77	167,540.77	92,540.77
Total Authorized But Not Issued	<u>3,940,465.77</u>	<u>175,040.77</u>	<u>110,809.11</u>
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 12,131,365.26</u>	<u>9,160,500.77</u>	<u>9,799,337.11</u>

**BOROUGH OF LONGPORT
NOTES TO FINANCIAL STATEMENTS
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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 0.397%.

	Gross Debt	Deductions	Net Debt
Water & Sewer Utility Debt	\$ 1,567,540.77	1,567,540.77	-
General Debt	10,563,824.49	-	10,563,824.49
	<u>\$ 12,131,365.26</u>	<u>1,567,540.77</u>	<u>10,563,824.49</u>

Net Debt \$10,563,824.49 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$1,878,865,551.33 = 0.562%.

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$	65,760,294.30
Net Debt		10,563,824.49
Remaining Borrowing Power	<u>\$</u>	<u>55,196,469.81</u>

Note 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2016 and 2015, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2016 and 2015 were as follows:

	Year	Balance December 31st	Utilized in Budget of Succeeding Year	Percent Utilized
Current Fund	2016	\$ 2,230,058.05	775,000.00	34.75%
	2015	2,090,430.10	695,000.00	33.25%
Water and Sewer Utility Fund	2016	\$ 137,999.91	130,950.00	94.89%
	2015	207,503.06	176,630.00	85.12%

Note 9: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016, the following deferred charges are shown on the balance sheets of the various funds:

	Balance December 31, 2016	2017 Budget Appropriation	Balance to Succeeding
Current Fund:			
Emergency Appropriation - 2016	\$ 208,575.00	208,575.00	-
	<u>\$ 208,575.00</u>	<u>208,575.00</u>	<u>-</u>

**BOROUGH OF LONGPORT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Note 10: SCHOOL TAXES

Local District School Tax in the amounts of \$1,035,064.00 and \$1,014,769.00 have been raised for the 2016 and 2015 calendar years and have been remitted or due to the school district. Local District School Taxes have been raised and a liability not greater than 50% of the levy has been deferred as allowed by statute, resulting in the school tax payable set forth in the Current Fund liabilities as follows:

	12/31/2016	12/31/2015
Balance of Tax	\$ 515,775.76	\$ 619,518.96
Deferred	487,682.50	487,682.50
Tax Payable	<u>\$ 28,093.26</u>	<u>\$ 131,836.46</u>

Note 11: TAXES COLLECTED IN ADVANCE

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

	Balance 12/31/16	Balance 12/31/15
Prepaid Taxes	<u>\$ 361,652.49</u>	<u>\$ 401,655.60</u>
Cash Liability for Taxes Collected in Advance	<u>\$ 361,652.49</u>	<u>\$ 401,655.60</u>

Note 12: PENSION FUNDS

Description of Plans

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

Public Employees' Retirement System

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

Police and Fireman's Retirement System

The contribution policy for the Police and Fireman's Retirement System (PFRS) is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate.

**BOROUGH OF LONGPORT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.06% through June 30, 2016 and 7.20% thereafter of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The entity's contributions to PERS for the years ended December 31, 2016, 2015, and 2014 were \$136,887.00, \$132,812.00 and \$101,819.00.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The entity's contributions to PFRS for the years ended December 31, 2016, 2015, and 2014 were \$312,164.00, \$306,573.00, and \$278,730.00.

The total payroll for the year ended December 31, 2016, 2015 and 2014 was \$3,214,794.47, \$3,254,932.16 and \$3,157,216.83. Payroll covered by PFRS was \$1,071,890.00, \$1,052,604.00 and \$1,181,042.00. Payroll covered by PERS was \$1,125,139.00, \$1,205,063.00 and \$1,135,912.00.

Significant Legislation

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

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

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2013, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

**BOROUGH OF LONGPORT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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

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

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

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Governing Body on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

Note 13: PENSION LIABILITIES

In 2012, the Governmental Accounting Standards Board issued GASB statement 68. This statement is effective for fiscal years beginning after June 15, 2014. This statement changes the method of reporting the municipality's pension liabilities. However, due to the fact that the municipality reports on the regulatory basis of accounting, no financial statement impact will be recognized. GASB statement 68 requires that the June 30, 2016 actuarial valuation be used for this disclosure, but as of the date of this report the 2016 actuarial valuations are not yet available from the Division of Pensions. The Division of Local Government Services has confirmed that disclosing the 2015 valuation is in compliance with the Regulatory Basis of Accounting described in Note 1.

The following represents the municipality's pension liabilities as June 30, 2015:

Public Employees' Retirement System

The Borough has a liability of \$3,574,183.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Borough's proportion is 0.01592205840%, which was a decrease of 1.17% from its proportion measured as of June 30, 2014.

**BOROUGH OF LONGPORT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

For the year ended December 31, 2015, the Borough would have recognized pension expense of \$305,206.00. At December 31, 2015, the Borough would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 383,839	
Net difference between projected and actual earnings on pension plan investments	85,267	(57,446)
Changes in proportion and differences between Borough contributions and proportionate share of contributions	342,231	(29,921)
Total	<u>\$ 811,337</u>	<u>(87,367)</u>

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

Year ended June 30,		
2016	\$	252,277
2017		252,277
2018		252,277
2019		252,277
2020		(198,013)
Thereafter		(87,126)
Total	<u>\$</u>	<u>723,970</u>

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014. This actuarial valuation used the following assumptions, applied to all period in the measurement:

Inflation rate	3.04%
Salary increases:	
2012-2021	2.15% - 4.40% (based on age)
Thereafter	3.15% - 5.40% (based on age)
Investment rate of return:	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) with adjustments for mortality improvements from the base year of 2012 based on Projections Scale AA.

**BOROUGH OF LONGPORT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

In accordance with State statute, the long-term expected rate of return on plan investments 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. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended 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 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**BOROUGH OF LONGPORT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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

The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate of 4.90%, 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 (3.90%) or 1-percentage point higher (5.90%) than the current rate:

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Borough's proportionate share of the net pension liability	\$ 4,312,095	3,574,183	\$ 2,956,550

Pension plan fiduciary net position.

