CITY OF CAPE MAY

REPORT OF AUDIT

FOR THE YEAR ENDED

DECEMBER 31, 2025

CITY OF CAPE MAY
TABLE OF CONTENTS

CITY OF CAPE MAY
TABLE OF CONTENTS

CITY OF CAPE MAY
TABLE OF CONTENTS

CITY OF CAPE MAY
TABLE OF CONTENTS

CITY OF CAPE MAY

PART I

REPORT ON AUDIT OF

FINANCIAL STATEMENTS - REGULATORY BASIS

FOR THE YEAR ENDED

DECEMBER 31, 2025

FORD - SCOTT
& ASSOCIATES, L.L.C.
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of City Council
City of Cape May
County of Cape May, New Jersey

Report on the Financial Statements

Opinions

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Cape May, as of December 31, 2025 and 2024, 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, 2025 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of Cape May as of December 31, 2025, and 2024, 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, 2025 and 2024, 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, 2025 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the City of Cape May and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the City of Cape May 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.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Cape May's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division of Local Government Services will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division of Local Government Services, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of the internal control relevant to the audit 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 City of Cape May's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude, whether in our judgement there are conditions or events considered in the aggregate, that raise substantial doubt about the City of Cape May's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charge with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control – related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cape May basic financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards and schedule of state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and NJ OMB 25-12 respectively, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, schedule of expenditures of federal awards and the schedule of state financial assistance are fairly stated, in all material respects, in relation to the regulatory basis 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 May 15, 2026, on our consideration of the City of Cape May's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cape May's internal control over financial reporting and compliance.

Ford, Scott & Associates, L.L.C.

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

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

May 15, 2026

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EXHIBIT - A
CURRENT FUND

Exhibit A
Sheet 1

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

		2025	2024
ASSETS			
Regular Fund:			
Cash:			
Treasurer	$	15,317,384.73	20,529,995.72
Investment in BAN		2,000,000.00	2,000,000.00
Petty Cash and Change Funds		1,200.00	950.00
Total Cash		17,318,584.73	22,530,945.72
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable		236,314.74	204,338.30
Tax Title and Other Liens		13,598.23	12,874.66
Property Acquired for Taxes - at Assessed Valuation		83,316.00	83,316.00
Revenue Accounts Receivable		36,934.02	37,327.32
Due from State:			
Chapter 20 P.L. 1971		32,276.45	33,026.45
Interfund Receivable:			
TTL Premium		-	140.49
Animal Control		55.07	4,291.64
COAH		-	0.01
Grant Fund		1,046.00	-
Utility Operating		-	100,630.30
Total Receivables and Other Assets		403,540.51	475,945.17
Deferred Charges:			
Overexpenditure of Appropriations		37,339.19	37,339.19
Overexpenditure of Appropriation Reserves		49,253.76	49,253.76
Emergency		-	60,870.15
Special Emergency		200,000.00	250,000.00
Total Deferred Charges		286,592.95	397,463.10
Total Regular Fund		18,008,718.19	23,404,353.99
Federal and State Grant Fund:			
Cash		278,160.03	1,907,802.72
Federal and State Grants Receivable		9,032,755.36	9,725,357.71
Due from Beach Capital Fund		380,551.63	-
Due from Current Fund		-	305,907.28
Revolving Loan Receivable		-	600,000.00
Total Federal and State Grant Fund		9,691,467.02	12,539,067.71
Total Current Fund	$	27,700,185.21	35,943,421.70

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

		2025	2024
LIABILITIES, RESERVES AND FUND BALANCE			
Regular Fund:			
Liabilities:			
Appropriation Reserves	$	705,552.97	1,054,966.82
Reserve for Encumbrances		435,450.17	2,281,012.81
Accounts Payable		239,840.16	496,959.01
Prepaid Taxes		868,673.85	806,371.51
Overpaid Taxes		13,848.61	11,072.02
County Added Tax Payable		36,451.52	43,128.97
Regional School Tax (Overpaid)		(0.07)	(0.07)
Due to State:			
Marriage Licenses		825.00	2,250.00
DCA Training Fees		36,879.60	21,549.00
Interfund Payable:			
Grant Fund		-	305,907.28
POAA Trust		-	3,106.00
Street Opening Trust		-	11,550.00
Beach Utility Operating		-	1,399.00
General Capital		99,728.00	3,069,812.30
Tourism Operating		168,852.64	241,529.95
Performance Bond Trust		-	10,000.00
Police Off Duty Trust		-	192,509.57
Fire Safety Trust		-	4,600.00
Lifeguard Pension Trust		-	46,276.35
Parking Trust		-	36,600.00
Retirement Trust		-	115,000.00
Other:			
Payroll Taxes Payable		(0.00)	232,326.73
Tax Title Lien Exchange		1,482.58	1,482.58
Reserve for Escrow Deposits		343,442.10	309,115.67
Reserve for Insurance		490,983.59	490,983.59
		3,442,010.72	9,789,509.09
Reserve for Receivables and Other Assets		371,264.06	442,918.72
Fund Balance		14,195,443.41	13,171,926.18
Total Regular Fund		18,008,718.19	23,404,353.99
Federal and State Grant Fund:			
Unappropriated Reserves		1,084,594.85	514,120.93
Appropriated Reserves		3,621,615.13	10,858,333.30
Due to General Capital Fund		-	191,317.50
Due to Current Fund		1,046.00	-
Reserve for Encumbrances		4,984,211.04	375,295.98
Reserve for Revolving Loans Receivable		-	600,000.00
Total Federal and State Grant Fund		9,691,467.02	12,539,067.71
Total Current Fund	$	27,700,185.21	35,943,421.70

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

		2025	2024
Revenue and Other Income Realized			
Fund Balance	$	6,000,000.00	5,900,000.00
Miscellaneous Revenue Anticipated		16,859,872.42	19,013,333.68
Receipts from Delinquent Taxes		204,714.33	278,523.02
Receipts from Current Taxes		32,951,685.39	31,710,420.51
Non Budget Revenue		465,483.34	160,569.13
Other Credits to Income:			
Unexpended Balance of Appropriation Res.		2,527,984.83	1,090,890.21
Prior Year Accounts Payable Canceled		411,808.58	-
Interfund Returned		105,062.44	-
Total Income		59,526,611.33	58,153,736.55
Expenditures			
Budget and Emergency Appropriations:			
Appropriations Within "CAPS"			
Operations:			
Salaries and Wages		8,593,378.00	8,154,416.00
Other Expenses		6,629,735.00	7,204,336.34
Deferred Charges & Statutory Expenditures		2,491,428.00	2,265,788.95
Appropriations Excluded from "CAPS"			
Operations:			
Salaries and Wages		896,051.00	878,484.00
Other Expenses		4,747,683.90	7,236,238.40
Capital Improvements		1,235,000.00	1,622,000.00
Debt Service		4,838,248.72	4,484,631.72
Deferred Charges		1,163,250.15	1,022,081.00
Local District School Tax		1,962,587.00	1,962,587.00
Regional District School Tax		8,270,323.00	7,974,327.50
County Tax		11,637,480.71	10,958,858.05
County Share of Added Tax		36,451.52	43,128.97
Refund of Prior Year Revenue		376.03	-
Interfund Created		1,101.07	50,631.26
Total Expenditures		52,503,094.10	53,857,509.19
Excess/(Deficit) in Revenue		7,023,517.23	4,296,227.36

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

		2025	2024
Adjustments to Income before Fund Balance:			
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year			348,209.34
Total Adjustments		-	348,209.34
Statutory Excess to Fund Balance		7,023,517.23	4,644,436.70
Fund Balance January 1		13,171,926.18	14,427,489.48
		20,195,443.41	19,071,926.18
Decreased by:			
Utilization as Anticipated Revenue		6,000,000.00	5,900,000.00
Fund Balance December 31	$	14,195,443.41	13,171,926.18

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Anticipated Budget	Anticipated N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	$ 6,000,000.00		6,000,000.00	-
Total Fund Balance Anticipated	6,000,000.00	-	6,000,000.00	-
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Alcoholic Beverages	55,000.00		56,128.00	1,128.00
Other	325,000.00		483,034.63	158,034.63
Fees and Permits	380,000.00		412,886.91	32,886.91
Fines and Costs:				
Municipal Court	225,000.00		396,461.38	171,461.38
Interest and Costs on Taxes	40,000.00		57,268.82	17,268.82
Parking Meters	2,075,000.00		2,748,974.14	673,974.14
Interest on Investments and Deposits	587,057.15		702,875.58	115,818.43
Hotel Room Tax	3,100,000.00		3,459,285.93	359,285.93
Lease and Rent Contracts	450,000.00		487,189.32	37,189.32
T.V. Cable Receipts	40,000.00		45,286.61	5,286.61
Victorian Towers - In Lieu of Taxes	200,000.00		240,106.84	40,106.84
Emergency Medical Services	350,000.00		378,393.01	28,393.01
Total Section A: Local Revenues	7,827,057.15	-	9,467,891.17	1,640,834.02
Section B: State Aid Without Offsetting Appropriations				
Energy Receipts Tax (P.L. 1997, Chapters 162 & 167)	341,658.00		341,658.22	0.22
Total Section B: State Aid Without Offsetting Appropriations	341,658.00	-	341,658.22	0.22
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	650,000.00		878,164.25	228,164.25
Total Section C: Uniform Construction Code Fees	650,000.00	-	878,164.25	228,164.25
Section D: Interlocal Municipal Service Agreements				
Interlocal Agreement (Police Protection) with West Cape May	558,525.00		558,525.00	-
Interlocal Agreement (Police Protection) with Cape May Point	337,526.00		337,526.00	-
Total Section D: Interlocal Municipal Service Agreements	896,051.00	-	896,051.00	-

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Anticipated Budget	Anticipated N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
County of Cape May - Open Space - Lafayette Park Phase IV		1,933,172.80	1,933,172.80	-
Wawa Foundation Grant - Cape May OEM		1,000.00	1,000.00	-
County of Cape May - American Rescue Plan Act Infrastructure Grant		400,000.00	400,000.00	-
County of Cape May - Open Space - Harborview Park		1,397,366.10	1,397,366.10	-
NJDOT Safe Streets	250,000.00		250,000.00	-
NJDOA Water/Waste Water	18,000.00		18,000.00	-
NJDOT 2024 Municipal Aid - Ohio Ave.	220,269.00		220,269.00	-
NJDOT 2023 Municipal Aid - Ohio Ave	175,000.00		175,000.00	-
Total Section F: Special Items - Public and Private Programs Off-Set with Appropriations	663,269.00	3,731,538.90	4,394,807.90	-
Section G: Other Special Items				
Uniform Fire Safety Act	225,000.00		280,799.88	55,799.88
Water & Sewer Utility Contribution to Street Improvements	50,000.00		50,000.00	-
Reserve to Pay Debt Service	300,500.00		300,500.00	-
Reserve for Open Space	250,000.00		250,000.00	-
Total Section G: Other Special Items	825,500.00	-	881,299.88	55,799.88
Total Miscellaneous Revenues:	11,203,535.15	3,731,538.90	16,859,872.42	1,924,798.37
Receipts from Delinquent Taxes	100,000.00		204,714.33	104,714.33
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	10,932,100.21		12,124,263.37	1,192,163.16
Total Amount to be Raised by Taxes for Support of Municipal Budget	10,932,100.21	-	12,124,263.37	1,192,163.16
Budget Totals	28,235,635.36	3,731,538.90	35,188,850.12	3,221,675.86
Non- Budget Revenues:				
Other Non- Budget Revenues:	-		465,483.34	465,483.34
	$ 28,235,635.36	3,731,538.90	35,654,333.46	3,687,159.20

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

Analysis of Realized Revenues		
Allocation of Current Tax Collections:		
Revenue from Collections		32,951,685.39
Less: Reserve for Tax Appeals Pending		-
Net Revenue from Collections		32,951,685.39
Allocated to:		
School, County and Other Taxes		22,193,770.23
Balance for Support of Municipal Budget Appropriations		10,757,915.16
Increased by:		
Appropriation "Reserved for Uncollected Taxes"		1,366,348.21
Amount for Support of Municipal Budget Appropriations		12,124,263.37
Receipts from Delinquent Taxes:		
Delinquent Tax Collection	204,714.33	
Total Receipts from Delinquent Taxes		204,714.33
Analysis of Non-Budget Revenue:		
Miscellaneous Revenue Not Anticipated:		
Accident Report	1,070.00	
Clerk's office	22,760.00	
Copy Machines	15.18	
Sale of Municipal Assets	75,260.00	
GIS	850.00	
Parking Fees	4,700.00	
Housing Authority PILOT	18,358.00	
NSF Fees	220.00	
Shade Tree	10,875.00	
Marriage Ceremony/Fees	17,550.00	
2% Admin Fee	522.48	
Cape May Pt - Court	19,940.81	
Dog Excess Revenue	506.32	
Remediation Agreement	275,600.00	
Miscellaneous	17,255.55	
Total Miscellaneous Revenue Not Anticipated:		465,483.34

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
General Administration						
Salaries & Wages	$ 283,010.00	284,510.00	280,793.05		3,716.95	-
Other Expenses	220,000.00	230,000.00	201,455.52	22,615.10	5,929.38	-
Mayor and Council						
Salaries & Wages	42,200.00	42,200.00	38,257.63		3,942.37	-
Other Expenses	6,200.00	6,200.00	5,526.83		673.17	-
City Clerk						
Salaries & Wages	286,100.00	273,100.00	272,902.27		197.73	-
Other Expenses	54,000.00	52,300.00	41,366.27	6,324.21	4,609.52	-
Financial Administration						
Salaries & Wages	173,650.00	207,650.00	207,266.35		383.65	-
Other Expenses	20,000.00	22,000.00	20,643.78		1,356.22	-
Audit Services						
Other Expenses	40,000.00	28,000.00	28,000.00		-	-
Assessment of Taxes						
Salaries & Wages	122,850.00	116,850.00	114,011.99		2,838.01	-
Other Expenses	23,100.00	18,100.00	13,569.61	4,525.38	5.01	-
Collection of Taxes						
Salaries & Wages	108,800.00	108,800.00	106,366.47		2,433.53	-
Other Expenses	18,000.00	13,000.00	8,722.10	604.84	3,673.06	-
Legal Services						
Other Expenses						
Miscellaneous Other Expenses	476,000.00	430,500.00	324,184.92	61,035.92	45,279.16	-
Engineering & Planning Services						
Other Expenses	25,000.00	22,000.00	21,517.25		482.75	-
Economic Development						
Other Expenses	5,000.00	-			-	-
Emergency Medical Services - Collection						
Contractual Expenses	19,500.00	19,500.00	18,051.78		1,448.22	-
INSURANCE						
General Liability	393,880.00	189,830.00	176,423.80		13,406.20	-
Workers Compensation Insurance	420,774.00	473,105.00	451,534.83		21,570.17	-
Employee Group Health	2,223,000.00	2,493,000.00	2,438,796.18	35,663.59	18,540.23	-
Employee Group Health Waiver						
Salaries & Wages	95,000.00	-			-	-
LAND USE ADMINISTRATION						
Planning Board						
Salaries & Wages	28,300.00	28,300.00	26,293.04		2,006.96	-
Other Expenses	29,500.00	29,500.00	28,296.63	44.22	1,159.15	-
Zoning Board of Adjustment						
Salaries & Wages	61,600.00	70,600.00	69,525.84		1,074.16	-
Other Expenses	23,600.00	18,600.00	13,959.24	2,802.37	1,838.39	-

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
PUBLIC SAFETY						
Fire						
Salaries & Wages	2,120,900.00	2,330,900.00	2,320,378.84		10,521.16	-
Other Expenses	160,000.00	110,000.00	99,812.82	4,523.97	5,663.21	-
Aid to Volunteer Fire Company						
Other Expenses	20,000.00	20,000.00	20,000.00		-	-
Police						
Salaries & Wages	2,166,299.00	2,131,299.00	2,074,368.43		56,930.57	-
Other Expenses	250,000.00	230,000.00	183,921.37	31,636.79	14,441.84	-
County Disptach Service						
Other Expenses	195,000.00	195,000.00	195,000.00		-	-
Emergency Management Services						
Salaries & Wages	10,000.00	-	(15,812.43)		15,812.43	-
Other Expenses	46,000.00	38,000.00	25,054.58	12,861.85	83.57	-
Parking and Traffic Maintenance						
Salaries & Wages	145,750.00	108,150.00	108,150.00		-	-
Other Expenses	70,000.00	69,000.00	61,421.08	687.31	6,891.61	-
Public Safety						
Other Expenses	1,000.00	-			-	-
Municipal Court						
Salaries & Wages	163,550.00	148,419.00	137,191.88		11,227.12	-
Other Expenses	163,400.00	163,400.00	12,799.09	2,928.07	147,672.84	-
Public Defender						
Other Expenses	8,300.00	8,300.00	8,125.00		175.00	-
PUBLIC WORKS FUNCTION						
Road Repairs and Maintenance						
Salaries & Wages	807,300.00	892,300.00	890,307.06		1,992.94	-
Other Expenses	333,100.00	322,100.00	295,161.21	24,298.59	2,640.20	-
Sanitary Landfill Contractual						
Other Expenses	27,000.00	3,500.00	(1,027.29)		4,527.29	-
Recycling						
Salaries & Wages	93,050.00	53,050.00	46,901.58		6,148.42	-
Other Expenses	89,000.00	89,000.00	83,915.11	117.08	4,967.81	-
Public Buildings and Grounds						
Salaries & Wages	1,048,750.00	1,049,750.00	1,042,632.82		7,117.18	-
Other Expenses	520,000.00	540,350.00	509,987.72	29,866.78	495.50	-
Shade Tree Commission						
Other Expenses	78,000.00	33,000.00	24,143.15	4,707.72	4,149.13	-
Property Maintenance Enforcement						
Other Expenses	2,500.00	-			-	-