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

Police and Firemen's Retirement System

The Borough has a liability of \$6,396,701.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Municipality's proportion is 0.03840360160%, which is a decrease of 3.79% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Borough would have recognized pension expense of \$552,220.00. At December 31, 2015, the Borough would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 1,180,990	
Difference between expected and actual experience		-55174
Difference between projected and actual earnings on pension plan investments	-	(111,329)
Changes in proportion and differences between Borough contributions and proportionate share of contributions	153,681	(165,760)
Total	<u>\$ 1,334,671</u>	<u>(332,263)</u>

**BOROUGH OF LONGPORT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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

Year ended June 30,		
2016	\$	287,944
2017		287,944
2018		287,944
2019		287,944
2020		(127,665)
Thereafter		(21,703)
Total	<u>\$</u>	<u>1,002,408</u>

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following assumptions, applied to all period in the measurement:

Inflation rate	3.04%
Salary increases:	
2012-2021	2.60% - 9.48% (based on age)
Thereafter	3.60% - 10.48% (based on age)
Investment rate of return:	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and one year using Projection Scale BB for male service retirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB for female service retirements and beneficiaries with adjustments for mortality improvements from the base year of 2014 based on Projection Scale BB.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

In accordance with State statute, the long-term expected rate of return on plan investments 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. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2015 are summarized in the following table:

**BOROUGH OF LONGPORT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 5.79% and 6.32% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of 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 2045. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2045, 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 collective net pension liability of the participating employers as of June 30, 2015, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (4.79%)	Current Discount Rate (5.79%)	1% Increase (6.79%)
Borough's proportionate share of the net pension liability	\$ 8,292,770	6,396,701	4,851,291

**BOROUGH OF LONGPORT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

In addition to the PFRS liabilities listed above, a special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under 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 June 30, 2015 and June 30, 2014 State special funding situation net pension liability amounts of \$1,460,720,421 and \$1,354,554,686, respectively, are the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2015 State special funding situation pension expense of \$182,203,735 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2015. The pension expense is deemed to be a State administrative expense due to the special funding situation.

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the Borough was 0.03840360160% and 0.03991476980% for 2015 and 2014 respectively. The net pension liability amounts allocated to the Borough were \$560,969.00 and \$540,667.00 respectively. For the fiscal year ending June 30, 2015 State special funding situation pension expense of \$69,973 is allocated to the Borough.

Pension plan fiduciary net position.

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

Note 14: LIFEGUARD PENSION

Effective January 1, 1987 the Borough of Longport established a pension plan to provide retirement, disability and survivor pension benefits for the individuals who serve on the Borough's lifeguard force. An eligible employee becomes a plan member upon employment. Employee contributions shall be withheld from the member's salary at a rate of 4% and contributed to the plan. Each year the Borough shall contribute to the plan 4% of the aggregate compensation paid to the plan members for such year. The contributions will be paid to the pension fund, which is a segregated account maintained by the Borough Chief Financial Officer and is to be used solely for the accumulating and disbursing of monies for benefits provided under the plan. The funds contributed to the plan are to be invested by the Pension Committee.

A plan member may retire with a pension only after their 45th birthday and the completion of 20 years of service, the last 10 years of which must have been completed immediately preceding their application. This pension shall be known as their normal pension. It shall commence no earlier than their 45th birthday, but it shall vest after twenty (20) Years of Service the last ten (10) years of which are continuous.

A Plan Member's annual Normal Pension shall be equal to 50% of his Average Compensation. It shall be paid in monthly installments starting on the later of the Member's 45th birthday or his actual retirement date and ending with the payment for the month in which their death occurs. However, post-retirement death benefits may be available which provide for the continuation of such pension after the death of the Plan Member. If the commencement of a plan Member's Normal Pension is deferred by his continued employment (as an employee) after his 45th birthday, the amount of his Normal Pension will not change except to reflect changes in his Average Compensation. No optional or alternate payment arrangements are available for pensions described in this Section or for Disability Survivor Pensions.

Total salaries paid to lifeguards for the years ended December 31, 2016, 2015 and 2014 were \$447,463.22, \$426,111.34 and \$408,170.24 respectively. The Borough's contribution to the Lifeguard Pension Fund is transferred to the Lifeguard Pension Fund in subsequent year.

**BOROUGH OF LONGPORT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

The following table details the activity for this fund for the year ended December 31, 2016.

<u>Balance 12/31/2015</u>	<u>Interest Earned</u>	<u>Borough Share</u>	<u>Employee Withholdings</u>	<u>Pension Payments</u>	<u>Balance 12/31/2015</u>
\$ 358,746.45	\$ 6,034.35	\$ 16,391.00	\$ 18,183.11	\$ (14,649.72)	\$ 384,705.19

Note 15: ACCRUED SICK AND VACATION BENEFITS

The Borough has permitted employees to accrue unused vacation and sick time, which may be taken as time off or paid at a later date at an agreed upon rate. It is estimated that the cost for the most current calendar year of such unpaid compensation would approximate \$363,209.91 in 2016 and \$409,993.74 in 2015. This amount is not reported either as an expenditure or liability. The policy of not reflecting the accrued benefit is not in agreement with GASB Statement No. 12 but is required by the State of New Jersey. The Borough has established a reserve to offset this liability, the balance in the reserve is \$156,898.42 and \$126,707.74 at December 31, 2016 and 2015 respectively.

Note 16: ECONOMIC DEPENDENCY

The Borough of Longport is not economically dependent on any one business or industry as a major source of tax revenue for the entity.