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Appropriations		Expended			(Over expended) Unexpended
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	Balance Cancelled
HEALTH AND HUMAN SERVICES						
Uniform Fire Safety						
Salaries & Wages	209,350.00	124,350.00	122,821.76		1,528.24	-
Other Expenses	57,500.00	22,500.00	17,722.90		4,777.10	-
Environmental Commission						
Salaries & Wages	1,200.00	-			-	-
Other Expenses	10,000.00	2,500.00	1,659.10		840.90	-
PARKS AND RECREATION FUNCTIONS						
Civic Affairs						
Salaries & Wages	105,000.00	50,000.00	41,095.37		8,904.63	-
Other Expenses	54,700.00	29,700.00	22,531.51	2,831.65	4,336.84	-
Historic Preservation Commission						
Salaries & Wages	61,450.00	65,450.00	64,580.81		869.19	-
Other Expenses	56,250.00	28,750.00	24,901.52	670.36	3,178.12	-
Grants Coordinator						
Other Expenses	50,000.00	55,000.00	49,700.00	2,850.00	2,450.00	-
UNIFORM CONSTRUCTION CODE						
State Uniform Construction Code						
Construction Official						
Salaries & Wages	472,200.00	507,700.00	507,700.00		-	-
Other Expenses	76,500.00	71,500.00	65,563.86	2,199.22	3,736.92	-
UNCLASSIFIED						
Celebration of Public Events, Anniversary or Holiday	75,000.00	75,000.00	57,673.32	3,357.15	13,969.53	-
UTILITY EXPENSES AND BULK PURCHASES						
General Office Operations	160,000.00	190,000.00	166,026.44		23,973.56	-
Street Lighting	160,000.00	232,000.00	198,058.61	23,111.50	10,829.89	-
Gas Lighting	38,500.00	35,500.00	25,476.26		10,023.74	-
Gas Lighting - Parts	30,000.00	20,000.00	333.36	15,208.00	4,458.64	-
TOTAL OPERATIONS WITHIN "CAPS"	15,335,613.00	15,223,113.00	14,395,742.22	295,471.67	531,899.11	-
Contingent	-	-	-		-	-
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	15,335,613.00	15,223,113.00	14,395,742.22	295,471.67	531,899.11	-
Detail:						
Salaries & Wages	8,606,309.00	8,593,378.00	8,455,732.76	-	137,645.24	-
Other Expenses	6,729,304.00	6,629,735.00	5,940,009.46	295,471.67	394,253.87	-

Exhibit A - 3

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Appropriations		Expended			(Over expended) Unexpended
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	Balance Cancelled
DEFERRED CHARGES AND STATUTORY EXPENDITURES:						
Deferred Charges:						
Overexpenditure of Capital Improvement Fund	99,728.00	99,728.00	99,728.00		-	-
Statutory Expenditures:						
Contributions to:						
Public Employees' Retirement System	497,700.00	582,700.00	582,656.68		43.32	-
Social Security System (O.A.S.I.)	450,000.00	477,000.00	474,504.94		2,495.06	-
Police and Firemen's Retirement System of NJ	1,280,000.00	1,280,000.00	1,279,468.84		531.16	-
Unemployment Compensation Insurance	27,000.00	27,000.00	27,000.00		-	-
Reserve for Retirement Trust	15,000.00	15,000.00	15,000.00		-	-
Defined Contribution Retirement Program (DCRP)	10,000.00	10,000.00	5,776.87		4,223.13	-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	2,379,428.00	2,491,428.00	2,484,135.33	-	7,292.67	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	17,715,041.00	17,714,541.00	16,879,877.55	295,471.67	539,191.78	-
OPERATIONS - EXCLUDED FROM "CAPS"						
(A) Operations - Excluded from "CAPS"						
Length of Service Award Program - Fire	20,000.00	20,000.00	1,429.00		18,571.00	-
Workers Compensation Insurance	262,226.00	262,226.00	139,435.81		122,790.19	-
Interlocal Municipal Service Agreements						
Police Protection West Cape May & Cape May Point						
Contractual - West Cape May - Salaries & Wages	558,525.00	558,525.00	558,525.00		-	-
Contractual - Cape May Point - Salaries & Wages	337,526.00	337,526.00	337,526.00		-	-
Rental of Borough Property - West Cape May	45,650.00	45,650.00	45,650.00		-	-
	1,223,927.00	1,223,927.00	1,082,565.81	-	141,361.19	-

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement

Exhibit A - 3

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Appropriations		Expended			(Over expended) Unexpended
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	Balance Cancelled
(A) Public and Private Programs Off-Set by Revenues						
Matching Funds for Grants	25,000.00	25,000.00			25,000.00	-
County of Cape May - Open Space - Lafayette Park Phase IV		1,933,172.80	1,933,172.80		-	-
Wawa Foundation Grant - Cape May OEM		1,000.00	1,000.00		-	-
County of Cape May - American Rescue Plan Act Infrastructure Grant		400,000.00	400,000.00		-	-
County of Cape May - Open Space - Harborview Park		1,397,366.10	1,397,366.10		-	-
NJDOT Safe Streets	250,000.00	250,000.00	250,000.00		-	-
NJDOA Water/Waste Water	18,000.00	18,000.00	18,000.00		-	-
NJDOT 2024 Municipal Aid - Ohio Ave.	220,269.00	220,269.00	220,269.00		-	-
NJDOT 2023 Municipal Aid - Ohio Ave.	175,000.00	175,000.00	175,000.00		-	-
Total Public and Private Programs Off-Set by Revenues	688,269.00	4,419,807.90	4,394,807.90	-	25,000.00	-
Total Operations - Excluded from "CAPS"	1,912,196.00	5,643,734.90	5,477,373.71	-	166,361.19	-
Detail:						
Salaries & Wages	896,051.00	896,051.00	896,051.00	-	-	-
Other Expenses	1,016,145.00	4,747,683.90	4,581,322.71	-	166,361.19	-
(C) Capital Improvements						
Capital Improvement Fund	220,000.00	220,000.00	220,000.00		-	-
Reserve for Open Space Acquisitions	222,000.00	222,000.00	222,000.00		-	-
Improvements to Municipal Facilities	543,000.00	543,000.00	403,021.50	139,978.50	-	-
Acquisition of Open Space - Beach Front	250,000.00	250,000.00	250,000.00		-	-
Total Capital Improvements	1,235,000.00	1,235,000.00	1,095,021.50	139,978.50	-	-
(D) Debt Service						
Payment of Bond Principal	3,520,000.00	3,520,000.00	3,520,000.00			-
Payment of Bond Anticipation Notes and Capital Notes	100.00	100.00				100.00
Interest on Bonds	932,000.00	932,000.00	926,525.00			5,475.00
Interest on Notes	307,500.00	307,500.00	307,500.00			-
Green Trust Loan Program:						
Loan Repayments for Principal and Interest	20,200.00	20,700.00	20,690.58			9.42
Capital Lease Obligations:						
Principal	49,000.00	49,000.00	49,000.00			-
Interest	15,000.00	15,000.00	14,533.14			466.86
Total Debt Service	4,843,800.00	4,844,300.00	4,838,248.72	-	-	6,051.28

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement

Exhibit A - 3

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Appropriations		Expended			(Over expended) Unexpended
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	Balance Cancelled
(E) Deferred Charges						
Emergency Authorizations	60,870.15	60,870.15	60,870.15		-	-
Special Emergency Authorization - 5 Years	50,000.00	50,000.00	50,000.00		-	-
Ordinance # 263-2013	500,000.00	500,000.00	500,000.00		-	-
Ordinance # 399-2020	100,000.00	100,000.00	100,000.00		-	-
Ordinance # 311-2016	200,000.00	200,000.00	200,000.00		-	-
Ordinance # 538-2024	252,380.00	252,380.00	252,380.00		-	-
Total Deferred Charges	1,163,250.15	1,163,250.15	1,163,250.15	-	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	9,154,246.15	12,886,285.05	12,573,894.08	139,978.50	166,361.19	6,051.28
SUBTOTAL GENERAL APPROPRIATIONS	26,869,287.15	30,600,826.05	29,453,771.63	435,450.17	705,552.97	6,051.28
(M) Reserve for Uncollected Taxes	1,366,348.21	1,366,348.21	1,366,348.21		-	-
TOTAL GENERAL APPRORIATIONS	$ 28,235,635.36	31,967,174.26	30,820,119.84	435,450.17	705,552.97	6,051.28

Budget	28,235,635.36	Cancelled	6,051.28
Appropriations by 40A:4-87	3,731,538.90	Overexpended	-
	31,967,174.26		6,051.28

Reserve for Uncollected Taxes	1,366,348.21
Federal and State Grants	4,394,807.90
Deferred Charge	210,598.15
Disbursements	24,848,365.58
	30,820,119.84

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement

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EXHIBIT - B
TRUST FUND

Exhibit B

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

		2025	2024
Assets			
Animal Control Fund			
Cash and Investments	$	3,060.20	6,838.23
		3,060.20	6,838.23
Length of Service Award Program (LOSAP) - Unaudited			
Investments			
Mutual Funds		439,908.33	395,145.10
		439,908.33	395,145.10
Other Funds			
Cash and Investments		6,732,680.51	5,479,596.26
Due from Current Fund		-	419,641.92
Due from Water & Sewer Operating		-	22,500.00
Revenue Accounts Receivable		-	726.00
		6,732,680.51	5,922,464.18
	$	7,175,649.04	6,324,447.51

Exhibit B

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

		2025	2024
Liabilities, Reserves and Fund Balance			
Animal Control Fund			
Reserve for Animal Control Expenditures	$	2,996.13	2,539.99
Due to Current Fund		55.07	4,291.64
Due to State of New Jersey		9.00	6.60
		3,060.20	6,838.23
Length of Service Award Program (LOSAP) - Unaudited			
Net Assets Available for Benefits		439,908.33	395,145.10
		439,908.33	395,145.10
Other Funds			
Reserve for:			
Due to Current Fund		-	140.50
Unemployment Compensation		107,672.51	100,521.14
Retirement Fund		425,940.27	381,490.30
Parking Offense Adjudication Act		38,027.33	32,256.45
Street Openings		259,027.23	244,580.25
Tax Lien Premiums		130,465.62	2,070.26
Parking Escrow		330,197.69	285,866.38
Lifeguard Pension		675,636.22	614,382.86
Police Forfeiture		688.41	22.98
COAH		2,977,926.59	2,607,968.66
Fire Safety		15,190.22	14,915.23
Neighborhood Revitalization		156,876.77	152,699.48
Security Deposits		29,234.35	28,455.89
DARE		589.29	573.58
Small Cities Block Grant		821,310.36	799,440.69
Public Assistance		3,922.88	3,818.42
Performance Bond		423,865.33	342,323.51
Police Off-Duty		309,403.54	306,290.92
Flexible Spending		21,769.60	108.00
Fishermen's Memorial		4,177.61	3,800.18
Dellas Field		758.69	738.50
		6,732,680.51	5,922,464.18
	$	7,175,649.04	6,324,447.51

EXHIBIT - C
GENERAL CAPITAL FUND

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

		2025	2024
ASSETS			
Cash	$	18,596,245.32	9,560,092.79
Deferred Charges to Future Taxation -			
Funded		42,577,064.33	27,024,750.81
Unfunded		3,545,238.00	18,102,380.00
Deferred Charge -			
Overexpenditure of Capital Improvement Fund		-	99,728.00
State Grant Receivable		303,066.77	303,066.77
NJEIT Loans Receivable		35,670.53	35,670.53
MAC Receivable		104,762.00	-
Due from Current Fund		99,728.00	3,069,812.30
Due from Tourism Utility Operating Fund		6,000.00	-
Due from Grant Fund			191,317.50
		65,267,774.95	58,386,818.70
LIABILITIES, RESERVES AND FUND BALANCE			
Encumbrances Payable		12,444,106.57	7,401,764.45
Bond Anticipation Notes Payable		-	8,200,000.00
Serial Bonds Payable		42,200,000.00	26,575,000.00
Green Trust Loan Payable		-	19,887.18
Capital Lease Payable		377,064.33	429,863.63
Environmental Infrastructure Trust Loans Payable		-	-
Improvement Authorizations:			
Funded		4,664,935.50	1,367,767.33
Unfunded		96,433.96	8,825,857.53
Reserve to Pay Bonds or Notes		106,068.98	404,612.97
Reserve for Open Space		3,935,669.00	3,718,569.00
Reserves for Mall Improvements		26,575.60	26,575.60
Capital Improvement Fund		-	-
Fund Balance		1,416,921.01	1,416,921.01
	$	65,267,774.95	58,386,818.70

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

2024	9,902,380.00
2025	3,545,238.00

Exhibit C - 1

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

		2025	2024
Beginning Balance January 1	$	1,416,921.01	1,416,921.01
Increased by:			
None		-	-
Decreased by:			
Appropriated to Finance Improvement Authorizations		-	-
Ending Balance December 31	$	1,416,921.01	1,416,921.01

EXHIBIT - D
WATER AND SEWER UTILITY FUND

Exhibit D
Sheet 1

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

		2025	2024
ASSETS			
Operating Fund:			
Cash	$	2,501,392.58	2,120,017.98
Investment in BANS		901,000.00	901,000.00
Due from Water and Sewer Utility Capital Fund		228,000.00	417,412.00
		3,630,392.58	3,438,429.98
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable		328,659.04	251,218.83
		328,659.04	251,218.83
Deferred Charges:			
Overexpenditure of Appropriation		68,378.99	68,378.99
		68,378.99	68,378.99
Total Operating Fund		4,027,430.61	3,758,027.80
Capital Fund:			
Cash		667,376.71	4,233,831.77
Loans Receivable		266,689.47	266,689.47
Fixed Capital		18,975,433.85	18,975,433.85
Fixed Capital - Authorized and Uncompleted		47,059,155.99	35,604,155.99
Total Capital Fund		66,968,656.02	59,080,111.08
	$	70,996,086.63	62,838,138.88

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

		2025	2024
LIABILITIES, RESERVES AND FUND BALANCE			
Operating Fund:			
Appropriation Reserves	$	89,848.57	44,951.53
Reserve for Encumbrances		36,345.30	421,307.87
Accounts Payable		9,184.05	117,820.43
Overpaid Rents		21,925.82	27,389.65
Sales Tax Payable		-	190.71
Accrued Interest on Bonds and Notes		133,561.04	141,647.51
Reserve for Sewer Treatment Plant		-	809.71
Due to Current Fund		-	100,630.30
Due to Trust Fund		-	22,500.00
		290,864.78	877,247.71
Reserve for Receivables		328,659.04	251,218.83
Fund Balance		3,407,906.79	2,629,561.26
Total Operating Fund		4,027,430.61	3,758,027.80
Capital Fund:			
Encumbrances Payable		7,617,940.62	1,877,903.77
Bond Anticipation Notes Payable		9,915,000.00	9,915,000.00
Serial Bonds Payable		7,370,000.00	8,310,000.00
Loans Payable		1,137,493.54	1,189,727.73
Improvement Authorizations:			
Funded		464,689.87	488,019.21
Unfunded		5,137,059.31	2,655,898.57
Due to Utility Operating		228,000.00	417,412.00
Reserve for Amortization		32,532,441.07	31,540,206.88
Deferred Reserve for Amortization		1,789,655.23	1,789,655.23
Reserve for Debt Service		188,070.04	317,981.35
Capital Improvement Fund		210,000.00	200,000.00
Fund Balance		378,306.34	378,306.34
Total Capital Fund		66,968,656.02	59,080,111.08
	$	70,996,086.63	62,838,138.88

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

2024	1,835,000.00
2025	13,290,000.00

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

	2025	2024
Revenue and Other Income Realized		
Fund Balance Utilized	$ 472,500.00	412,500.00
Water and Sewer Rents	7,322,766.96	6,916,022.16
Reserve to Pay Bonds and Notes	225,000.00	225,000.00
Miscellaneous	317,505.57	277,915.08
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	424,382.58	311,825.62
Prior Year Reserve Canceled	809.71	-
Prior Year Payable Canceled	114,531.14	-
Total Income	8,877,495.96	8,143,262.86
Expenditures		
Operations:		
Salaries and Wages	1,036,000.00	1,000,000.00
Other Expenses	4,794,000.00	4,768,378.99
Capital Improvements	60,000.00	60,000.00
Debt Service	1,559,150.43	1,584,950.51
Deferred Charges and Statutory Expenditures	177,500.00	187,500.00
Total Expenditures	7,626,650.43	7,600,829.50
Excess in Revenue	1,250,845.53	542,433.36
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	-	68,378.99
Total Adjustments	-	68,378.99
Excess in Operations	1,250,845.53	610,812.35
Fund Balance January 1	2,629,561.26	2,431,248.91
	3,880,406.79	3,042,061.26
Decreased by:		
Utilization as Anticipated Revenue	472,500.00	412,500.00
Fund Balance December 31	$ 3,407,906.79	2,629,561.26

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

		2025	2024
Beginning Balance January 1	$	378,306.34	378,306.34
Increased by:			
None		-	-
Decreased by:			
None		-	-
Ending Balance December 31	$	378,306.34	378,306.34

WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Anticipated Budget	Realized	Excess or (Deficit)
Operating Surplus Anticipated	$ 472,500.00	472,500.00	-
Anticipated Revenue:			
Rents	6,810,000.00	7,322,766.96	512,766.96
Miscellaneous	235,000.00	317,505.57	82,505.57
Reserve to Pay Bond and Notes	225,000.00	225,000.00	-
	$ 7,742,500.00	8,337,772.53	595,272.53

Analysis of Realized Revenue:		
Water and Sewer Rents		
Accounts Receivable	7,322,766.96	
Total Water & Sewer Rents		7,322,766.96
Miscellaneous Revenue		
Interest on Investments	241,564.93	
Penalties and Interest	4,679.51	
Meter Installations	53,638.00	
Reconnection Fee	405.89	
Disconnection Fee	400.00	
Special Reading Charge	5,500.00	
Shut Off Notice Fee	8,310.00	
WCM Interlocal	1,477.50	
Miscellaneous	1,529.74	
Total Miscellaneous		317,505.57

Exhibit D - 4

WATER AND SEWER UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Appropriations		Expended			(Over expended) Unexpended Balance
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	Cancelled
Operations:						
Salaries and Wages	$ 1,040,000.00	1,036,000.00	1,029,432.31		6,567.69	
Other Expenses	4,780,000.00	4,794,000.00	4,676,763.75	36,345.30	80,890.95	
	5,820,000.00	5,830,000.00	5,706,196.06	36,345.30	87,458.64	-
Capital Improvements:						
Capital Improvement Fund	10,000.00	10,000.00	10,000.00		-	
Current Fund Share of Roads	50,000.00	50,000.00	50,000.00		-	
	60,000.00	60,000.00	60,000.00	-	-	-
Debt Service:						
Payment of Bond Principal	1,000,000.00	1,000,000.00	992,234.19		0.00	7,765.81
Payment on Bond Anticipation Notes & Capital Notes	60,000.00	60,000.00			-	60,000.00
Interest on Bonds	350,000.00	350,000.00	302,387.49		-	47,612.51
Interest on Notes	265,000.00	265,000.00	264,528.75		-	471.25
	1,675,000.00	1,675,000.00	1,559,150.43	-	0.00	115,849.57
Deferred Charges and Statutory Expenditures:						
Statutory Ordinances						
Public Employee's Retirement System	85,000.00	85,000.00	85,000.00		-	
Social Security System (O.A.S.I.)	75,000.00	65,000.00	62,610.07		2,389.93	
Unemployment Compensation Insurance	5,000.00	5,000.00	5,000.00		-	
Reserve for Retirement Trust	22,500.00	22,500.00	22,500.00		-	
	187,500.00	177,500.00	175,110.07	-	2,389.93	-
	$ 7,742,500.00	7,742,500.00	7,500,456.56	36,345.30	89,848.57	115,849.57

Cash Disbursed	$ 7,508,543.03	Cancelled	115,849.57
Deferred Charge	-	Overexpended	-
Accrued Interest	(8,086.47)		115,849.57
	7,500,456.56		

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement

EXHIBIT - E
BEACH UTILITY FUND

Exhibit E
Sheet 1

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

		2025	2024
<u>ASSETS</u>			
Operating Fund:			
Cash	$	2,367,426.28	2,792,837.59
Due from Current Fund		-	1,399.00
		2,367,426.28	2,794,236.59
Total Operating Fund		2,367,426.28	2,794,236.59
Capital Fund:			
Cash		319,250.31	684,706.67
Due from Beach Operating		-	159,900.00
Fixed Capital - Authorized and Uncompleted		9,325,000.00	7,325,000.00
Total Capital Fund		9,644,250.31	8,169,606.67
	$	12,011,676.59	10,963,843.26

Exhibit E
Sheet 2

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

		2025	2024
LIABILITIES, RESERVES AND FUND BALANCE			
Operating Fund:			
Appropriation Reserves	$	43,210.73	263,772.58
Encumbrances Payable		39,584.47	27,980.19
Accounts Payable		1,593.55	4,994.27
Accrued Interest on Bonds and Notes		28,033.33	34,866.67
Due to Beach Capital		-	159,900.00
		112,422.08	491,513.71
Fund Balance		2,255,004.20	2,302,722.88
Total Operating Fund		2,367,426.28	2,794,236.59
Capital Fund:			
Encumbrances Payable		1,583,858.22	149,063.80
Due to Grant Fund		380,551.63	-
General Serial Bonds Payable		1,840,000.00	2,255,000.00
Reserve for Amortization		3,965,000.00	3,550,000.00
Improvement Authorizations			
Funded		37,025.86	85,327.50
Unfunded		1,134,536.02	1,446,936.79
Reserve to Pay Bonds		77,353.96	77,353.96
Capital Improvement Fund		504,000.00	484,000.00
Fund Balance		121,924.62	121,924.62
Total Capital Fund		9,644,250.31	8,169,606.67
	$	12,011,676.59	10,963,843.26

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

2024	1,520,000.00
2025	3,520,000.00

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

	2025	2024
Revenue and Other Income Realized		
Fund Balance Utilized	$ 782,850.00	1,136,572.50
Beach Fees	3,736,434.50	3,714,630.50
Miscellaneous Revenue	109,984.00	130,875.24
Miscellaneous Not Anticipated Revenue	90.00	226.00
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	218,203.66	105,329.82
Prior Year Accounts Payable Cancelled	3,485.82	5,479.10
Total Income	4,851,047.98	5,093,113.16
Expenditures		
Operations:		
Salaries and Wages	2,642,800.00	2,420,500.00
Other Expenses	741,500.00	780,800.00
Capital Improvements	20,000.00	20,000.00
Debt Service	500,616.66	706,438.34
Deferred Charges and Statutory Expenditures	211,000.00	302,172.50
Total Expenditures	4,115,916.66	4,229,910.84
Excess/(Deficit) in Revenue	735,131.32	863,202.32
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	-	-
Total Adjustments	-	-
Excess in Operations	735,131.32	863,202.32
Fund Balance January 1	2,302,722.88	2,576,093.06
	3,037,854.20	3,439,295.38
Decreased by:		
Utilization as Anticipated Revenue	782,850.00	1,136,572.50
Fund Balance December 31	$ 2,255,004.20	2,302,722.88

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

		2025	2024
Beginning Balance January 1	$	121,924.62	121,924.62
Increased by:			
None		-	-
Decreased by:			
None		-	-
Ending Balance December 31	$	121,924.62	121,924.62

BEACH UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Anticipated Budget	Realized	Excess or (Deficit)
Surplus Anticipated	$ 782,850.00	782,850.00	-
Anticipated Revenue:			
User Fees	3,450,000.00	3,736,434.50	286,434.50
Miscellaneous	100,000.00	109,984.00	9,984.00
Miscellaneous Not Anticipated Revenue		90.00	90.00
	$ 4,332,850.00	4,629,358.50	296,508.50

Analysis of Realized Revenue:

Beach Fees		
Collections	3,736,434.50	
Total Beach Fees		3,736,434.50
Miscellaneous Revenue		
Miscellaneous	90.00	
Interest on Investments	109,984.00	
Total Miscellaneous		110,074.00

Exhibit E - 4

BEACH UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Operations:						
Beach Front (Lifeguards)	$					
Salaries & Wages	1,280,000.00	1,324,000.00	1,323,326.91		673.09	-
Other Expenses	112,000.00	127,000.00	97,455.21	7,379.24	22,165.55	-
Beach Tag Program						
Salaries & Wages	550,000.00	529,100.00	521,806.51		7,293.49	-
Other Expenses	170,000.00	150,000.00	138,377.09	11,084.03	538.88	-
Insurance						
Liability Insurance	22,000.00	22,000.00	22,000.00		-	-
Workers Compensation	35,000.00	35,000.00	34,436.17		563.83	-
Employee Group Insurance	17,000.00	17,000.00	17,000.00		-	-
Audit Services						
Other Expenses	6,000.00	6,000.00	6,000.00		-	-
Tax Collector						
Salaries & Wages	20,000.00	20,000.00	20,000.00		-	-
Police						
Salaries & Wages	132,650.00	132,650.00	132,650.00		-	-
Police Dispatch						
Other Expenses	50,000.00	50,000.00	50,000.00		-	-
Fire						
Salaries & Wages	101,000.00	101,000.00	101,000.00		-	-
Legal						
Other Expenses	6,000.00	6,000.00	6,000.00		-	-
Road Repairs & Maintenance						
Salaries & Wages	295,000.00	295,000.00	295,000.00		-	-
Other Expenses	100,000.00	85,000.00	75,428.28	9,309.05	262.67	-
Public Buildings & Grounds						
Salaries & Wages	104,000.00	104,000.00	104,000.00		-	-
Other Expenses	200,000.00	200,000.00	189,564.69	10,143.52	291.79	-
General Administration						
Salaries & Wages	47,700.00	47,700.00	47,700.00		-	-
Other Expenses	5,000.00	5,000.00	3,360.10		1,639.90	-
Financial Administration						
Salaries & Wages	46,000.00	46,000.00	46,000.00		-	-
Other Expenses	3,000.00	3,000.00	485.28	1,668.63	846.09	-
Sanitary Landfill						
Other Expenses	8,500.00	8,500.00	8,500.00		-	-
Beach Safety						
Other Expenses	1,000.00	1,000.00	149.34		850.66	-

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement

Exhibit E - 4

BEACH UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Appropriations		Expended			(Over expended) Unexpended
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	Balance Cancelled
Operating						
Salaries and Wages	28,000.00	28,000.00	28,000.00		-	-
Other Expenses	15,000.00	11,000.00	4,757.92		6,242.08	-
Engineering & Planning						
Other Expenses	15,000.00	15,000.00	15,000.00		-	-
Mayor, Council & Clerk -Salaries & Wages	15,350.00	15,350.00	15,350.00		-	-
	3,385,200.00	3,384,300.00	3,303,347.50	39,584.47	41,368.03	-
Capital Improvements:						
Capital Improvement Fund	20,000.00	20,000.00	20,000.00		-	
	20,000.00	20,000.00	20,000.00	-	-	-
Debt Service:						
Payment on Bond Principal	415,000.00	415,000.00	415,000.00		-	-
Payment of Bond Anticipation Notes & Capital Notes	210,000.00	210,000.00			-	210,000.00
Interest on Bonds	91,550.00	92,450.00	85,616.66		-	6,833.34
Interest on Notes	100.00	100.00			-	100.00
	716,650.00	717,550.00	500,616.66	-	-	216,933.34
Deferred Charges and Statutory Expenditures:						
Social Security System	145,000.00	145,000.00	143,157.30		1,842.70	
Unemployment	26,000.00	26,000.00	26,000.00		-	
Lifeguard Pension	40,000.00	40,000.00	40,000.00		-	
	211,000.00	211,000.00	209,157.30	-	1,842.70	-
	$ 4,332,850.00	4,332,850.00	4,033,121.46	39,584.47	43,210.73	216,933.34

Cash Disbursed	$ 4,019,954.80	Cancelled	100.00
Capital Improvement Fund	20,000.00	Overexpended	
Accrued Interest	(6,833.34)		100.00
	$ 4,033,121.46		

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement

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EXHIBIT - F
TOURISM UTILITY FUND

Exhibit F
Sheet 1

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

		2025	2024
ASSETS			
Operating Fund:			
Cash	$	2,666,743.83	2,666,097.12
Change Fund		650.00	500.00
Due from Current Fund		168,852.64	241,529.95
		2,836,246.47	2,908,127.07
Total Operating Fund		2,836,246.47	2,908,127.07
		2,836,246.47	2,908,127.07
LIABILITIES, RESERVES AND FUND BALANCE			
Operating Fund:			
Appropriation Reserves		33,250.63	131,306.84
Encumbrances Payable		33,363.46	36,167.91
Accounts Payable		395.00	4,510.96
Due to General Capital Fund		6,000.00	-
Sales Tax Payable		-	630.89
Due to Security Deposit		37,017.50	37,017.50
		110,026.59	209,634.10
Fund Balance		2,726,219.88	2,698,492.97
Total Operating Fund		2,836,246.47	2,908,127.07
	$	2,836,246.47	2,908,127.07

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

		2025	2024
Revenue and Other Income Realized			
Fund Balance Utilized	$	185,000.00	-
Tourism Fees		1,516,173.34	1,491,937.86
Other Credits to Income:			
Miscellaneous Revenue not Anticipated		46,281.27	74,500.01
Unexpended Balance of Appropriation Reserves		60,130.45	238,414.01
Prior Year Payables Canceled		5,141.85	-
Total Income		1,812,726.91	1,804,851.88
Expenditures			
Operations:			
Salaries and Wages		605,000.00	550,000.00
Other Expenses		943,000.00	700,000.00
Statutory Expenditures		52,000.00	55,000.00
Total Expenditures		1,600,000.00	1,305,000.00
Excess/(Deficit) in Revenue		212,726.91	499,851.88
Adjustments to Income before Fund Balance:			
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year		-	-
Total Adjustments		-	-
Excess in Operations		212,726.91	499,851.88
Fund Balance January 1		2,698,492.97	2,198,641.09
		2,911,219.88	2,698,492.97
Decreased by:			
Utilization as Anticipated Revenue		185,000.00	-
Fund Balance December 31	$	2,726,219.88	2,698,492.97

TOURISM UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Anticipated Budget	Realized	Excess or (Deficit)
Anticipated Revenue:			
Surplus Anticipated	$ 185,000.00	185,000.00	-
Tourism Fees & Events	350,000.00	437,245.70	87,245.70
Hotel Room Tax	700,000.00	700,000.00	-
Lease and Rent Contracts	300,000.00	303,927.64	3,927.64
Mercantile License Fee	65,000.00	75,000.00	10,000.00
Miscellaneous		46,281.27	46,281.27
	$ 1,600,000.00	1,747,454.61	147,454.61

Analysis of Realized Revenue:

Tourism Fees	
Collections	437,245.70
	437,245.70
Miscellaneous Revenue Not Anticipated:	
Miscellaneous	7,868.33
Special Event Application Fees	1,615.00
Interest	36,797.94
	46,281.27

Exhibit F - 4

TOURISM UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Appropriations		Expended			(Over expended) Unexpended
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	Balance Cancelled
Operations:						
Salaries and Wages	$ 630,000.00	605,000.00	581,245.70		23,754.30	-
Other Expenses	915,000.00	943,000.00	907,673.98	33,363.46	1,962.56	-
Statutory Expenditures:						
Social Security System (O.A.S.I.)	55,000.00	52,000.00	44,466.23		7,533.77	-
	1,600,000.00	1,600,000.00	1,533,385.91	33,363.46	33,250.63	-
	$ 1,600,000.00	1,600,000.00	1,533,385.91	33,363.46	33,250.63	-

Cash Disbursed	$ 1,533,385.91
	$ 1,533,385.91

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement

EXHIBIT - G
GENERAL FIXED ASSET ACCOUNT GROUP

Exhibit G

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

		2025 ***	2024
General Fixed Assets			
Land, Buildings and Improvements	$	126,209,151.00	27,718,436.93
Machinery and Equipment		12,386,024.91	12,443,883.99
		138,595,175.91	40,162,320.92
Investment in General Fixed Assets			
Investment in General Fixed Assets		138,595,175.91	40,162,320.92
	$	138,595,175.91	40,162,320.92

*** A complete inventory of the City's assets was done in 2025.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Cape May is a shore community located at the southern tip of the State of New Jersey in the County of Cape May. The population according to the 2020 census is 3,350.