Note 17: RISK MANAGEMENT

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

Property and Liability Insurance – The Borough maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2016 and 2015 the entity did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

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

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

<u>Calendar Year</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016	\$ 39,000.00	5,220.49	55.66	30,149.04	68,320.29
2015	39,000.00	5,574.63	28.91	12,140.59	54,193.18
2014	39,000.00	5,162.19	30.89	40,394.50	21,730.23

**BOROUGH OF LONGPORT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Note 18: DEFERRED COMPENSATION

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

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

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

Note 19: CONTINGENT LIABILITIES

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

Note 20: INTERFUND BALANCES

During the most current calendar year ended December 31, 2016, the following interfunds were included on the balance sheets of the various funds of the Borough of Longport:

	Due From	Due To
Current Fund:		
Federal and State Grant Fund	\$	79,542.21
Trust Other Fund		2,976.17
Dog Trust Fund	432.92	
General Capital Fund		1,599,603.87
Grant Fund:		
Current	79,542.21	
Utility Operating Fund		4,000.00
Trust Fund:		
Current - Dog Trust Fund		432.92
Current - Trust Other Fund	2,976.17	
General Capital Fund:		
Current	1,599,603.87	
Water and Sewer Operating:		
Federal and State Grant Fund	4,000.00	
Water and Sewer Capital Fund	13,949.14	
Water and Sewer Capital Fund:		
Water and Sewer Operating Fund		13,949.14
	\$ <u>1,700,504.31</u>	<u>1,700,504.31</u>

The interfunds are due to amounts that should have been transferred to the other funds as appropriate.

**BOROUGH OF LONGPORT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Note 21: SUBSEQUENT EVENTS

The entity has evaluated subsequent events through April 7, 2017, the date which the financial statements were available to be issued and did not identify any events requiring disclosure.

SUPPLEMENTARY INFORMATION



FORD - SCOTT

& ASSOCIATES, L.L.C.

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Independent Auditor's Report

The Honorable Mayor and
Members of the Borough Commission
Borough of Longport, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 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 April 7, 2017 which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

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

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

Michael S. Garcia
Michael S. Garcia
Certified Public Accountant
Registered Municipal Accountant
No. 472

April 7, 2017

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	Current Fund		Grant Fund
Balance December 31, 2015	\$ 6,815,602.53	\$	-
Increased by Receipts:			
Prepaid Taxes	361,652.49		
Taxes Receivable	16,481,987.49		
Revenue Accounts Receivable	1,098,217.68		
Tax Overpayments	9,205.88		
Due from State of NJ - Seniors & Veterans	15,000.00		
Payroll Payable	3,538,037.14		
Prepaid Beach Fees	4,100.00		
Due to State of New Jersey;			
DCA Training Fees	9,279.00		
Marriages Licenses	175.00		
Due from Trust Other Fund	146.00		
Due from Current Fund			1,592.57
Federal and State Unappropriated			17,457.59
Federal and State Receivables			12,460.03
	21,517,800.68		31,510.19
	28,333,403.21		31,510.19
Decreased by Disbursements:			
Current Year Appropriation	6,918,444.00		
Prior Year Appropriations	130,838.22		
County Taxes	9,797,239.75		
Local District School Taxes	1,138,807.20		
Redemption of Special Emergency Note	190,000.00		
Payroll Payable	3,535,611.27		
Reserve for Insurance Reimbursements	5,130.00		
Reserve for Hurricane Sandy	25,652.85		
Due to State of New Jersey;			
DCA Training Fees	9,279.00		
Marriages Licenses	175.00		
Due to General Capital Fund	1,784,119.28		
Due to Federal and State Grant Fund	1,592.57		
Federal and State Disbursements			31,510.19
	23,536,889.14		31,510.19
Balance December 31, 2016	\$ 4,796,514.07	\$	-

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

Year	Balance Dec. 31, 2015	Current Year Levy	Added Taxes	Collections by Cash		Adjustments	Balance Dec. 31, 2016
				2015	2016		
2015	\$ 141,804.34	-	250.00	126,048.75	16,005.59	(0.00)	(0.00)
	141,804.34	-	250.00	-	16,005.59	(0.00)	(0.00)
2016	16,818,137.94	16,818,137.94	93,752.85	401,655.60	16,369,949.62	47,739.38	92,546.19
	\$ 141,804.34	16,818,137.94	94,002.85	401,655.60	16,495,998.37	63,744.97	92,546.19
					16,481,987.49	Cash Receipts	
					10.88	Overpayments Applied	
					14,000.00	Senior Citizens and Veterans	
					<u>16,495,998.37</u>		
<u>Analysis of Current Year Tax Levy</u>							
Tax Yield:							
					16,818,137.94		
					<u>93,752.85</u>		
					<u>16,911,890.79</u>		
Tax Levy:							
					8,694,538.93		
					623,009.32		
					31,262.92		
					398,944.23		
					<u>54,403.30</u>		
						9,802,158.70	
						1,035,064.00	
					6,017,352.63		
					<u>57,315.46</u>		
						<u>6,074,668.09</u>	
						<u>16,911,890.79</u>	

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

Balance December 31, 2015		\$	-
Increased by:			
None			
	<hr/>		-
			-
Decreased by:			
None			
			-
			-
Balance December 31, 2016		\$	-

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2015	Accrued in 2016	Collected by Treasurer	Balance Dec. 31, 2016
Fees and Permits		4,275.00	4,275.00	-
Fines and Costs:				
Municipal Court	4,485.32	56,603.43	58,820.00	2,268.75
Interest and Costs on Taxes		33,453.67	33,453.67	-
Interest Earned on Investments		9,493.60	9,493.60	-
Beach Fees		209,090.00	209,090.00	-
Ice Cream Vendor Bid		33,745.92	33,745.92	-
Comcast Franchise Fee		15,397.19	15,397.19	-
Uniform Construction Code Fees		146,151.50	146,151.50	-
Energy Receipts Tax		122,345.00	122,345.00	-
Anticipated Utility Operating Surplus		267,000.00	267,000.00	-
Miscellaneous Revenue Not Anticipated		198,445.80	198,445.80	-
	<u>4,485.32</u>	<u>1,096,001.11</u>	<u>1,098,217.68</u>	<u>2,268.75</u>