The City of Cape May is governed by the Faulkner Act Council-Manager form of government, providing for the election of a five-member City Council. The Mayor is a member of the Council and directly elected by the voters. The Council is the policy maker for the municipality. The Manager, as chief executive and administrative officer of the City, is appointed by the Council. The City Manager is responsible for personnel, enforcement of ordinances and overall administration.

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

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

B. Description of Funds

The accounting policies of the City of Cape May 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 respect to public funds. Under this method of accounting, the City of Cape May accounts for its financial transactions through the following separate funds:

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

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

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

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

<u>Beach Utility Operating and Capital Funds</u> -- account for the operations and acquisition of capital facilities of the municipally owned beach utility.

<u>Tourism Utility Operating</u> – The Tourism Utility Operating Fund was created January 1, 2012, by adopting City Ordinance 244-2011. The purpose of the fund is to account for and properly budget and pay for the management and operation of Convention Hall as well as for all the activities and events provided through the City’s Department of Tourism, Civic Affairs and Recreation.

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

C. Basis of Accounting

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

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

Revenues -- are recorded as received in cash except for certain amounts, which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the City budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the City's Current Fund, 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 City which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

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

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

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.

Property and equipment purchased by a 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 City is responsible for remitting 100% of the City of Cape May School District and the Lower Cape May Regional High School District and the County of Cape May taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county.

Interest on Delinquent Taxes – It is the policy of the City of Cape May 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.

Levy of Utility Charges – The City operates a water and sewer utility fund. Rates are determined by ordinance and changed as necessary. Water and Sewer charges are based on flat fees and usage based on the type of City. Charges are billed annually and due in quarterly installments.

Interest on Delinquent Utility Charges – It is the policy of the City 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 eight percent (8%) per annum on the first $1,500.00 of charges becoming delinquent after due date and eighteen percent (18%) per annum on any amount of charges in excess of $1,500.00 becoming delinquent after due date.

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.

E. Comparative Data

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

F. Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

The following GASB Statements became effective for the year ended December 31, 2025:

In December 2023, the Governmental Accounting Standards Board (GASB) issued Statement No. 102, “Certain Risk Disclosures”. This statement, which is effective for fiscal years beginning after June 15, 2024, and all reporting periods, thereafter. This standard did not have a significant effect on the City’s financial reporting for the year ended December 31, 2025.

G. Recent Accounting Pronouncements Not Yet Effective

In April 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 103, “Financial Reporting Model Improvements”. This statement is effective for fiscal years beginning after June 15, 2025, and will not have any effect on the City’s financial reporting.

In September 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 104, “Disclosure of Certain Capital Assets”. This statement is effective for fiscal years beginning after June 15, 2025, and will not have any effect on the City’s financial reporting.

In December 2025, the Governmental Accounting Standards Board (GASB) issued Statement No. 105, “Subsequent Events.” This statement is effective for fiscal years beginning after June 15, 2026, and will not have any effect on the City’s financial reporting.

NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the City is required to establish a reserve for uncollected taxes. The 2025 and 2024 statutory budgets included a reserve for uncollected taxes in the amount of $1,366,348.21 and $1,388,423.74. To balance the budget, the City is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2025 and 2024 statutory budgets was $6,000,000.00 and $5,900,000.00. In addition, the City operates a self-liquidating water and sewer utility, beach utility and tourism utility. Under New Jersey Statutes a separate budget for each utility must be adopted concurrently with the operating budget of the City. 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 water and sewer budget in 2025 and 2024 statutory budgets was $472,500.00 and $412,500.00. The amount of fund balance budgeted to balance the beach utility budget in 2025 and 2024 statutory budgets was $782,850.00 and $1,136,572.50. The amount of fund balance budgeted to balance to the tourism utility budget in 2025 and 2024 was $185,000.00 and $0.00.

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 City Council. The following more significant budget transfers were approved in the 2025 and 2024 calendar years:

Budget Category		2025	2024
Current Fund:			
General Administration			
Salaries & Wages	$		30,000
Financial Administration			
Salaries & Wages		34,000	
Legal Services			
Other Expenses: Miscellaneous Other Expenses		(45,500)	(100,000)
Engineering & Planning Services			
Other Expenses			(35,000)
Insurance			
General Liability		(204,050)	
Employee Group Health		270,000	200,000
Employee Group Health Waiver		(95,000)	
Workers Compensation Insurance		52,331	(200,000)
Fire			
Salaries & Wages		210,000	(70,000)
Other Expenses		(50,000)	60,000
Police			
Salaries & Wages		(35,000)	
Other Expenses		(20,000)	60,000
Parking and Traffic Maintenance			
Salaries & Wages		(37,600)	
Road Repairs and Maintenance			
Salaries & Wages		85,000	

Budget Category	2025	2024
Current Fund: (Continued)		
Recycling		
Salaries & Wages	(40,000)	(100,000)
Public Buildings and Grounds		
Salaries & Wages		85,000
Other Expenses		35,000
Shade Tree Commission		
Other Expenses	(45,000)	20,000
Uniform Fire Safety		
Salaries & Wages	(85,000)	10,000
Other Expenses	(35,000)	
Civic Affairs		
Salaries & Wages	(55,000)	(45,000)
Other Expenses	(25,000)	
Historic Preservation Commission		
Other Expenses	(27,500)	
Construction Official		
Salaries & Wages	35,500	45,000
Other Expenses		10,000
Utilities		
General Office Operations	30,000	
Street Lighting	72,000	(25,000)
Statutory Expenditures		
Public Employees' Retirement System	85,000	
Social Security System (O.A.S.I.)	27,000	10,000
Water/Sewer Utility Fund:		None
Operations		
Other Expenses	14,000	
Statutory Expenditures		
Social Security System (O.A.S.I.)	(10,000)	
Tourism Utility Fund:		None
Operations		
Salaries & Wages	(25,000)	
Other Expenses	28,000	
Beach Utility Fund:		
Beach Front (Lifeguards)		
Salaries & Wages	44,000	(12,000)
Other Expenses	15,000	
Beach Tag Program		
Salaries & Wages	(20,900)	12,000
Other Expenses	(20,000)	
Road Repairs and Maintenance		
Other Expenses	(15,000)	

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2025 and 2024, the following budget insertions were approved:

Budget Category		2025	2024
Small Cities-CDBG-Tennis Club ADA	$		270,672.00
County of Cape May - Open Space - Lafayette Park Phase IV		1,933,172.80	
Boardwalk Preservation Fund			6,722,552.00
Wawa Foundation Grant - Cape May OEM		1,000.00	
County of Cape May - American Rescue Plan Act Infrastructure Grant		400,000.00	
Wawa Foundation Grant - Police Department Equipment			10,000.00
County of Cape May - Open Space - Harborview Park		1,397,366.10	

The City may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. During 2024, the city approved a special emergency appropriation for $250,000.00. This emergency was for the preparation of an approved tax map. In 2024, the township approved an emergency appropriation for $450,000.00. This emergency was for the 2024 Lightning Strike. The unfunded balance as of December 31, 2025, for both emergencies was $200,000.00.

NOTE 3: INVESTMENTS

Pursuant to the cash management plan, the City may invest in the following:

- Direct obligations of, or obligations as to which the principal and interest is guaranteed by, the United States of America
- Government money market mutual funds
- Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress
- Bonds or obligations of the local unit or other obligations of school districts within the local unit
- Bonds or obligations, having a maturity date not more than 397 days from the date of purchase
- Local government investment pools
- State of New Jersey Cash Management Fund
- Agreements for the repurchase of fully collateralized securities

The City participates in the N.J. ARM (Asset & Rebate Management) Program which is a Joint Account investment program for which state and local governments and other municipal entities participate. The City's year-end investment balance in this Joint Account was $5,061,357.65.

Credit Risk: The Joint Account's investment policy limits its investments to those which Participants can invest in under the laws of the State of New Jersey. As of December 31, 2025, the Joint Account was comprised of investments which were, in aggregate, rated by Standard and Poor's as follows: AAAm rating (1.06%), AA+ rating (38.68%), A-1+ rating (7.71%) and Exempt rating (52.55%). The above ratings include the ratings of collateral underlying repurchase agreements in effect for the Joint Account at December 31, 2025.

Concentration of Credit Risk: The Joint Account's investment policy establishes certain restrictions on investments and limitations on portfolio composition. The Joint Account's investment portfolio at December 31, 2025 included the following issuers which individually represented greater than 5% of the Joint Account's total investment portfolio:

Issuer	% of Portfolio
Bof A Securities	8.45%
BNP Paribas	8.43%
Federal Farm Credit Bank	17.29%
Federal Home Loan Bank	28.73%
TD Securities LLC	8.45%
U.S. Treasury	22.78%

Interest Rate Risk: The Joint Account's investment policy limits its exposure to market value fluctuations due to changes in interest rates by (1) requiring its portfolio maintain a dollar-weighted average maturity of not greater than 60 days; and (2) requiring that any investment securities purchased have a remaining maturities of 397 days or less at the time of purchase, or which reset, in the case of adjustable securities, in no greater than 397 days. The weighted average maturity of the Joint Account's entire portfolio at December 31, 2025 was 45 days. The fair value and weighted average maturity of the types of investments in which the Joint Account was invested at year-end are as follows:

Type of Investments		Fair Value	Weighted Ave Maturity
Cash and Cash Equivalents	$	100,321,889	1 day
Repurchase Agreements		704,700,000	2 days
Money Market Funds		25,000,000	7 days
Agency Discount Notes		182,650,106	37 days
Agency Notes		915,884,330	37 days
U.S Treasury Bills		232,478,837	22 days
U.S Treasury Notes		306,991,333	205 days
Total	$	2,468,026,495	

Custodial Credit Risk: For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Investments – Length of Service Award Program (LOSAP)

As more fully described in Note 21, the City has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et seq. except that all investments are retained in the name of the City. All investments are valued at fair value. In accordance with NJAC 5:30-14.37 the investments are maintained by Lincoln Benefit Life, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2025 and 2024 amounted to $439,908.33 and $395,145.10, respectively.

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 City'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 city relative to the happening of a future condition. As of December 31, 2025, $7,095,739.07 of the City's bank balance of $43,462,770.88 was exposed to custodial credit risk. As of December 31, 2024, $5,486,881.35 of the City's bank balance of $50,317,343.15 was exposed to custodial credit risk.

NOTE 5: FIXED ASSETS

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2025, and 2024:

		Balance 12/31/2023	Additions	Adjustments/ Retirements	Balance 12/31/2024
Land, Building and Improvements	$	27,718,436.93			27,718,436.93
Equipment and Machinery		11,662,925.45	1,315,716.00	(534,757.46)	12,443,883.99
		39,381,362.38	1,315,716.00	(534,757.46)	40,162,320.92

		Balance 12/31/2024	*** Adjustment	*** Adjustments	Balance 12/31/2025
Land, Building and Improvements	$	27,718,436.93	98,490,714.07		126,209,151.00
Equipment and Machinery		12,443,883.99	1,359,372.92	(1,417,232.00)	12,386,024.91
		40,162,320.92	99,850,086.99	(1,417,232.00)	138,595,175.91

*** A complete inventory of the City's assets was done in 2025.

NOTE 6: LONG TERM DEBT

Long-term debt as of December 31, 2025, and 2024 consisted of the following:

	Balance 12/31/2023	Issued	Retired	Balance 12/31/2024	Amounts Due Within One Year
Bonds payable:					
General	$ 29,930,000.00		3,355,000.00	26,575,000.00	3,520,000.00
Water Sewer Utility	9,350,000.00		1,040,000.00	8,310,000.00	940,000.00
Beach Utility	2,650,000.00		395,000.00	2,255,000.00	415,000.00
Total	41,930,000.00	-	4,790,000.00	37,140,000.00	4,875,000.00
Other liabilities:					
Loans Payable:					
General	39,382.51		19,495.33	19,887.18	19,887.18
Water Sewer Utility	1,241,961.92		52,234.19	1,189,727.73	52,234.19
Compensated Absences Payable	1,262,823.74		267,837.22	994,986.52	
Total long-term liabilities	$ 44,474,168.17	-	5,129,566.74	39,344,601.43	4,947,121.37

	Balance 12/31/2024	Issued	Retired	Balance 12/31/2025	Amounts Due Within One Year
Bonds payable:					
General	$ 26,575,000.00	19,145,000.00	3,520,000.00	42,200,000.00	3,660,000.00
Water Sewer Utility	8,310,000.00		940,000.00	7,370,000.00	535,000.00
Beach Utility	2,255,000.00		415,000.00	1,840,000.00	460,000.00
Total	37,140,000.00	19,145,000.00	4,875,000.00	51,410,000.00	4,655,000.00
Other liabilities:					
Loans Payable:					
General	19,887.18		19,887.18	-	
Water Sewer Utility	1,189,727.73		52,234.19	1,137,493.54	52,234.19
Compensated Absences Payable	994,986.52	273,617.42		1,268,603.94	
Total long-term liabilities	$ 39,344,601.43	19,418,617.42	4,947,121.37	53,816,097.48	4,707,234.19

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

$10,700,000 General Bonds dated July 15, 2013, due in annual installments through July 15, 2027, bearing interest at various rates. The balance remaining as of December 31, 2025 is $1,810,000.00.

$6,035,000 General Bonds dated July 15, 2014, due in annual installments through July 15, 2025, bearing interest at 3.00% per annum. There is no balance remaining as of December 31, 2025.

$10,155,000 General Bonds dated July 11, 2019, due in annual installments through February 1, 2031, bearing interest at various rates. The balance remaining as of December 31, 2025 is $6,090,000.00.

$7,670,000 General Bonds dated October 13, 2021, due in annual installments through October 15, 2036, bearing interest at various rates. The balance remaining as of December 31, 2025 is $6,110,000.00.

$10,175,000 General Bonds dated September 14, 2023, due in annual installments through September 1, 2036, bearing interest at various rates. The balance remaining as of December 31, 2025 is $9,045,000.00.

$20,000,000 General Bonds dated August 27, 2025, due in annual installments through September 1, 2040, bearing interest at various rates. The balance remaining as of December 31, 2025 is $19,145,000.00.

$324,621.37 Green Trust Loan dated November 9, 2005, due in annual installments through August 9, 2025, bearing interest at 2.00% per annum. There is no balance remaining as of December 31, 2025.

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

$2,335,000 Water and Sewer Utility Bonds dated July 15, 2013, due in annual installments through July 15, 2025, bearing interest at various rates. There is no balance remaining as of December 31, 2025..

$2,700,000 General Bonds dated July 15, 2014, due in annual installments through July 15, 2025, bearing interest at 3.00% per annum. There is no balance remaining as of December 31, 2025..

$4,250,000 General Bonds dated July 11, 2019, due in annual installments through February 1, 2031, bearing interest bearing interest at various rates. The balance remaining as of December 31, 2025 is $2,510,000.00.

$5,505,000 Refunding Bonds dated December 15, 2021, due in annual installments through June 15, 2047, bearing interest bearing interest at various rates. The balance remaining as of December 31, 2025 is $4,860,000.00.

$1,252,948.00 Environmental Infrastructure Trust Loan dated May 22, 2018, due in annual installments through August 1, 2047, bearing interest at 0.00% per annum. The balance remaining as of December 31, 2025 is $777,493.54.

$430,000.00 Environmental Infrastructure Trust Bond dated May 22, 2018, due in semiannual installments through August 1, 2047, bearing interest at various rates. The balance remaining as of December 31, 2025 is $360,000.00.

Outstanding bonds whose principal and interest are paid from the Beach Utility Operating Fund of the City:

$2,005,000 General Bonds dated July 15, 2014, due in annual installments through July 15, 2026, bearing interest at 3.00% per annum. The balance remaining as of December 31, 2025 is $240,000.00.

$760,000 General Bonds dated July 11, 2019, due in annual installments through February 1, 2027, bearing interest at various rates. The balance remaining as of December 31, 2025 is $240,000.00.

$1,550,000 General Bonds dated September 14, 2023, due in annual installments through September 1, 2034, bearing interest at various rates. The balance remaining as of December 31, 2025 is $1,360,000.00.

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

Year Ending		General Capital Fund	
December 31,		Principal	Interest
2026	$	3,660,000.00	1,595,972.50
2027		3,850,000.00	1,454,725.00
2028		3,190,000.00	1,293,525.00
2029		3,320,000.00	1,161,512.50
2030		3,600,000.00	1,033,950.00
2031-2035		15,065,000.00	3,407,750.00
2036-2040		9,515,000.00	1,017,000.00
	$	42,200,000.00	10,964,435.00

Year Ending		Utility Capital Fund		Beach Utility Capital Fund	
December 31,		Principal	Interest	Principal	Interest
2026	$	535,000.00	264,900.00	460,000.00	75,700.00
2027		560,000.00	241,200.00	230,000.00	58,100.00
2028		590,000.00	220,200.00	120,000.00	50,200.00
2029		640,000.00	201,450.00	140,000.00	44,200.00
2030		655,000.00	181,650.00	160,000.00	37,200.00
2031-2035		1,650,000.00	676,400.00	730,000.00	74,400.00
2036-2040		1,190,000.00	419,600.00		
2041-2045		1,060,000.00	207,400.00		
2046-2047		490,000.00	19,800.00		
	$	7,370,000.00	2,432,600.00	1,840,000.00	339,800.00

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

Year Ending December 31,	Utility Capital Fund Principal	Interest
2026	$ 52,234.19	12,362.50
2027	52,234.19	11,862.50
2028	52,234.19	11,362.50
2029	57,234.19	11,062.50
2030	57,234.19	10,612.50
2031-2035	286,170.95	46,181.24
2036-2040	291,170.95	33,937.50
2041-2045	243,980.69	18,375.00
2046-2047	45,000.00	2,450.00
	1,137,493.54	158,206.24

As of December 31, 2025, 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 $1,248,856.96, water and sewer utility budget was $566,916.24 and the beach utility budget was $85,616.66.

Summary of Municipal Debt	Year 2025	Year 2024	Year 2023
Issued:			
General - Bonds and Notes	$ 42,200,000.00	$ 34,794,887.18	$ 29,969,382.51
Water/Sewer Utility - Bonds and Notes	15,521,493.54	16,513,727.73	15,461,961.92
Beach Utility - Bonds and Notes	1,840,000.00	2,255,000.00	2,860,000.00
Total Issued	59,561,493.54	53,563,614.91	48,291,344.43
Authorized but not issued:			
General - Bonds and Notes	3,545,238.00	9,902,380.00	9,772,081.00
Water/Sewer Utility - Bonds and Notes	13,290,000.00	1,835,000.00	5,080,000.00
Beach Utility - Bonds and Notes	3,520,000.00	1,520,000.00	195,000.00
Total Authorized But Not Issued	20,355,238.00	13,257,380.00	15,047,081.00
Total Bonds & Notes Issued and Authorized But Not Issued	$ 79,916,731.54	$ 66,820,994.91	$ 63,338,425.43

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of the 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 0.839%.

	Gross Debt	Deductions	Net Debt
Regional School District Debt	$ 6,663,874.71	6,663,874.71	-
Water and Sewer Utility Debt	28,811,493.54	28,811,493.54	-
Beach Utility	5,360,000.00	5,360,000.00	-
General Debt	45,745,238.00	106,068.98	45,639,169.02
	$ 86,580,606.25	40,941,437.23	45,639,169.02

Net Debt $45,639,169.02 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, $5,437,940,426.33 = 0.839%.

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

3 1/2 % of Equalized Valuation Basis (Municipal)	$	190,327,915
Net Debt		45,639,169
Remaining Borrowing Power	$	144,688,746

NOTE 7: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2025, and 2024, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2026, and 2025 were as follows:

	2026	2025
Current Fund	$ 6,490,500.00	6,000,000.00
Water & Sewer Utility	821,179.00	472,500.00
Beach Utility	932,850.00	782,850.00
Tourism Utility	814,100.00	185,000.00

NOTE 8: SCHOOL TAXES

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

	12/31/2025	12/31/2024
Balance of Tax	$ 966,451.80	$ 966,451.80
Deferred	966,451.80	966,451.80
Tax Payable	$ -	$ -

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

	12/31/2025	12/31/2024
Balance of Tax	$ 4,278,625.43	$ 3,991,697.43
Deferred	4,278,625.50	3,991,697.50
Tax Payable	$ (0.07)	$ (0.07)

NOTE 9: TAXES COLLECTED IN ADVANCE

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

	Balance 12/31/25	Balance 12/31/24
Prepaid Taxes	$ 868,673.85	$ 806,371.51
Cash Liability for Taxes Collected in Advance	$ 868,673.85	$ 806,371.51

NOTE 10: PENSION FUNDS

Description of Plans

Substantially all of the City'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/annual-reports.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. 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.

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008, under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA 43:15c-1 et seq). DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43: 15c-1 et seq. There were individuals enrolled in DCRP.

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 the 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.

Pension Plan for Lifeguards

The City of Cape May has established a pension plan to provide retirement, disability, and survivor pension benefits for the individuals who serve on the City's lifeguard force. It is promulgated pursuant to the requirements of *N.J.S.A.* 43:13-23, *et seq*. It shall be effective January 1, 1994 ("Effective Date") and applied to members of the City of Cape May Beach Patrol employed as a lifeguard or lieutenant on or after the effective date.

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 the State of New Jersey legislation. PERS provided for employee contributions of 7.50% of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 17.11% of covered payroll.

The City's contributions to PERS for the years ended December 31, 2025, 2024, and 2023 were $667,656.68, $570,860.07, and $554,492.98.

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 City's contributions to PFRS for the years ended December 31, 2025, 2024, and 2023 were $1,278,853.84, $1,095,088.00, and $1,053,367.90.

The total payroll for the year ended December 31, 2025, 2024, and 2023 was $12,493,877.67, $11,174,906.88, and $10,506,925.94. Payroll covered by PFRS was $4,189,346.00, $3,719,518.00, and $3,420,536.00. Payroll covered by PERS was $4,666,825.00, $4,419,091.00, and $3,720,395.00.

The Lifeguard Pension provides for employee contributions of 4.00% of employees' annual compensation. The City's trust for the Lifeguard Pension at December 31, 2025, was $675,636.22. Currently there are twelve individuals receiving benefits. The benefits paid by the trust for the year ended December 31, 2025, 2024 and 2023 were $106,293.14, $92,789.00, and $82,786.50.

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 ¼ 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).

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 accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an $8.00 processing fee per loan was charged, effective 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 11: 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 City's pension liabilities. However, due to the fact that the City reports on the regulatory basis of accounting, no financial statement impact will be recognized.

The following represents the City's pension liabilities as June 30, 2024:

Public Employees' Retirement System

The City has a liability of $6,483,468 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023, that was rolled forward to June 30, 2024. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the City's proportion would be 0.04771450230%, which would be an increase of 15.25% from its proportion measured as of June 30, 2023.

For the year ended December 31, 2024, the City would have recognized pension expense of $366,657. At December 31, 2024, the City would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	$ 129,876	(17,261)
Changes of assumptions	8,055	(73,767)
Changes in proportion	851,298	(421,791)
Net difference between projected and actual earnings on pension plan investments		(300,621)
Total	$ 989,229	(813,440)

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,	
2025	$ 563,764
2026	(747,232)
2027	215,074
2028	151,494
2029	(7,310)
Total	$ 175,789

Actuarial Assumptions

The total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases:	2.75% – 6.55% (based on years of service)
Investment rate of return:	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disable retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2024) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US equity	28.00%	8.63%
Non-U.S. developed markets equity	12.75%	8.85%
International small cap equity	1.25%	8.85%
Emerging markets equity	5.50%	10.66%
Private equity	13.00%	12.40%
Real estate	8.00%	10.95%
Real assets	3.00%	8.20%
High yield	4.50%	6.74%
Private credit	8.00%	8.90%
Investment grade credit	7.00%	5.37%
Cash Equivalents	2.00%	3.57%
U.S. Treasuries	4.00%	3.57%
Risk mitigation strategies	3.00%	7.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. 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 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	$ 7,887,761	6,483,468	5,289,514

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 City has a liability of $9,531,414 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2023, that was rolled forward to June 30, 2024. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the City's proportion would be 0.09229964%, which would be an increase of 12.20% from its proportion measured as of June 30, 2023.

For the year ended December 31, 2024, the City would have recognized pension expense of $519,938. At December 31, 2024, the City 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
Differences between expected & actual experience	$ 600,472	$ (326,302)
Changes of assumptions	15,067	(279,922)
Changes in proportion	1,113,600	(559,843)
Net difference between projected and actual earnings on pension plan investments		(74,601)
Total	$ 1,729,139	$ (1,240,668)

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,		
2025	$	(7,572,823)
2026		9,580,260
2027		(1,949,575)
2028		(715,297)
2029		1,057,628
Thereafter		88,278
Total	$	488,471

Actuarial Assumptions

The total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation of July 1, 2023, which was rolled forward to June 30, 2024. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases:	3.25% - 16.25% (based on years of service)
Investment rate of return:	7.00%

Employee mortality rates were based on the Pub-2010 Safety Employee mortality table (sex specific), projected generationally from 2010 with scale MP-2021 mortality projection. For healthy annuitants, mortality rates were based on the Pub-2010 Safety Retiree Below Median amount-weighted mortality table (sex specific), projected generationally from 2010 with scale MP-2021 mortality projection. Disability rates were 144% of the Pub-2010 Safety Retiree Below Median amount-weighted mortality table for males and 100% of the Pub-2010 Safety Retiree Below Median amount-weighted mortality table for females, projected generationally from 2010 with scale MP-2021 mortality projection.

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2024) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large-Cap Equity	24.00%	6.90%
U.S. Small/Mid -Cap Equity	4.00%	7.40%
Non - U.S. Developed Large-Cap Equity	9.50%	6.70%
Non - U.S. Developed Small-Cap Equity	2.00%	7.50%
Emerging Markets Large-Cap Equity	6.00%	9.60%
Emerging Markets Small-Cap Equity	1.50%	9.60%
U.S. Treasury Bond	7.00%	4.10%
U.S. Corporate Bond	5.00%	5.90%
U.S. Mortgage-Backed Securities	5.00%	4.40%
Global Multisector Fixed Income	6.00%	6.50%
Cash	2.00%	3.40%
Real Estate Core	3.00%	5.10%
Real Estate Non-Core	4.00%	6.50%
Infrastructure	3.00%	7.00%
Private Debt/Credit	8.00%	9.10%
Private Equity	10.00%	10.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. 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 and the non-employer contributing entity will be made based on 100% of the actuarially determine contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the City'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, 2024, 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 (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	$	12,975,470.02	9,531,414.00	6,662,930.08

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, 2024 State special funding situation net pension liability amount of $2,035,866,994 is 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, 2024 State special funding situation pension expense of $234,210,000 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2024. The pension expense is deemed to be a State administrative expense due to the special funding situation.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and required contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2024, the State contributed an amount more than the actuarially determined amount.

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 City was 0.09229964% for 2024. The net pension liability amount allocated to the City was $1,879,098. For the fiscal year ending June 30, 2024, State special funding situation pension expense of $216,175 is allocated to the City.

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 12: POST- RETIREMENT BENEFITS (Other than SHBP)

The City offers Other Post-Retirement Benefits (OPEB) to its employees and eligible retirees and their dependents. The City participates in this Program as a single–employer plan in accordance with GASB Statement 75 "Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions" ("OPEB").

Under this plan, retirees may continue the health benefits programs in which they are enrolled at the time of retirement.

The Regulatory Basis of Accounting does not permit the accrual of Actuarily determined OPEB Expenses or Liabilities. The City reports all OPEB related costs on the "pay as you go" basis. The following information is for disclosure purposes only and has not been accrued in the Financial Statements of the City.

The actuarial determined valuation of these benefits has been reviewed and will be reviewed bi-annually for the purpose of estimating the present value of future benefits for active and retired employees and their dependents as required by GASB 75.

Annual OPEB Cost and Net OPEB Liability

The actuarial valuation report was based on 163 total participants, 111 active and 52 retirees.

The City's annual OPEB cost represents the accrued cost for post-employment benefits under GASB 75. The cumulative difference between the annual OPEB cost and the benefits paid during a year will result in a net OPEB obligation. The annual OPEB cost is equal to the annual required contribution (ARC) less adjustment if a net OPEB obligation exists. The ARC is equal to the normal cost and amortization of the Unfunded Actuarial Accrued Liability (UAAL) plus interest.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrences of events fare into the future, including future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the January 1, 2025, actuarial valuation, the "Entry-Age-Normal as a Percentage of Salary" method was used for all participants. The actuarial assumptions used to project future costs included a discount rate of 4.43%. In addition, the unfunded actuarial accrued liability is being amortized over the maximum acceptable period of 20 years.

Other Post-employment Benefit Costs and Obligations

The following reflects the change in the Total OPEB Liability as of the January 1, 2025, valuation date for the years ended December 31, 2025.

		12/31/2025
OPEB Liability, Beginning of Year **	$	28,890,395
Changes for the Year:		
Service Cost		1,457,868
Interest		1,042,882
Changes of benefit terms		
Between Actual & Expected Experience		5,137,094
Changes of benefit terms		
Change in Assumptions		(4,401,355)
Benefit Payments		(642,332)
OPEB Liability, End of Year	$	31,484,552
Covered payroll (for Covered Participants)	$	7,558,234
Total OPEB liability as a percentage of covered payroll		416.6%

** The City was previously under State Health Benefit for Other Post Retirement Benefits

Sensitivity of the total OPEB liability to changes in the discount rate.

The January 1, 2025, valuation was prepared using a discount rate of 4.43%. If the discount rate were 1% higher than what was used in this valuation, the Total OPEB liability would increase. If the trend rate were 1% lower than was used in this valuation, the Total OPEB Liability would decrease to 3.43%. The Net OPEB Liability is listed below.

	Discount Rate		
	1% Decrease	Discount Rate 4.28%	1% Increase
Total OPEB Liability	$ 37,313,406	$ 31,484,552	$ 26,952,799

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.

The January 1, 2025, valuation was prepared using the current trend rate of 4.5% increasing to 7.5%. If the trend rate were 1% higher than what was used in this valuation, the Total OPEB Liability would increase. If the trend rate were 1% lower than was used in this valuation, the Total OPEB Liability would decrease. The Net OPEB Liability is listed below.

	Healthcare Cost Trend Rates		
	1% Decrease	Healthcare Trend Rates 7.5% to 4.5%	1% Increase
Total OPEB Liability	$ 26,743,306	$ 31,484,552	$ 37,641,852

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2025, the City's Actuarily determined OPEB expense was $31,484,552. At December 31, 2025, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 4,218,115	$
Changes in assumptions		(3,613,993)
Total	$ 4,218,115	$ (3,613,993)

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

Year ended June 30,	
2026	$ 131,617
2027	131,617
2028	131,617
2029	131,617
2030	77,654
Total	$ 604,122

NOTE 13: POST-RETIREMENT BENEFITS - LIFEGUARD PENSION

The City of Cape May has established a pension plan to provide retirement pension benefits for the individuals who serve on the City's lifeguard force. An eligible employee becomes a plan member upon employment. Employee contributions are withheld from the member's salary and contributed to the plan for his/her benefit. A plan member may retire with a pension only after his/her 45th birthday and after he/she has completed 20 years of service, the last 10 must have been completed immediately preceding his/her application. As of January 2025, the City provided post-retirement benefits to thirteen (13) retired lifeguard employees. In accordance with GASB Statement 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 and the State of New Jersey, the City obtained an actuarial valuation of the liability for providing these benefits.

The Regulatory Basis of Accounting does not permit the accrual of Actuarily determined OPEB Expenses or Liabilities. The city reports all OPEB related costs on the "pay as you go" basis. The following information is for disclosure purposes only and has not been accrued in the Financial Statements of the City.

The actuarial determined valuation of these benefits has been reviewed and will be reviewed bi-annually for the purpose of estimating the present value of future benefits for active and retired employees and their beneficiaries as required by GASB 73.

The actuarial valuation report was based on 80 total participants including 13 retirees.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrences of events fare into the future, including future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations, and new estimates are made about the future.

In the January 1, 2025, actuarial valuation, the “Entry-Age-Normal” method was used for all participants. The actuarial assumptions used to project future costs included a 4.00% interest rate of return. In addition, the unfunded actuarial accrued liability is being amortized over 30 years on a level percent of pay basis.

In the January 1, 2025, actuarial valuation, the plan assets were as follows:

		2024
Assets as of January 1,	$	625,022
Receipts:		
Contributions - Employee		26,243
Contributions - City		40,000
Interest		15,907
		82,150
Disbursements:		
Benefit Payments		(92,789)
		(92,789)
Assets as of December 31,	$	614,383

The following reflects the Unfunded Accrued Liability as of January 1, 2025, valuation date for the Year ended December 31, 2025:

		2024
Actives	$	2,542,019
Non Actives		1,776,670
Total		4,318,689
(Less) Market Value of Assets		(614,383)
Unfunded Accrued Liability as of January 1,		3,704,306
Actuarial (Gain)/Loss		3,704,306
Normal Cost as of January 1,	$	98,204

NOTE 14: ACCRUED SICK AND VACATION BENEFITS

The City has permitted employees to accrue unused vacation, personal and sick time, which may be taken as time off or paid at a later date at an agreed upon rate. Employees are only eligible to receive 50% of the sick time they have accrued, and the maximum dollar amount of sick time that may be earned is $12,000. The monetary value of these earned and unused employee benefits has not been accrued by either charges to operations or to budgets of prior years, although in some cases they might be material, since the realization of this liability may be affected by conditions which preclude an employee from receiving full payment of the accrual. At December 31, 2025, the City estimates this liability to approximate $1,268,603.94 based on 2025 pay rates and compensated absence balances.