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2015	Balance After Transfers	Paid or Charges	Balance Lapsed
OPERATIONS WITHIN "CAPS"				
GENERAL GOVERNMENT:				
General Administration				
Salaries and Wages	508.50	508.50		508.50
Other Expenses	1,878.91	1,878.91	160.10	1,718.81
Human Resources				
Salaries and Wages	31.34	31.34		31.34
Other Expenses	964.82	964.82	964.82	-
Mayor and Commissioners				
Salaries and Wages	526.51	526.51		526.51
Other Expenses	241.58	241.58		241.58
Borough Clerk				
Salaries and Wages	201.91	201.91		201.91
Other Expenses	3,817.56	3,817.56	176.48	3,641.08
Finance Department				
Salaries and Wages	205.22	205.22		205.22
Other Expenses	1,432.95	1,432.95	224.76	1,208.19
Audit Services				
Other Expenses	5,000.00	5,000.00	2,900.00	2,100.00
Data Processing				
Other Expenses	3,833.90	3,833.90	88.89	3,745.01
Collection of Taxes				
Salaries and Wages	208.40	208.40	87.26	121.14
Other Expenses	1,223.73	1,223.73	374.00	849.73
Assessment of Taxes				
Salaries and Wages	42.90	42.90		42.90
Other Expenses	914.54	914.54	255.00	659.54
Legal Services and Costs				
Other Expenses	63,774.02	63,774.02	13,670.00	50,104.02
Engineering Services				
Other Expenses	10,000.00	10,000.00	10,000.00	-

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2015	Balance After Transfers	Paid or Charges	Balance Lapsed
LAND USE ADMINISTRATION				
Planning Board				
Salaries and Wages	1.86	1.86		1.86
Other Expenses	1,566.29	1,566.29	863.26	703.03
PUBLIC SAFETY				
Police				
Salaries and Wages	71,076.61	71,076.61		71,076.61
Other Expenses	7,138.58	7,138.58	4,932.21	2,206.37
Emergency Management				
Salaries and Wages	251.16	251.16	143.75	107.41
Other Expenses	1,492.30	1,492.30	55.01	1,437.29
Dispatch				
Salaries and Wages	71.77	71.77		71.77
Other Expenses	110.61	110.61		110.61
Community Rating System				
Salaries and Wages	171.01	171.01	143.75	27.26
Other Expenses	347.53	347.53		347.53
Fire				
Salaries and Wages	2,765.81	2,765.81	140.35	2,625.46
Other Expenses	21,389.73	21,389.73	16,804.70	4,585.03
Prosecutor				
Salaries and Wages	0.01	0.01		0.01
Beach Guards				
Salaries and Wages	102.15	102.15		102.15
Other Expenses	468.69	468.69	463.00	5.69
Beach Control				
Salaries and Wages	962.01	962.01		962.01
Other Expenses	95.83	95.83		95.83
HEALTH AND HUMAN SAFETY				
Animal Control				
Other Expenses	2,000.00	2,000.00		2,000.00

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2015	Balance After Transfers	Paid or Charges	Balance Lapsed
PUBLIC WORKS				
Streets and Roads				
Salaries and Wages	24,463.08	24,463.08	7,504.54	16,958.54
Other Expenses	27,290.94	27,290.94	3,256.76	24,034.18
Garbage and Trash Removal				
Other Expenses				
Solid Waste Collection	8,961.62	8,961.62	7,412.58	1,549.04
Tipping Fees	12,620.56	12,620.56	1,497.22	11,123.34
Public Buildings and Grounds				
Other Expenses	9,741.65	9,741.65	2,125.00	7,616.65
PARKS AND RECREATION				
Parks and Recreation				
Salaries and Wages	939.48	939.48		939.48
Other Expenses	430.43	430.43		430.43
Maintenance of Parks				
Other Expenses	5,565.28	5,565.28	965.20	4,600.08
Municipal Court				
Salaries and Wages	1,529.19	1,529.19	63.00	1,466.19
Other Expenses	2,030.68	2,030.68	222.00	1,808.68
INSURANCE				
Salaries and Wages	463.80	463.80		463.80
Employee Group Health	82,031.35	82,031.35	50,613.30	31,418.05
Employee Group Health Opt Out	570.36	570.36		570.36
Workers Compensation Insurance	1,954.50	1,954.50		1,954.50
Liability Insurance	86.54	86.54		86.54

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2015	Balance After Transfers	Paid or Charges	Balance Lapsed
UNIFORM CONSTRUCTION CODE				
Construction Code Official	203.68	203.68		203.68
Salaries and Wages	320.33	320.33	21.50	298.83
Other Expenses				
Other Code Enforcement	500.00	500.00		500.00
Salaries and Wages	1,025.00	1,025.00	392.73	632.27
Other Expenses				
UNCLASSIFIED				
Celebration of Public Events	938.52	938.52		787.53
Other Expenses			150.99	
UTILITY EXPENSES AND BULK PURCHASES				
Electricity	3,208.66	3,208.66		2,428.26
Street Lighting	652.55	652.55	780.40	652.55
Telephone	144.81	144.81		144.81
Natural Gas	6,096.22	6,096.22		6,096.22
Gasoline	27,770.30	27,770.30	1,445.11	26,325.19
STATUTORY EXPENDITURES				
Contributions to:				
Public Employees' Retirement System	2,500.00	2,500.00		2,500.00
Social Security System (O.A.S.I.)	8,543.34	8,543.34		8,543.34
Police and Firemen's Retirement System	2,500.00	2,500.00		2,500.00
DCRP (Defined Contribution Retirement Program)	81.91	81.91		81.91
Lifeguard Pension	17,500.00	17,500.00	16,391.00	1,109.00
CAPITAL IMPROVEMENTS				
Beach Patrol Vehicle	748.20	748.20		748.20
DPW Vehicle	7,742.00	7,742.00		7,742.00
	<u>\$ 463,973.72</u>	<u>463,973.72</u>	<u>145,288.67</u>	<u>318,685.05</u>

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

Balance December 31, 2015			
School Tax Payable	\$	131,836.46	
School Tax Deferred		<u>487,682.50</u>	
			619,518.96
Increased by:			
Levy - School Year July 1, 2016 to June 30, 2017			<u>1,035,064.00</u>
			1,654,582.96
Decreased by:			
Payments			<u>1,138,807.20</u>
Balance December 31, 2016			
School Tax Payable		28,093.26	
School Tax Deferred		<u>487,682.50</u>	
			<u>515,775.76</u>
Current Year Liability for Local School District School Tax:			
Tax Paid			1,138,807.20
Tax Payable Ending			<u>28,093.26</u>
			1,166,900.46
Less: Tax Payable Beginning			<u>131,836.46</u>
Amount charged to Current Year Operations			<u>\$ 1,035,064.00</u>