NOTE 15: RISK MANAGEMENT

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

Property and Liability Insurance - The City maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2025, and 2024 the City did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The City is a member of the Atlantic County Joint Insurance Fund (JIF) and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The City is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The City has a general liability limit of $50,000 under JIF, which increases to $1,000,000 under MEL.

New Jersey Unemployment Compensation Insurance – The City has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the City is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The City is billed quarterly for amounts due to the State.

NOTE 16: CONTINGENT LIABILITIES

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

NOTE 17: DEFERRED COMPENSATION

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. In 1998 the City of Cape May amended the plan by resolution to comply with a private letter ruling of the Internal Revenue Service that requires assets of deferred compensation plans be held in trust under the beneficial ownership of the Trustee, (City of Cape May) serving as Trustee, for the exclusive benefit of the plan participants and their beneficiaries, and that the assets shall not be diverted to any other purpose. The plan administrator is as follows:

Voya Retirement Insurance and Annuity Company

NOTE 18: INTERFUND BALANCES

During the most current calendar year ended December 31, 2025, the following interfunds were included on the balance sheets of the various funds of the City of Cape May:

	Due From	Due To
Current Fund:		
Animal Control Fund	$ 55.07	
Federal and State Grant Funds	1,046.00	
General Capital Fund		99,728.00
Tourism Operating Fund		168,852.64
Federal and State Grant Fund:		
Current Fund		1,046.00
Beach Capital Fund	380,551.63	
Animal Control Fund:		
Current Fund		55.07
General Capital Fund:		
Current Fund	99,728.00	
Tourism Operating Fund	6,000.00	
Water Sewer Operating Fund:		
Water Sewer Capital Fund	228,000.00	
Water Sewer Capital Fund:		
Water Sewer Operating Fund		228,000.00
Beach Capital Fund:		
Federal and State Grant Fund		380,551.63
Tourism Operating Fund:		
Current Fund	168,852.64	
General Capital Fund		6,000.00
	$ 884,233.34	884,233.34

The balances are primarily the result of disbursements made from the various funds which were not reimbursed prior to year end.

NOTE 19: ECONOMIC DEPENDENCY

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

NOTE 20: CAPITAL LEASE OBLIGATIONS

During the year ended December 31, 2025, the city had capital lease agreements in effect for the following:

The city has a capital lease with U.S. Bancorp Government Leasing and Finance, Inc. for Energy Conservation Measures in the amount of $825,000.00. Semi-annual payments are made on the 1st of May and November through 2031. Interest on the lease is 2.574% per annum.

The following is a schedule of the future capital lease payments.

Year Ending December 31,	Principal	Interest
2026	$ 55,816.22	9,355.52
2027	64,704.47	7,862.04
2028	56,653.28	6,247.97
2029	65,634.97	4,732.35
2030	68,175.17	3,020.30
2031	66,080.22	850.45
	377,064.33	32,068.63

NOTE 21: LENGTH OF SERVICE AWARD PROGRAM

The City's Length of Service Awards Program (LOSAP) was created by a City Ordinance adopted on January 20, 2004 pursuant to Section 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the City of Cape May approved the adoption of the LOSAP at the general election held on January 20, 2004, and the first year of eligibility for entrance into the LOSAP by qualified volunteers was fiscal year 2004. LOSAP provides tax-deferred income benefits to active volunteer firefighters and emergency medical personnel.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the City or its creditors. Since the City does not have a fiduciary relationship with the LOSAP, the balances and activities of the LOSAP are not reported in the City's financial statements.

As required by N.J.A.C. 5:30-14.49, the City must have an annual review of its LOSAP performed in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

NOTE 22: OPERATING LEASE OBLIGATIONS

Operating Leases

In November 2022, the City entered into an agreement to lease a postage machine for City Hall under an operating lease. The term of the lease is 60 months, and it will expire in October 2027. The total monthly payment for the lease is $567.06. The City has the option to purchase the equipment at the termination of the lease for the fair market value.

In June 2021, the City entered into an agreement to lease copy machines for City Hall under an operating lease. The term for the lease is 48 months, and it expired in May 2025. The total monthly payment for the lease was $583.82. The City did not purchase this equipment at the termination of the lease.

In September 2021, the City entered into an agreement to lease copy machines for City Hall under an operating lease. The term for the lease is 48 months, and expired in August 2025. The total monthly payment for the lease is $115.13. The City did not purchase this equipment at the termination of the lease.

In October 2022, the City entered into an agreement to lease copy machines for City Hall under an operating lease. The term for the lease is 48 months, and it will expire in September 2026. The total monthly payment for the lease is $904.27. The City has the option to purchase this equipment at the termination of the lease for the fair market value.

In June 2024, the City entered into an agreement to lease copy machines for City Hall under an operating lease. The term for the lease is 48 months, and it will expire in May 2028. The total monthly payment for the lease is $557,68. The City has the option to purchase this equipment at the termination of the lease for the fair market value.

In August 2024, the City entered into an agreement to lease copy machines for City Hall under an operating lease. The term for the lease is 48 months, and it will expire in July 2028. The total monthly payment for the lease is $350.04. The City has the option to purchase this equipment at the termination of the lease for the fair market value.

In January 2025, the City entered into an agreement to lease copy machines for City Hall under an operating lease. The term for the lease is 48 months, and it will expire in December 2028. The total monthly payment for the lease is $153.52. The City has the option to purchase this equipment at the termination of the lease for the fair market value.

In May 2025, the City entered into an agreement to lease copy machines for City Hall under an operating lease. The term for the lease is 48 months, and it will expire in April 2029. The total monthly payment for the lease is $614.00 The City has the option to purchase this equipment at the termination of the lease for the fair market value.

In May 2025, the City entered into an agreement to lease copy machines for City Hall under an operating lease. The term for the lease is 48 months, and it will expire in April 2029. The total monthly payment for the lease is $185.90. The City has the option to purchase this equipment at the termination of the lease for the fair market value.

In June 2025, the City entered into an agreement to lease copy machines for City Hall under an operating lease. The term for the lease is 48 months, and it will expire in May 2029. The total monthly payment for the lease is $139.38. The City has the option to purchase this equipment at the termination of the lease for the fair market value.

In August 2023, the City entered into an agreement to lease vehicles for the City under an operating lease. The term for the lease was 60 months, and would have expired in July 2028. The total monthly payment for the lease was $32,770.00. In December 2025, the City exercised the option to purchase this equipment.

The total operating lease payments in 2025 and 2024 were $434,845.84 and $394,698.33 respectively.

The following is a schedule of the future minimum lease payments under these leases and the net minimum lease payments at December 31, 2025.

Year		Operating
2026	$	38,949.39
2027		29,676.84
2028		18,352.28
2029		3,896.50
Total minimum lease payments		90,875.01
Less amount representing interest		-
Present value of minimum lease payments	$	90,875.01

NOTE 23: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2025, and May 15, 2026, the date that the financial statements were available for issuance, for possible disclosure and recognition in the financial statements.

Capital Ordinances

On March 17, 2026, the city adopted the following capital ordinance which authorized the following projects to be completed.

Project		Appropriation and Estimated Cost		Estimated Maximum Amount of Bonds & Notes
596-2026 Various Beach Utility Improvements	$	300,000.00	$	300,000.00
597-2026 Various Capital Improvements		3,780,000.00		3,605,997.00
598-2026 Various Water-Sewer Utility Improvements		400,000.00		400,000.00
599-2026 Various Water-Sewer Utility Improvements		1,475,000.00		1,475,000.00
Total	$	5,955,000.00	$	5,780,997.00

On March 31, 2026, the city adopted the following capital ordinance which authorized the following projects to be completed.

Project		Appropriation and Estimated Cost		Estimated Maximum Amount of Bonds & Notes
600-2026 Various Water-Sewer Utility Improvements	$	17,220,000.00	$	17,220,000.00
Total	$	17,220,000.00	$	17,220,000.00

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SUPPLEMENTARY INFORMATION

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

To the Honorable Mayor and
Members of the City Council
City of Cape May
County of Cape May, 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 financial statements – regulatory basis, as listed in the accompanying table of contents, of the City of Cape May, State of New Jersey, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 15, 2026, which was adverse due to being presented in accordance with the New Jersey Regulatory Basis of Accounting. Our report disclosed that, as described in Note 1 to the financial statements, the City of Cape May prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's control over financial reporting (internal control) as a basis for designing 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

May 15, 2026

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INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE & NJ OMB 25-12

The Honorable Mayor and
Members of the City Council
City of Cape May
County of Cape May, New Jersey

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal Program

We have audited the City of Cape May's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and NJ OMB 25-12 that could have a direct and material effect on each of the City of Cape May's major federal and state programs for the year ended December 31, 2025. The City of Cape May's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Cape May complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and NJ OMB 25-12. Our responsibilities under those standards, OMB Circular Uniform Guidance and NJ OMB 25-12, are further described in the Auditor's Responsibilities for the Audit of Compliance section of this report.

We are required to be independent of City of Cape May and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the City of Cape May's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to its Federal and State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Cape May's s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and NJ OMB 25-12 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Cape May's compliance with the requirements of each major federal or state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Cape May's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Cape May's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJ OMB 25-12, but not for the purpose of expressing an opinion on the effectiveness of City of Cape May's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance or NJ OMB 25-12.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular Uniform Guidance and NJ OMB 25-12. Accordingly, this report is not suitable for any other purpose.

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

Leon P. Costello
Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

May 15, 2026

Schedule 1

SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2025

Federal or State Grantor/Pass-Through Grantor/Program Title	AL Number	Federal FAIN Number	Grant Period From	Grant Period To	Program or Award Amount	Receipts or Revenue Recognized	Budgetary Expenditures Source Pass Through	Budgetary Expenditures Source Direct	Budgetary Expenditures Total	(MEMO) Passed Through to Sub-Recipients
FEDERAL:										
U.S. Department of Treasury										
Passed Through State of New Jersey										
Department of Community Affairs										
Coronavirus State and Local										
Fiscal Recovery Funds - 2024 Boardwalk Preservation Fund	21.027		1/31/2024	12/31/2026	6,722,552.00	3,361,276.00	6,252,802.00		6,252,802.00	-
Total U.S. Department of Treasury						3,361,276.00	6,252,802.00	-	6,252,802.00	-
U.S. Department of Interior										
Historic Preservation Fund Grants-In-Aid										
Civil Rights - Library Project	15.904	P20AP00138	1/1/2021	6/30/2025	500,000.00			488,637.50	488,637.50	-
Total U.S. Department of Interior						-	-	488,637.50	488,637.50	-
Housing and Urban Development										
Passed through State of New Jersey										
Department of Community Affairs										
Small Cities Program CDBG 2021	14.228	B21DC340001	9/22/2021	9/1/2028	400,000.00		334,091.80		334,091.80	-
Small Cities Program CDBG 2023	14.228	B23DC340001	7/1/2023	9/1/2030	400,000.00	89,658.75	39,085.75		39,085.75	-
Small Cities Program CDBG 2024	14.228	B24DC340001	7/1/2024	9/1/2031	270,672.00		252,672.00		252,672.00	-
Total Housing and Urban Development						89,658.75	625,849.55	-	625,849.55	-
Total Federal Assistance						$ 3,450,934.75	6,878,651.55	488,637.50	7,367,289.05	-

See Accompanying Notes to Schedule of Federal Awards

NOTES TO SCHEDULE EXPENDITURES OF
FEDERAL AWARDS FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2025

Note 1: General

The accompanying schedule of federal and state awards includes the federal and state grant activity of the City of Cape May, State of New Jersey and is presented on the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles. Encumbrances are considered in determining single audit threshold on major programs. The City has elected not to use the 10% de minimis indirect cost rate.

Note 2: Relationship to General Purpose Financial Statements

Amounts reported in the accompanying schedule do not agree with amounts reported in the City's financial statements. Receipts from Federal and State grants are realized as revenue when anticipated in the City's budget. Expenditures are recognized when they become payable. Following is a reconciliation of expenditures:

Expenditures - Schedule of Federal Awards	$	7,367,289.05
Plus: State Grants		916,966.91
Plus: Local Grants		3,347,270.11
Expenditures reported on Schedule A-12	$	11,631,526.07

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CITY OF CAPE MAY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2025

Part I -- Summary of Auditor's Results

Financial Statement Section

A) Type of auditor's report issued: Adverse - GAAP Basis, Unmodified Regulatory Basis

B) Internal control over financial reporting:

1) Material weakness(es) identified? ____ yes __X__ no

2) Were significant deficiencies identified that were not considered to be material weaknesses? ____ yes __X__ no

C) Noncompliance material to general-purpose financial statements noted? ____ yes __X__ no

Federal Awards Section

D) Dollar threshold used to determine Type A programs: $ 1,000,000.00

E) Auditee qualified as low-risk auditee? ____ yes __X__ no

F) Type of auditor's report on compliance for major programs: Unmodified

G) Internal Control over compliance:

1) Material weakness(es) identified? ____ yes __X__ no

2) Were significant deficiencies identified that were not considered to be material weaknesses? ____ yes __X__ no

H) Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance ____ yes __X__ no

I) Identification of major programs:

AL Number(s)	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds - 2024 Boardwalk Preservation Fund

CITY OF CAPE MAY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2025

Part I -- Summary of Auditor's Results

State Awards Section - **Not Applicable**

J) Dollar threshold used to determine Type A programs: ______________________

K) Auditee qualified as low-risk auditee? ________ yes ________ no

L) Type of auditor's report on compliance for major programs ______________________

M) Internal Control over compliance:
   1) Material weakness(es) identified? ________ yes ________ no

   2) Were reportable condition(s) identified that were not considered to be material weaknesses? ________ yes ________ no

N) Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 15-08? ________ yes ________ no

O) Identification of major programs:

GMIS Number(s)	Name of State Program

II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS – REGULATORY BASIS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, our audit disclosed the following findings relating to the financial statements – regulatory basis that are required to be reported. We have also issued an accompanying Management Letter.

MANAGEMENT RESPONSES

Management is required to respond to any findings and recommendations in the audit report. A corrective action plan is required to be filed with the Division of Local Government Services, Department of Community Affairs, State of New Jersey within 45 days of the filing of this report.

A corrective action plan is not required for 2025.

III. FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

Federal:

None

State:

Not applicable

STATUS OF PRIOR YEAR FINDINGS

Finding 2024-1:

Recommendation:
We recommend that no down payment be approved unless there is sufficient balance available to be used.

Current Status:

Corrective action has been implemented.

Finding 2024-2:

Recommendation:
We recommend that the General Ledger be maintained in an accurate and timely manner for all funds of the City.

Current Status:

Corrective action has been implemented.

Finding 2024-3:

Recommendation:
We recommend that bank accounts be reconciled within a reasonable time after bank statements are received and that records be maintained accurately. We also recommend that records be reviewed more thoroughly to help prevent invalid entries into the City's accounting software.

Current Status:

Corrective action has been implemented.

Finding 2024-4:

Recommendation:
We recommend that procedures be implemented to ensure that proper amounts are transferred to the payroll account to fund the City's bi-weekly payroll. We also recommend that the payroll account be reconciled timely and an analysis of its balance be maintained.

Current Status:

Corrective action has been implemented.

Finding 2024-5:

Recommendation:
We recommend that year-end close-out procedures be implemented to ensure that the City's Annual Financial Statement is filed timely. We also recommend that procedures be implemented for the submission of chapter 159's and budget emergencies to the State.

Current Status:

Corrective action has been implemented.

Finding 2024-6:

Recommendation:
We recommend that health insurance payments be remitted to the proper agencies promptly and accurately.

Current Status:

Corrective action has been implemented.

Finding 2024-7:

Recommendation:
That no commitment be made, or expenditure approved for payment unless there is a sufficient balance in the proper budget line item.

Current Status:

Corrective action has been implemented.