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

<u>Purpose</u>	Balance Dec. 31, 2015	Transferred From 2016 Revenues	Received	Balance Dec. 31, 2016
FEDERAL GRANTS:				
NJ Click it or Ticket	\$ 1,176.00	5,000.00	4,584.56	1,591.44
Body Armor Replacement	4,424.61			4,424.61
Total Federal	<u>5,600.61</u>	<u>5,000.00</u>	<u>4,584.56</u>	<u>6,016.05</u>
STATE GRANTS:				
NJ Transportation Trust Fund	85,501.47			85,501.47
Clean Communities	5,785.85			5,785.85
Green Communities	3,000.00			3,000.00
Atlantic County JIF	4,387.00			4,387.00
Atlantic County DWI Traffic Enforcement Grant	197.32			197.32
Atlantic County Open Spaces Grant	39,935.00			39,935.00
Life Hazard Use Fees	2,190.95			2,190.95
Drunk Driving Enforcement Fund	8,205.12	1,826.98		10,032.10
Drive Sober or Get Pulled Over	7,500.00	10,000.00	5,000.00	12,500.00
Municipal Alcohol Education/Rehabilitation	7.63			7.63
Pedestrian Safety Grant	60.96			60.96
Optional Safety Grant	2,300.00	1,900.00	1,151.81	3,048.19
Over the Limit - Under Arrest	8,677.70			8,677.70
Recycling Tonnage Grant		1,723.66	1,723.66	-
NJ DEP Municipal Stormwater	1,705.00			1,705.00
NJ DEP Municipal Stormwater Sustainability	6,822.00			6,822.00
	306.16			306.16
Total State	<u>176,582.16</u>	<u>15,450.64</u>	<u>7,875.47</u>	<u>184,157.33</u>
Total	<u>\$ 182,182.77</u>	<u>20,450.64</u>	<u>12,460.03</u>	<u>190,173.38</u>

**CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS**

	Balance December 31, 2015		2016 Appropriations	Disbursed	Balance Dec. 31, 2016
	Appropriated	Reserve for Encumbrances			
FEDERAL GRANTS:					
COPS Fast	\$ 5,058.00				5,058.00
COPS Universal	2,133.00				2,133.00
NJ Click it or Ticket	5,013.05		5,000.00	4,584.56	5,428.49
CDBG			15,000.00		15,000.00
Body Armor Replacement	5,363.41		3,368.08	4,779.00	3,952.49
FEMA - June 2012 Storm	2,995.94				2,995.94
Total Federal	<u>20,563.40</u>	<u>-</u>	<u>23,368.08</u>	<u>9,363.56</u>	<u>34,567.92</u>
STATE GRANTS:					
Municipal Alcohol Education Rehabilitation	17,647.42				17,647.42
Drunk Driving Enforcement	965.47		6,251.98	4,501.76	2,715.69
Atlantic County DWI Traffic Enforcement Grant	197.32				197.32
NJ DEP Municipal Stormwater	6,822.00				6,822.00
Pedestrian Safety Grant	11,813.60				11,813.60
Clean Communities Program	13,991.83		9,664.51	8,641.44	15,014.90
2007 Municipal Stormwater	6,822.00				6,822.00
ACIA - CDBG	3,690.00				3,690.00
Atlantic County Open Space Grant	43,706.47				43,706.47
Life Hazard Use Fees	3,497.45				3,497.45
Green Communities	3,000.00				3,000.00
Recycling Tonnage	12,257.07		1,723.66		13,980.73
Sustainability	306.16				306.16
Drive Sober or Get Pulled Over	7,500.00		10,000.00	7,851.62	9,648.38
Over the Limit Under Arrest	4,761.34				4,761.34
N.J. Transportation Trust Fund Authority Act	85,991.97				85,991.97
Total State	<u>222,970.10</u>	<u>-</u>	<u>27,640.15</u>	<u>20,994.82</u>	<u>229,615.43</u>
OTHER GRANTS:					
Haas Trust	500.00		1,900.00	1,151.81	500.00
Optional Safety Grant	284.05				1,032.24
Total Other	<u>784.05</u>	<u>-</u>	<u>1,900.00</u>	<u>1,151.81</u>	<u>1,532.24</u>
\$	<u>244,317.55</u>	<u>-</u>	<u>52,908.23</u>	<u>31,510.19</u>	<u>265,715.59</u>

**CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES**

<u>Purpose</u>	<u>Balance Dec. 31, 2015</u>	<u>Transferred To 2016 Appropriations</u>	<u>Received</u>	<u>Adjustments</u>	<u>Balance Dec. 31, 2016</u>
FEDERAL GRANTS:					
Body Armor Replacement	\$ -	3,368.08	3,368.08		-
Total Federal	<u>-</u>	<u>3,368.08</u>	<u>3,368.08</u>	<u>-</u>	<u>-</u>
STATE GRANTS:					
Drunk Driving Enforcement Fund		4,425.00	4,425.00		-
CDBG	15,000.00	15,000.00			-
Clean Communities		9,664.51	9,664.51		-
Total State	<u>15,000.00</u>	<u>29,089.51</u>	<u>14,089.51</u>	<u>-</u>	<u>-</u>
	<u>\$ 15,000.00</u>	<u>32,457.59</u>	<u>17,457.59</u>	<u>-</u>	<u>-</u>

**TRUST FUND
SCHEDULE OF DOG TRUST CASH - TREASURER**

Balance December 31, 2015		\$	666.46
Increased by:			
Cash Receipts for:			
Dog Licenses Collected	104.40		
Due to State of NJ	24.60		
Interest on Investments	1.06		
			130.06
			796.52
Decreased by:			
Cash Disbursed for:			
Dog Fund Expenditures	49.34		
Due to State of New Jersey	42.00		
			91.34
Balance December 31, 2016		\$	705.18

**TRUST FUND
SCHEDULE OF OTHER TRUST CASH - TREASURER**

Balance December 31, 2015	\$	542,245.96
Increased by:		
Cash Receipts for Other Reserves:		
Interest on Investments	6,285.14	
Employee Withholdings	23,403.60	
Budget Appropriations	85,391.00	
Other Receipts	6,647.67	
	<hr/>	<hr/>
		121,727.41
		663,973.37
Decreased by:		
Cash Disbursed for Other Reserves	50,884.39	
	<hr/>	<hr/>
		50,884.39
Balance December 31, 2016	\$	<u><u>613,088.98</u></u>

**TRUST FUND
ANIMAL CONTROL FUND - RESERVE FOR DOG FUND EXPENDITURES**

Balance December 31, 2015	\$	212.40
Increased by:		
Dog License - Cash Receipts	104.40	
	104.40	104.40
Decreased by:		
Cash Disbursed	49.34	
	49.34	49.34
Balance December 31, 2016	\$	267.46

Fess Collected	2015	169.60
	2014	114.74
		284.34

**TRUST FUND
ANIMAL CONTROL FUND - DUE TO STATE OF NEW JERSEY**

Balance December 31, 2015	\$	22.20
Increased by:		
Cash Receipts	24.60	
	<hr/>	<hr/>
		24.60
		46.80
Decreased by:		
Cash Disbursed	42.00	
	<hr/>	<hr/>
		42.00
Balance December 31, 2016	\$	<u><u>4.80</u></u>

**TRUST FUND
SCHEDULE OF OTHER RESERVES**

Title	Balance Dec. 31, 2015	Interest on Investments	Employee Withholdings	Budget Appropriation	Other Cash Receipts	Interfund Receivable	Cash Disbursed	Balance Dec. 31, 2016
Unemployment Compensation	\$ 54,193.18	55.66	5,220.49	39,000.00			30,149.04	68,320.29
Lifeguard Pension	358,746.45	6,034.35	18,183.11	16,391.00			14,649.72	384,705.19
Parking Offenses Adjudication Act	1,800.00					146.00		1,946.00
Developers Escrow	573.49	0.84						574.33
Accumulated Sick Leave Fund	126,707.74	190.68		30,000.00				156,898.42
Recreation	485.86	1.34			6,647.67		6,085.63	1,049.24
Donations for Municipal Equipment and Building Improvements	1,054.17							1,054.17
Disposal of Forfeited Property	1,515.23	2.27						1,517.50
Flexible Spending Account	0.01							0.01
	<u>\$ 545,076.13</u>	<u>6,285.14</u>	<u>23,403.60</u>	<u>85,391.00</u>	<u>6,647.67</u>	<u>146.00</u>	<u>50,884.39</u>	<u>616,065.15</u>

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

Balance December 31, 2015		\$ 306,669.49
Increased by:		
Budget Appropriation:		
Capital Improvement Fund	25,000.00	
Down Payment on Improvements	148,575.00	
Deferred Charges to Future Taxation Unfunded	7,500.00	
Due to Current Fund	<u>1,603,044.28</u>	
		<u>1,784,119.28</u>
		2,090,788.77
Decreased by:		
Improvement Authorizations	1,700,040.28	
Encumbrances Payable	<u>90,126.00</u>	
		<u>1,790,166.28</u>
Balance December 31, 2016		<u>\$ 300,622.49</u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2015	Receipts		Disbursements		Transfers		Balance Dec. 31, 2016
		Miscellaneous	Improvement Authorizations	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 215,233.41							215,233.41
Capital Improvement Fund	25,000.00	25,000.00			50,000.00			-
Encumbrances Payable	90,126.00			90,126.00		170,250.29		170,250.29
Down Payment on Improvements		148,575.00			148,575.00			-
Due to(from) Current Fund	(3,202,648.15)	1,603,044.28						(1,599,603.87)
<u>Improvement Authorizations:</u>								
03-08 Various Improvements	5,788.83							5,788.83
06-14 Ambulance	(5,131.00)	7,500.00						2,369.00
08-18 Various General Improvements	23,881.75		17,411.97					6,469.78
12-20 Various General Improvements	635,971.31		379,454.00		49,518.58			206,998.73
13-02 Various General Improvements	2,518,447.34		1,077,460.77		89,464.68			1,351,521.89
15-15 Various General Improvements			35,407.58		62,007.42	118,622.18		21,207.18
16-16 Various General Improvements			190,305.96		87,881.79	198,575.00		(79,612.75)
	<u>\$ 306,669.49</u>	<u>1,784,119.28</u>	<u>1,700,040.28</u>	<u>90,126.00</u>	<u>487,447.47</u>	<u>487,447.47</u>		<u>300,622.49</u>

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

Balance December 31, 2015		\$	25,000.00
Increased by:			
Budget Appropriation	<u>25,000.00</u>		<u>25,000.00</u>
			50,000.00
Decreased by:			
Improvement Authorizations Funded	<u>50,000.00</u>		<u>50,000.00</u>
Balance December 31, 2016		\$	<u><u>-</u></u>

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

Balance December 31, 2015		\$ 7,510,460.00
Increased by:		
None		-
		7,510,460.00
Decreased by:		
Serial Bonds Paid	475,000.00	
Loan Principal Paid	244,560.51	
		719,560.51
Balance December 31, 2016		\$ <u><u>6,790,899.49</u></u>

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

Ord #	Improvement Description	Balance Dec. 31, 2015	2016 Authorizations	Raised in 2016 Budget	Balance Dec. 31, 2016	Analysis of Balance	
						Expenditures	Unexpended Improvement Authorizations
06-14	Ambulance	\$ 7,500.00		7,500.00	-		-
16-16	Various General Improvements		3,772,925.00		3,772,925.00	79,612.75	3,693,312.25
		\$ 7,500.00	3,772,925.00	7,500.00	3,772,925.00	79,612.75	3,693,312.25

**GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord #	Improvement Description	Ord. Date	Amount	Balance December 31, 2015		Other Funding	Authorizations Deferred Charges to Future Taxation	Paid or Charged	Balance December 31, 2016	
				Funded	Unfunded				Funded	Unfunded
03-08	Various General Improvements f) Shore Protection	5/17/2003	2,014,000	\$ 5,788.83	\$				5,788.83	
06-14	Ambulance	2006	125,000	2,369.00					2,369.00	
08-18	Various General Improvements	10/5/2008	839,199	23,641.75	240.00			17,411.97	6,469.78	-
12-20	Various General Improvements	12/19/2012	1,970,000	635,971.31		(37,630.00)		391,342.58	206,998.73	-
13-02	Various General Improvements	2/21/2013	4,470,000	2,518,447.34		(80,992.18)		1,085,933.27	1,351,521.89	-
15-15	Various General Improvements	11/20/2015	118,622			118,622.18		97,415.00	21,207.18	
16-16	Various General Improvements	9/21/2016	3,971,500			198,575.00		278,187.75	-	3,693,312.25
				\$ 3,183,849.23	\$ 2,609.00	198,575.00	3,772,925.00	1,870,290.57	1,594,355.41	3,693,312.25

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2015	Decreased	Balance Dec. 31, 2016
			Date	Amount				
General Improvement Bonds of 2014	1/29/2014	7,075,000	1/15/2017 - 2018	475,000.00	4.000%	\$ 6,700,000.00	475,000.00	6,225,000.00
			1/15/2019	475,000.00	3.000%			
			1/15/2020 - 2027	470,000.00	3.000%			
			1/15/2028 - 2029	520,000.00	3.000%			
						\$ 6,700,000.00	475,000.00	6,225,000.00

**GENERAL CAPITAL FUND
SCHEDULE OF LOANS PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding			Interest Rate	Balance Dec. 31, 2015	Decreased	Balance Dec. 31, 2016
			Date	December 31, 2016	Amount				
New Jersey Wastewater Trust Loan: Infrastructure Improvements	10/15/1997	1,417,300	2017	91,538.49		Var.	\$ 188,118.00	96,579.51	91,538.49
			2018	153,187.00		Var.	622,342.00	147,981.00	474,361.00
New Jersey Environmental Infrastructure Trust Fund Loan: Water and Sewer Improvements	11/1/1999	2,920,000	2018	158,218.00					
			2019	162,956.00					
						\$	<u>810,460.00</u>	<u>244,560.51</u>	<u>565,899.49</u>

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2015	2016 Authorizations	Other	Balance Dec. 31, 2016
06-14	Ambulance	\$ 7,500.00		7,500.00	-
16-16	Various Capital Improvements		3,772,925.00		3,772,925.00
		<u>\$ 7,500.00</u>	<u>3,772,925.00</u>	<u>7,500.00</u>	<u>3,772,925.00</u>

**WATER AND SEWER UTILITY FUND
SCHEDULE OF CASH - TREASURER**

	Operating Fund	Capital Fund
Balance December 31, 2015	\$ 236,065.43	37,786.85
Increased by Receipts:		
Water & Sewer Accounts Receivable	1,011,001.34	
Miscellaneous Revenue Not Anticipated	40,178.28	
Overpaid Water & Sewer Rents	1,744.73	
Prepaid Water & Sewer Rents	11,330.39	
Bond Anticipation Notes Issued		375,000.00
Due from Water & Sewer Utility Operating		2,067.20
	<u>1,064,254.74</u>	<u>377,067.20</u>
	1,300,320.17	414,854.05
Decreased by Disbursements:		
Current Year Appropriation	1,084,205.39	
Prior Year Appropriations	9,028.05	
Refund of Overpaid Water & Sewer Rents	666.00	
Improvement Authorizations		2,067.20
Accrued Interest on Bonds	35,671.08	
Bond Anticipation Notes Paid		375,000.00
Due to Water & Sewer Capital Fund	2,067.20	
	<u>1,131,637.72</u>	<u>377,067.20</u>
Balance December 31, 2016	\$ <u>168,682.45</u>	<u>37,786.85</u>

**WATER AND SEWER UTILITY CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2015	Receipts		Improvement Authorizations	Disbursements		Balance Dec. 31, 2016
		Miscellaneous	Debt Issued		Miscellaneous		
Fund Balance							
Due from Water & Sewer Operating Fund	\$ 11,881.94	2,067.20					13,949.14
<u>Improvement Authorizations:</u>							
93-07 Purchase of Equipment	(7,869.00)						(7,869.00)
97-02 Infrastructure Improvements	(29,829.77)						(29,829.77)
99-4 / 00-3 Various Water & Sewer Improvements	(4,842.00)						(4,842.00)
08-19 Various Water & Sewer Improvements	1,701.88						1,701.88
11-10 Various Water & Sewer Improvements	8,192.00						8,192.00
15-12 Various Water & Sewer Improvements	58,551.80			2,067.20			56,484.60
	<u>\$ 37,786.85</u>	<u>2,067.20</u>	<u>-</u>	<u>2,067.20</u>	<u>-</u>	<u>-</u>	<u>37,786.85</u>

**WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE**

Balance December 31, 2015		\$	52,494.10
Increased by Receipts:			
Consumer Accounts Charges and Levies	991,330.57		
			991,330.57
			1,043,824.67
Decreased by Disbursements:			
Collections	1,011,001.34		
Prepayments & Overpayments Applied	14,975.17		
			1,025,976.51
Balance December 31, 2016		\$	17,848.16

**WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2015	Balance After Transfers	Paid or Charges	Balance Lapsed
Operating:				
Salaries and Wages	\$ 9,056.77	9,056.77	8,465.87	590.90
Other Expenses	562.18	562.18	562.18	(0.00)
Social Security System	756.59	756.59		756.59
	<u>10,375.54</u>	<u>10,375.54</u>	<u>9,028.05</u>	<u>1,347.49</u>

**WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF ACCRUED INTEREST ON BONDS AND NOTES**

Balance December 31, 2015		\$	19,093.60
Increased by:			
Budget Appropriations	35,925.43		
	35,925.43		35,925.43
			55,019.03
Decreased By:			
Payments of Debt Service Interest			35,671.08
			35,671.08
Balance December 31, 2016		\$	19,347.95

Analysis of Accrued Interest December 31, 2016

Principal Outstanding December 31, 2016	Interest Rate	From	To	Days	Amount
1,025,000.00	3.00%	7/15/2016	12/31/2016	167	\$ 15,847.95
375,000.00	1.00%	1/28/2016	12/31/2016	336	3,500.00
					\$ 19,347.95