Exhibit A - 4

CURRENT FUND
SCHEDULE OF CASH - TREASURER

		Current Fund		Grant Fund	
Balance December 31, 2024	$		20,529,995.72		1,907,802.72
Increased by Receipts:					
Tax Collector		33,257,121.88			
Revenue Accounts Receivable		12,407,795.70			
Miscellaneous Revenue		541,893.01			
Due from State - Seniors and Veterans		26,123.97			
Payroll & Payroll Taxes Payable		16,817,161.88			
Reserve for Escow Trust		180,486.18			
Due from TTL Premium		140.49			
Due from Animal Control		4,291.64			
Due from COAH		0.01			
Due to Tourism Operating		168,852.64			
Due from Utility Operating		100,630.30			
Due from Current Fund				306,953.28	
Federal and State Unappropriated Reserves				588,473.92	
Federal and State Receivables				5,069,410.25	
Due to the State of New Jersey:					
DCA Training Fees		35,647.00			
Marriage Licenses		3,525.00			
			63,543,669.70		5,964,837.45
			84,073,665.42		7,872,640.17

See Accompanying Auditor's Report

Exhibit A - 4

CURRENT FUND
SCHEDULE OF CASH - TREASURER

	Current Fund		Grant Fund	
Decreased by Disbursements:				
Current Year Appropriation	24,848,365.58			
Prior Year Appropriations	652,612.07			
County Taxes	11,680,609.68			
Local District School Taxes	1,962,587.00			
Regional School Taxes	8,270,323.00			
Accounts Payable	693.00			
Tax Overpayments	4,124.41			
Petty Cash	250.00			
Reserve for Escrow Trust	146,159.75			
Federal and State Disbursements			7,022,611.01	
Payroll & Payroll Taxes Payable	17,126,999.35			
Due to Grant Fund	305,907.28			
Due to POAA Trust	3,106.00			
Due to Street Opening Trust	11,550.00			
Due to Beach Utility Operating	1,399.00			
Due to Beach Capital			380,551.63	
Due to General Capital	3,069,812.30		191,317.50	
Due to Tourism Operating	241,529.95			
Due to Performance Bond Trust	10,000.00			
Due to Police Off Duty Trust	192,509.57			
Due to Fire Safety Trust	4,600.00			
Due to Lifeguard Pension Trust	46,276.35			
Due to Parking Trust	36,600.00			
Due to Retirement Trust	115,000.00			
Due to the State of New Jersey:				
DCA Training Fees	20,316.40			
Marriage Licenses	4,950.00			
		68,756,280.69		7,594,480.14
Balance December 31, 2025	$	15,317,384.73		278,160.03

See Accompanying Auditor's Report

Exhibit A - 5

CURRENT FUND
SCHEDULE OF CURRENT CASH - COLLECTOR

Balance December 31, 2024		$ -
Increased by Receipts:		
Prepaid Taxes	868,673.85	
Taxes Receivable	32,331,179.21	
Revenue Accounts Receivable	57,268.82	
		33,257,121.88
		33,257,121.88
Payments to Treasurer		33,257,121.88
Balance December 31, 2025		$ -

Exhibit A - 6

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

Year	Balance Dec. 31, 2024	Current Year Levy	Added Taxes	Collections by Cash 2024	Collections by Cash 2025	Adjustments	Transferred To Tax Title Lien	Balance Dec. 31, 2025
Arrears	$ -							-
2024	204,338.30				204,714.33	(376.03)		0.00
	204,338.30	-	-	-	204,714.33	(376.03)	-	0.00
2025	-	33,201,569.75	4,546.68	806,371.51	32,145,313.88	17,392.73	723.57	236,314.74
	$ 204,338.30	33,201,569.75	4,546.68	806,371.51	32,350,028.21	17,016.70	723.57	236,314.74

32,331,179.21	Cash Receipts
25,750.00	Senior Citizens and Veterans
(6,901.00)	Overpayments Applied (Created)
32,350,028.21	

Analysis of Current Year Tax Levy

Tax Yield:		
General Property Tax	33,201,569.75	
Added Taxes (54:4-63.1 et. Seq.)	4,546.68	
		33,206,116.43
Tax Levy:		
General County Taxes	9,550,570.18	
County Library Taxes	1,523,007.24	
County Health Taxes	-	
County Open Space Taxes	563,903.29	
County Added and Omitted Taxes	36,451.52	
Total County Taxes		11,673,932.23
Local School District Tax		1,962,587.00
Additional Local School District Tax		
Regional School District Tax		8,557,251.00
Local Tax for Municipal Purposes	10,932,100.21	
Add: Additional Tax Levied	80,245.99	
		11,012,346.20
		33,206,116.43

See Accompanying Auditor's Report

Exhibit A - 7

CURRENT FUND
SCHEDULE OF TAX TITLE AND OTHER LIENS

Balance December 31, 2024		$	12,874.66
Increased by:			
Transfers from Taxes Receivable	723.57		
			723.57
			13,598.23
Decreased by:			
None	-		
			-
Balance December 31, 2025		$	13,598.23

CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2024	Accrued in 2025	Collected by Collector	Collected by Treasurer	Balance Dec. 31, 2025
Licenses:					
Alcoholic Beverages	$ -	56,128.00		56,128.00	-
Other	-	483,034.63		483,034.63	-
Fees and Permits	-	412,886.91		412,886.91	-
Fines and Costs:					
Municipal Court	37,327.32	396,068.08		396,461.38	36,934.02
Interest and Costs on Taxes	-	57,268.82	57,268.82		-
Interest Earned on Investments	-	702,875.58		702,875.58	-
Parking Meters	-	2,748,974.14		2,748,974.14	-
Hotel Room Tax	-	3,459,285.93		3,459,285.93	-
Lease and Rental Contracts	-	487,189.32		487,189.32	-
TV Cable Receipts	-	45,286.61		45,286.61	-
Victorian Towers - In Lieu of Taxes	-	240,106.84		240,106.84	-
Emergency Medical Services	-	378,393.01		378,393.01	-
Energy Receipts Tax	-	341,658.22		341,658.22	-
Uniform Construction Code Fees	-	878,164.25		878,164.25	-
Interlocal Services Agreement -					
West Cape May - Police Protection	-	337,526.00		337,526.00	-
Cape May Point - Police Protection	-	558,525.00		558,525.00	-
Uniform Fire Safety Act	-	280,799.88		280,799.88	-
Utility Street Improvements	-	50,000.00		50,000.00	-
Reserve to Pay Debt Service	-	300,500.00		300,500.00	-
Reserve for Open Space	-	250,000.00		250,000.00	-
Miscellaneous Revenue Not Anticipated	-	465,483.34		465,483.34	-
	$ 37,327.32	12,930,154.56	57,268.82	12,873,279.04	36,934.02

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2024	Balance After Transfers	Paid or Charges	Balance Lapsed	Over-Expended
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT:					
General Administration					
Salaries & Wages	$ 4,375.28	4,375.28		4,375.28	-
Other Expenses	19,622.35	19,622.35	12,852.31	6,770.04	-
Mayor and Council					
Salaries & Wages	8,662.48	8,662.48		8,662.48	-
Other Expenses	3,941.82	441.82	65.99	375.83	-
City Clerk					
Salaries & Wages	16,998.32	16,998.32		16,998.32	-
Other Expenses	851.89	851.89	220.94	630.95	-
Financial Administration					
Salaries & Wages	3,571.26	3,571.26		3,571.26	-
Other Expenses	1,969.81	1,969.81	1,849.59	120.22	-
Audit Services					
Other Expenses	6,125.00	1,125.00		1,125.00	-
Assessment of Taxes					
Salaries & Wages	18,086.89	18,086.89		18,086.89	-
Other Expenses	17,971.29	5,471.29	3,581.43	1,889.86	-
Preparation of Tax Map - Special Emergency	250,000.00	250,000.00	191,500.00	58,500.00	-
Collection of Taxes					
Salaries & Wages	894.51	894.51		894.51	-
Other Expenses	9,877.48	9,877.48	4,758.54	5,118.94	-
Legal Services					
Other Expenses					
Miscellaneous Other Expenses	44,259.44	26,259.44	24,338.81	1,920.63	-
Engineering & Planning Services					
Other Expenses	6,002.28	2,502.28	1,804.50	697.78	-
Economic Development					
Other Expenses	5,000.00	-		-	-
Emergency Medical Services - Collection					
Contractual Expenses	2,223.01	2,223.01	1,520.10	702.91	-
INSURANCE					
General Liability	20,668.33	8,668.33	2,871.00	5,797.33	-
Workers Compensation Insurance	12,480.97	2,980.97		2,980.97	-
Employee Group Health	1,502,035.88	1,502,035.88	(242,663.81)	1,744,699.69	-
Employee Group Health Waiver					
Salaries & Wages	95,000.00	95,000.00		95,000.00	-

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2024	Balance After Transfers	Paid or Charges	Balance Lapsed	Over-Expended
LAND USE ADMINISTRATION					
Planning Board					
Salaries & Wages	859.75	859.75		859.75	-
Other Expenses	2,520.99	2,520.99	1,680.69	840.30	-
Zoning Board of Adjustment					
Salaries & Wages	3,413.47	3,413.47		3,413.47	-
Other Expenses	2,152.86	2,152.86	1,821.75	331.11	-
PUBLIC SAFETY					
Fire					
Salaries & Wages	21,684.41	21,684.41		21,684.41	-
Other Expenses	10,814.46	10,814.46	9,831.89	982.57	-
Police					
Salaries & Wages	60,093.38	60,093.38		60,093.38	-
Other Expenses	39,384.89	39,384.89	37,219.52	2,165.37	-
Emergency Management Services					
Salaries & Wages	4,723.40	4,723.40		4,723.40	-
Other Expenses	2,675.04	2,675.04	622.29	2,052.75	-
Parking and Traffic Maintenance					
Salaries & Wages	10,310.23	10,310.23		10,310.23	-
Other Expenses	29,032.54	29,032.54	20,152.11	8,880.43	-
Public Safety					
Other Expenses	1,000.00	1,000.00		1,000.00	-
Municipal Court					
Salaries & Wages	23,567.32	23,567.32		23,567.32	-
Other Expenses	36,415.46	36,415.46	1,159.56	35,255.90	-
Public Defender					
Other Expenses	8,300.00	8,300.00		8,300.00	-
PUBLIC WORKS FUNCTION					
Road Repairs and Maintenance					
Other Expenses	78,807.91	68,307.91	63,792.58	4,515.33	-
Sanitary Landfill Contractual					
Other Expenses	1,061.99	1,061.99	1,060.99	1.00	-
Recycling					
Salaries & Wages	47,488.91	47,488.91		47,488.91	-
Other Expenses	5,102.74	5,102.74	5,102.74	-	-

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2024	Balance After Transfers	Paid or Charges	Balance Lapsed	Over-Expended
Public Buildings and Grounds					
Salaries & Wages	23,586.68	23,586.68		23,586.68	-
Other Expenses	61,245.75	116,745.75	110,981.00	5,764.75	-
Emergency - 2024 Lightning Strike	24,504.10	24,504.10	22,491.48	2,012.62	-
Shade Tree Commission					
Other Expenses	28,950.00	28,950.00		28,950.00	-
Property Maintenance Enforcement					
Other Expenses	2,500.00	2,500.00		2,500.00	-
HEALTH AND HUMAN SERVICES					
Uniform Fire Safety					
Salaries & Wages	3,764.08	3,764.08		3,764.08	-
Other Expenses	18,188.94	18,188.94	2,022.25	16,166.69	-
Environmental Commission					
Salaries & Wages	1,000.00	1,000.00		1,000.00	-
Other Expenses	4,883.80	4,883.80	200.00	4,683.80	-
PARKS AND RECREATION FUNCTIONS					
Civic Affairs					
Salaries & Wages	2,064.37	2,064.37		2,064.37	-
Other Expenses	8,386.43	8,386.43	705.00	7,681.43	-
Historic Preservation Commission					
Salaries & Wages	3,189.53	3,189.53		3,189.53	-
Other Expenses	19,171.74	2,171.74	1,861.09	310.65	-
Grants Coordinator					
Other Expenses	975.80	3,975.80	3,612.50	363.30	-
UNIFORM CONSTRUCTION CODE					
State Uniform Construction Code					
Construction Official					
Salaries & Wages	6,617.72	6,617.72		6,617.72	-
Other Expenses	19,600.06	19,600.06	13,824.44	5,775.62	-
UNCLASSIFIED					
Celebration of Public Events, Anniversary or Holiday	5,661.65	5,661.65	3,782.45	1,879.20	-
UTILITY EXPENSES AND BULK PURCHASES					
General Office Operations	5,624.29	43,624.29	42,061.96	1,562.33	-
Street Lighting	15,701.15	15,701.15	15,701.15	-	-
Gas Lighting	12,214.05	12,214.05	7,752.33	4,461.72	-
Gas Lighting - Parts	7,743.00	7,743.00		7,743.00	-

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2024	Balance After Transfers	Paid or Charges	Balance Lapsed	Over-Expended
DEFERRED CHARGES AND STATUTORY EXPENDITURES:					
Statutory Expenditures:					
Contributions to:					
Social Security System (O.A.S.I.)	4,886.23	4,886.23		4,886.23	-
Defined Contribution Retirement Program (DCRP)	9,000.00	9,000.00		9,000.00	-
OPERATIONS - EXCLUDED FROM "CAPS"					
(A) Operations - Excluded from "CAPS"					
Length of Service Award Program - Fire	15,713.00	15,713.00		15,713.00	-
General Liability	41,956.00	41,956.00		41,956.00	-
Workers Compensation Insurance	53,545.00	53,545.00		53,545.00	-
Interlocal Municipal Service Agreements					
Police Protection West Cape May & Cape May Point					
Contractual - West Cape May - Salaries & Wages	32,422.59	32,422.59		32,422.59	-
(A) Public and Private Programs Off-Set by Revenues					
Matching Funds for Grants	25,000.00	25,000.00		25,000.00	-
(C) Capital Improvements					
Improvements to Municipal Facilities					
	437,855.63	437,855.63	437,855.63	-	-
	$ 3,335,979.63	3,335,979.63	807,994.80	2,527,984.83	-
		cash	652,612.07		
		accounts payable	155,382.73		
			807,994.80		

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX

Balance December 31, 2024		
School Tax Payable	$ -	
School Tax Deferred	966,451.80	
		$ 966,451.80
Increased by:		
Levy - School Year July 1, 2024 to June 30, 2025		1,962,587.00
		2,929,038.80
Decreased by:		
Payments		1,962,587.00
Balance December 31, 2025		
School Tax Payable	-	
School Tax Deferred	966,451.80	
		966,451.80
Current Year Liability for Local School District School Tax:		
Tax Paid		1,962,587.00
Tax Payable Ending		-
		1,962,587.00
Less: Deferred		-
Less: Tax Payable Beginning		-
Amount charged to Current Year Operations		$ 1,962,587.00

CURRENT FUND
SCHEDULE OF REGIONAL DISTRICT SCHOOL TAX

Balance December 31, 2024		
School Tax Payable	$ (0.07)	
School Tax Deferred	3,991,697.50	
		$ 3,991,697.43
Increased by:		
Levy - School Year July 1, 2024 to June 30, 2025		8,557,251.00
		12,548,948.43
Decreased by:		
Payments		8,270,323.00
Balance December 31, 2025		
School Tax Payable	(0.07)	
School Tax Deferred	4,278,625.50	
		4,278,625.43
Current Year Liability for Regional School District School Tax:		
Tax Paid		8,270,323.00
Tax Payable Ending		(0.07)
		8,270,322.93
Less: Deferred		-
Less: Tax Payable Beginning		(0.07)
Amount charged to Current Year Operations		$ 8,270,323.00

CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

Purpose		Balance Dec. 31, 2024	Transferred From 2025 Revenues	Received	Balance Dec. 31, 2025
FEDERAL GRANTS:					
Small Cities Grant - Housing Rehab	$	50,000.00			50,000.00
Small Cities Grant - ADA Compliance Grant		72.64			72.64
Small Cities Grant - Water Trans Main		196,655.65			196,655.65
2023 Small Cities CDBG		89,658.75		89,658.75	-
2022 Small Cities-CDBG-Kiwanis Community Park		29,985.35			29,985.35
US Dept of Interior-Civil Rights-Library Project		470,000.00			470,000.00
FEMA - Flood Mitigation Assistance - Seawall		185,124.65		185,124.65	-
2024 Small Cities CDBG - Tennis Club		270,672.00			270,672.00
2024 Boardwalk Preservation Fund		5,041,914.00		3,361,276.00	1,680,638.00
Total Federal		6,334,083.04	-	3,636,059.40	2,698,023.64
STATE GRANTS:					
Smart Growth Planning		2,000.00			2,000.00
DOT FY2013 Transportation Trust Fund		34,450.45			34,450.45
Hazard Mitigation Grant - Watershed Mgmnt Plan		14,962.07			14,962.07
NJDOT - 2015 Muni Aid CM Ave South Side		22,184.46			22,184.46
NJDOT - Bikeway Expansion Project		350,000.00			350,000.00
Cops in Shops - 2019		880.00			880.00
2016 NJ Dept. of Transportation-FY 2016 Bikeway Program		250,000.00			250,000.00
NJ Trans Trust - 2008		35,000.00			35,000.00
NJ Transportation Trust - FY 2016		27,910.19			27,910.19
NJ Transportation Trust - FY 2019		71,250.00			71,250.00
NJ Transportation Trust - FY 2020		185,000.00			185,000.00
DCA Neighborhood Preservation Program		30,000.00			30,000.00
2019 NJDEP-Green Acres-Lafayette Street Park Nature Trail		500,000.00		500,000.00	-
NJ Department of Environmental Protection - EV Charging Station		6,000.00			6,000.00
US Dept. of Homeland Security-Flood Mitigation		18,750.00		10,411.60	8,338.40
Sustainable Jersey 2020		5,000.00			5,000.00
NJDOT Safe Streets		-	250,000.00		250,000.00
NJDOT 2024 Municipal Aid - Ohio Ave.		-	220,269.00	165,201.75	55,067.25
NJDOT 2023 Municipal Aid - Ohio Ave		-	175,000.00	131,250.00	43,750.00