**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord #	Improvement Description	Ord. Date	Amount	Balance December 31, 2015		Paid or Charged	Balance December 31, 2016	
				Funded	Unfunded		Funded	Unfunded
08-19	Water and Sewer Improvements	10/15/2010	960,000	\$ 1,701.88			1,701.88	
11-10	Various Water & Sewer Improvements	2011	400,000	8,192.00			8,192.00	
15-12	Various Water & Sewer Improvements	8/21/2015	300,000		183,551.80	2,067.20		181,484.60
				\$ 9,893.88	183,551.80	2,067.20	9,893.88	181,484.60

**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2016			Interest Rate	Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
			Date	Amount						
Water & Sewer Utility Bonds	1/29/2014	\$ 1,175,000.00	1/15/2017 - 2018	75,000.00	4.00%	\$ 1,100,000.00	\$	75,000.00	\$ 1,025,000.00	
			1/15/2019	75,000.00	3.00%					
				1/15/2020 - 2029	80,000.00	3.00%				
						<u>\$ 1,100,000.00</u>	<u>\$</u>	<u>75,000.00</u>	<u>\$ 1,025,000.00</u>	

**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES**

Improvement Description	Ordinance Number	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance		Decreased	Balance Dec. 31, 2016
						Dec. 31, 2015	Increased		
Water & Sewer Improvements	13-25	1/30/2014	1/29/2015	1/28/2016	0.950% \$	150,000.00	150,000.00	150,000.00	-
Water & Sewer Improvements	13-25	1/30/2014	1/28/2016	1/27/2017	1.000%		150,000.00		150,000.00
Water and Sewer Improvements	14-13	1/29/2015	1/29/2015	1/28/2016	0.950%	50,000.00	50,000.00	50,000.00	-
Water and Sewer Improvements	14-13	1/29/2015	1/28/2016	1/27/2017	1.000%		50,000.00		50,000.00
Water & Sewer Improvements	15-12	10/20/2015	10/20/2015	1/28/2016	0.950%	175,000.00	175,000.00	175,000.00	-
Water & Sewer Improvements	15-12	10/20/2015	1/28/2016	1/27/2017	1.000%		175,000.00		175,000.00
					\$	<u>375,000.00</u>	<u>375,000.00</u>	<u>375,000.00</u>	<u>375,000.00</u>

**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF BOND AND NOTES AUTHORIZED BUT NOT ISSUED**

Ordinance Number	Improvement Description	Balance Dec. 31, 2015	2016 Authorizations	Debt Issued	Balance Dec. 31, 2016
93-7	Purchase of Equipment	\$ 7,869.00			7,869.00
97-02 / 99-14	Infrastructure Improvements	29,829.77			29,829.77
99-4 / 00-3	Water and Sewer Improvements	4,842.00			4,842.00
15-12	Various Water & Sewer Improvements	125,000.00			125,000.00
		<u>\$ 167,540.77</u>	<u>-</u>	<u>-</u>	<u>167,540.77</u>

BOROUGH OF LONGPORT

PART II

GENERAL COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2016

GENERAL COMMENTS

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

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

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

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

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

- Reconstruction of Bulkheads 15th-17th Avenues, Manor Avenue, and 28th Avenue
- Reconstruction of Bayfront Bulkhead 15th Avenue at Risley's Channel
- Relocation and Improvements to HVAC System
- In-Car Camera Systems, body cameras, and all equipment necessary to operate cameras
- Drainage Improvements at 36th and Pacific Avenue
- Replacement of 3rd Floor Roof at Municipal Hall
- Replacement of Firehouse Doors
- Reroofing Municipal Hall – Finance and Library Portion
- Reroofing of Public Works Garage
- Purchase of a 2017 Ford F450

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

Collection of Interest on Delinquent Taxes and Assessments

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

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

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

BE IT FURTHER RESOLVED by the Borough Commission of the Borough of Longport, in accordance with N.J.S.A. 54:4-67, Chapter 75, New Jersey Laws of 1991, and Chapter 32, New Jersey

Laws of 1994, which permits a 6 per cent penalty on taxes and municipal charges greater than \$10,000 as of the close of the fiscal year, that said end-of-year penalty shall be fixed for the Year 2016.

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

Delinquent Taxes and Tax Title Liens

There was no tax sale during the year because there were no liens.

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

<u>Year</u>	<u>Number</u>
2016	0
2015	0
2014	0

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payments of 2016 and 2017 Taxes	5
Delinquent Taxes	5
Payment of Water and Sewer Rents	5
Delinquent Water and Sewer Rents	5
Total	<u>20</u>

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

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collections</u>
2016	\$ 16,911,890.79	16,771,605.22	99.17%
2015	16,456,564.63	16,283,868.13	98.95%
2014	16,227,315.16	15,840,801.51	97.62%
2013	16,069,565.80	15,671,217.05	97.52%
2012	13,933,854.21	13,656,211.46	98.01%

Comparative Schedule of Tax Rate Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012 R</u>
Tax Rate	\$ 0.926	0.907	0.898	0.897	0.772
Apportionment of Tax Rate:					
Municipal	0.331	0.331	0.332	0.329	0.319
County	0.538	0.519	0.510	0.513	0.402
Local School	0.057	0.057	0.056	0.055	0.051

R = A revaluation of properties was performed in 2011 in order to bring the assessed property values in line with their true value. The revaluation was effective for the 2012 tax year.

Delinquent Taxes and Tax Title Liens

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

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2016	\$ -	92,546.19	92,546.19	0.56%
2015	-	141,804.34	141,804.34	0.86%
2014	-	229,975.81	229,975.81	1.42%
2013	-	249,570.32	249,570.32	1.55%
2012	-	226,406.80	226,406.80	1.62%

Uniform Construction Code

The Borough of Longport's construction code official is in compliance with uniform construction code rules NJAC 5:23.17(b) 2 and NJAC 5:23.4.17(b) 3.

Deposit of Municipal Funds

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

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

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

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

FINDINGS AND RECOMMENDATIONS

None

In accordance with the Division of Local Government Services Regulations, a corrective action plan must be prepared and filed with the Borough Commission in response to comments, if any.

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

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

Michael S. Garcia
Michael S. Garcia
Certified Public Accountant
Registered Municipal Accountant
No. 472

April 7, 2017