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

Purpose	Balance Dec. 31, 2024	Transferred From 2025 Revenues	Received	Balance Dec. 31, 2025
NJDOT FY2021 Transportation Trust Fund	190,000.00			190,000.00
NJBPU Clean Energy Electric Vehicle Tourism Grant	157,000.00			157,000.00
NJPBU Clean Fleet Electric Vehicle Incentive	3,500.00			3,500.00
2022 NJDEP-Electric Vehicle DC Fast Charger Community Grant	75,000.00			75,000.00
Total State	1,978,887.17	645,269.00	806,863.35	1,817,292.82
OTHER GRANTS:				
County of Cape May Open Space-Lafayette Street Park	1,177,000.00			1,177,000.00
County of Cape May Open Space-Lafayette Street Park Phase IV	-	1,933,172.80		1,933,172.80
County Open Space - CM Stage	6,960.00			6,960.00
County of Cape May - Open Space - Harborview Park	-	1,397,366.10		1,397,366.10
Cape May County Open Space - AME Church	225,487.50		225,487.50	-
County of Cape May - American Rescue Plan Act Infrastructure Grant	-	400,000.00	400,000.00	-
R. Kennedy - Law Enforcement Against Drugs Support	2,940.00			2,940.00
2025 WaWa Foundation Grant	-	1,000.00	1,000.00	-
Total Other	1,412,387.50	3,731,538.90	626,487.50	4,517,438.90
	$ 9,725,357.71	4,376,807.90	5,069,410.25	9,032,755.36

CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS

	Balance December 31, 2024					
	Appropriated	Reserve for Encumbrances	2025 Appropriations	Disbursed	Encumbrances	Balance Dec. 31, 2025
FEDERAL GRANTS:						
USHUD - CDBG - Lafayette Street Park	$ 15,437.83					15,437.83
Small Cities Grant - Housing Rehab	9,666.00					9,666.00
Small Cities Grant - ADA Compliance Grant	72.80					72.80
US Dept of Interior-Civil Rights-Library Project	488,637.50			488,637.50		-
DCA-Small Cities Block Grant-Water Main from Well #8	400,000.00			334,091.80		65,908.20
U.S. Small Business Administration-Shuttered Venue Grant	97,102.83					97,102.83
FEMA - Flood Mitigation Assistance - Seawall	195,536.25					195,536.25
2023 Small Cities CDBG	39,085.75			39,085.75		-
2024 Small Cities CDBG - Tennis Club	252,672.00				252,672.00	-
2024 Boardwalk Preservation Fund	6,252,802.00	331,296.25		3,265,814.87	3,318,283.38	-
Total Federal	7,751,012.96	331,296.25	-	4,127,629.92	3,570,955.38	383,723.91
STATE GRANTS:						
Clean Communities - 2020	(3.00)					(3.00)
Clean Communities - 2021	14,398.17			12,466.80		1,931.37
Clean Communities - 2022	12,366.17			8,684.29	500.00	3,181.88
Clean Communities - 2023	21,777.09					21,777.09
Solid Waste Management Grant - Prior	6,549.13					6,549.13
Solid Waste Management Grant - 2014	2,121.17					2,121.17
Recycling Tonnage - 2019	-	4,178.23			3,660.00	518.23
Recycling Tonnage - 2020	-	1,466.78				1,466.78
Recycling Tonnage - 2021	118.29			118.29		0.00
Recycling Tonnage - 2022	19,091.89			19,091.89		-
Recycling Tonnage - 2023	14,585.62			14,585.62		-
Body Armor Grant - 2021	9.75					9.75
Body Armor Grant - 2022	3,178.13					3,178.13
Body Armor Grant - 2023	2,163.69					2,163.69
Bulletproof Vest Grant - 2016	10.32					10.32
State of NJ - Body Camera Grant	11,818.00				11,729.56	88.44
Housing Inspections	26,031.00					26,031.00
Housing Inspections - 2014	20,934.00			20,934.00		-
Housing Inspections - 2015	16,658.00			16,658.00		-
Housing Inspections - 2016	15,141.00			15,141.00		-
Housing Inspections - 2017	9,341.00			9,341.00		-
Housing Inspections - 2019	9,087.36			9,087.36		-
Housing Inspections - 2020	9,237.00			9,237.00		-
Housing Inspections - 2021	2,703.00			2,703.00		-
Housing Inspections - 2022	6,877.00			6,877.00		-
Housing Inspections - 2023	8,407.00					8,407.00
Alcohol Education and Rehabilitation	1,555.88					1,555.88
NJLPS COPS in Shops - 2015	1,200.00					1,200.00
Sustainable Jersey Small Cities	1,117.00					1,117.00

See Accompanying Auditor's Report

Exhibit A - 12

CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS

	Balance December 31, 2024					
	Appropriated	Reserve for Encumbrances	2025 Appropriations	Disbursed	Encumbrances	Balance Dec. 31, 2025
DOT FY2013 Transportation Trust Fund - CM Ave	52,783.00					52,783.00
2015 Hazard Mitigation Grant -Energy Allocation	100,000.00					100,000.00
Hazard Mitigation Grant - Seawall Development Assistance	-	14.28		14.28		-
Hazard Mitigation Grant - Watershed Mgmnt Plan	2,609.94					2,609.94
NJDOT - 2015 Muni Aid CM Ave South Side	40,034.46					40,034.46
Transportation Trust Fund - CM Ave Phase III	31,248.11					31,248.11
Cops in Shops - 2016	1,800.00					1,800.00
Cops in Shops - 2017	1,800.00					1,800.00
Cops in Shops - 2018	3,960.00					3,960.00
Cops in Shops - 2019	3,960.00					3,960.00
Cops in Shops - 2020	2,249.92					2,249.92
Cops in Shops - 2021	2,834.60					2,834.60
Cops in Shops - 2022	554.96					554.96
Cops in Shops - 2023	960.00					960.00
NJDOT - Bikeway Expansion Project	350,000.00					350,000.00
2016 NJ Dept. of Transportation-FY 2016 Bikeway Program	250,000.00					250,000.00
NJ Transportation Trust - FY 2016	43,210.19					43,210.19
NJ Transportation Trust - FY 2018	2,433.82					2,433.82
2019 NJ Transportation Trust Fund Authority-Reconstruc of PA Ave	-	383.94				383.94
NJDOT Safe Streets	-		250,000.00	24,527.37		225,472.63
NJDOA Water/Waste Water	-		18,000.00			18,000.00
NJDOT 2024 Municipal Aid - Ohio Ave.	-		220,269.00	220,269.00		-
NJDOT 2023 Municipal Aid - Ohio Ave.	-		175,000.00	175,000.00		-
2015 Emergency Management-EMAA Grant	912.29			912.29		-
2016 Emergency Management-EMAA Grant	9,400.00			9,400.00		-
2017 Emergency Management-EMAA Grant	10,000.00			10,000.00		-
2018 Emergency Management-EMAA Grant	10,000.00			5,500.00		4,500.00
2019 Emergency Management-EMAA Grant	10,000.00					10,000.00
2020 Emergency Management-EMAA Grant	10,000.00					10,000.00
2021 Emergency Management-EMAA Grant	10,000.00					10,000.00
2023 Emergency Management-EMAA Grant	1,908.39					1,908.39
DCA Neighborhood Preservation Program	1,028.50					1,028.50
2019 NJDEP-Green Acres-Lafayette Street Park Nature Trail	500,000.00			284,583.49		215,416.51
New Jersey Department of Environmental Protection	2,346.90					2,346.90
NJ Department of Environmental Protection - EV Charging Station	6,000.00					6,000.00
2022 NJDEP-Electric Vehicle DC Fast Charger Community Grant	75,000.00					75,000.00
Sustainable Jersey 2020	10,000.00			9,992.29		7.71
NJDCA Neighborhood Preservation Program	31,771.50	29,426.50		59,953.11		1,244.89
NJBPU Clean Energy Electric Vehicle Tourism Grant	-	8,530.00				8,530.00
Total State	1,815,280.24	43,999.73	663,269.00	945,077.08	15,889.56	1,561,582.33

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS

	Balance December 31, 2024					
	Appropriated	Reserve for Encumbrances	2025 Appropriations	Disbursed	Encumbrances	Balance Dec. 31, 2025
OTHER GRANTS:						
Geraldine R. Dodge Foundation	1,888.04			1,062.00		826.04
Estate of Edward Ross - 2016 Educational Purposes	27,870.92					27,870.92
Estate of Edward Ross - 2016 Educational Purposes	24,000.00					24,000.00
Estate of Edward Ross - 2016 Educational Purposes	15,096.85					15,096.85
County of Cape May Open Space-Lafayette St. Park	1,177,000.00					1,177,000.00
County of Cape May - Open Space - Harborview Park	-		1,397,366.10		1,397,366.10	-
County Open Space - CM Stage	6,960.00					6,960.00
County of Cape May Open Space-Lafayette Street Park Phase IV	-		1,933,172.80	1,933,172.80		-
County of Cape May - American Rescue Plan Act Infrastructure Grant	-		400,000.00			400,000.00
R. Kennedy - Law Enforcement Against Drugs Support	156.28			156.28		-
Robert Kennedy Donation to CMPD Mission Lead Cap	2,940.00			1,145.00		1,795.00
R. Kennedy Lead Supplies 2023	3,000.00					3,000.00
BOE Gazebo	7,917.50					7,917.50
2023 Next Gen 30, INC Donation -Kiwanis Park Benches	5,000.00					5,000.00
WaWa Foundation-Police Vest Grant 2019	5.89					5.89
2021 WaWa Foundation Grant - Police Department Equipment	204.62			204.62		0.00
2023 WaWa Foundation Grant	10,000.00			10,000.00		-
2024 WaWa Foundation Grant	10,000.00			4,163.31		5,836.69
2025 WaWa Foundation Grant	-		1,000.00			1,000.00
Total Other	1,292,040.10	-	3,731,538.90	1,949,904.01	1,397,366.10	1,676,308.89
	$ 10,858,333.30	375,295.98	4,394,807.90	7,022,611.01	4,984,211.04	3,621,615.13

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES

Purpose		Balance Dec. 31, 2024	Transferred To 2025 Approproriations	Received	Balance Dec. 31, 2025
FEDERAL GRANTS:					
American Rescue Plan	$	358,175.79			358,175.79
Total Federal		358,175.79	-	-	358,175.79
STATE GRANTS:					
Body Armor-2024		2,379.41			2,379.41
Housing Inspections		13,783.00			13,783.00
Housing Inspections		-		6,588.00	6,588.00
2024 Emergency Management-EMAA Grant		10,000.00			10,000.00
Cops in Shops - 2024		960.00			960.00
Cops in Shops - 2025		-		2,255.36	2,255.36
Recycling Tonnage Grant-2024		17,374.78			17,374.78
Recycling Tonnage Grant-2025		-		12,743.66	12,743.66
Clean Communities-2024		24,735.03			24,735.03
Clean Communities-2025		-		24,532.60	24,532.60
Comm Cap Needs Grant		15,600.00			15,600.00
Predevelopment Planning Grant - Wastewater		18,000.00	18,000.00		-
State of NJ - Water Resource Mgmt Grant		15,000.00			15,000.00
Alcohol Education & Rehab		612.92			612.92
2025 Safe Neighborhood		37,500.00		87,500.00	125,000.00
NJDOT-Pennsylvania		-		96,250.00	96,250.00
SCBG19		-		123,942.31	123,942.31
ACBG21		-		210,149.49	210,149.49
Total State		155,945.14	18,000.00	563,961.42	701,906.56
OTHER GRANTS:					
WaWa Police Grant		-		10,000.00	10,000.00
2019 FMA County		-		14,512.50	14,512.50
Total Other		-	-	24,512.50	24,512.50
	$	514,120.93	18,000.00	588,473.92	1,084,594.85

See Accompanying Auditor's Report

TRUST FUND
SCHEDULE OF ANIMAL CONTROL CASH - TREASURER

Balance December 31, 2024		$	6,838.23
Increased By Receipts:			
Dog License Fees	910.00		
Late Fees	192.00		
State License Fees	207.00		
Interest Earned	192.01		
			1,501.01
			8,339.24
Decreased By Disbursements:			
Paid to State of NJ	204.60		
Dog Fund Expenditures	782.80		
			5,279.04
Balance December 31, 2025		$	3,060.20

Exhibit B-2

TRUST FUND
SCHEDULE OF OTHER TRUST CASH - TREASURER

Balance December 31, 2024		$	5,479,596.26
Increased By Receipts:			
Due Current Fund	419,641.92		
Due Water Sewer Utility	22,500.00		
Revenue Accounts Receivable	726.00		
Fire Safety	274.99		
Unemployment Contributions	60,228.66		
Retirement Contributions	44,449.97		
Lifeguard Pensions	167,546.50		
Police Forfeiture Account	665.43		
POAA Receipts	9,047.30		
TTL Premiums	128,395.36		
Parking Escrow	44,331.31		
Fishermen's Memorial Account	577.43		
Police Off-Duty Account	3,112.62		
Neighborhood Revitalization	4,177.29		
Security Deposits	778.46		
DARE Receipts	15.71		
SCBG Loan	21,869.67		
Public Assistance	104.46		
Performance Bond	91,833.82		
Street Opening	14,446.98		
Flexible Spending	427,468.88		
Dellas Field	20.19		
COAH	420,878.23		
			1,883,091.18
			7,362,687.44
Decreased By Disbursements:			
Due Current Fund	140.50		
Unemployment	53,077.29		
POAA	3,276.42		
Lifeguard Pensions	106,293.14		
Performance Bond	10,292.00		
Flexible Spending	405,807.28		
Fishermen's Memorial Account	200.00		
COAH	50,920.30		
			630,006.93
Balance December 31, 2025		$	6,732,680.51

Exhibit B-3

TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance December 31, 2024			$	2,539.99
Increased By:				
Dog Licenses Fees Collected	$	910.00		
Late Fees Collected		192.00		
Interest Received		192.01		
				1,294.01
				3,834.00
Decreased By:				
Animal Control Expenditures		782.80		
Statutory Excess due to Current Fund		55.07		
				837.87
Balance December 31, 2025			$	2,996.13

License Fees Collected	Year		
	2023		1,522.75
	2024		1,473.38
		$	2,996.13

Exhibit B-4

TRUST - OTHER FUND
STATEMENT OF DUE TO CURRENT FUND

Balance December 31, 2024	$	4,291.64
Increased By:		
Statutory Excess due to Current Fund		55.07
		4,346.71
Decreased By:		
Statutory Excess due to Current Fund		4,291.64
Balance December 31, 2025	$	55.07

Exhibit B-5

TRUST - OTHER FUND
STATEMENT OF DUE (TO)FROM STATE OF NEW JERSEY

Balance December 31, 2024	$	(6.60)
Increased by:		
Paid to State of New Jersey		204.60
		198.00
Decreased by:		
Licenses Issued in 2025		207.00
		207.00
Balance December 31, 2025	$	(9.00)

Exhibit C - 2

GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER

Balance December 31, 2024		$	9,560,092.79
Increased by:			
Due from Current Fund	3,254,551.67		
Due from Grant Fund	191,317.50		
Capital Improvement Fund	220,000.00		
Deferred Charges to Future Taxation - Unfunded	1,907,380.00		
Reserve for Open Space	467,100.00		
Reserve for Payment of Bonds	1,956.01		
General Serial Bond Issued	19,145,000.00		
			25,187,305.18
			34,747,397.97
Decreased by:			
Improvement Authorizations	7,215,913.28		
Bond Anticipation Notes	8,200,000.00		
Due to Current Fund	184,739.37		
Reserve for Open Space	250,000.00		
Reserve for Payment of Bonds	300,500.00		
			16,151,152.65
Balance December 31, 2025		$	18,596,245.32

GENERAL CAPITAL FUND
ANALYSIS OF CASH

		Balance Dec. 31, 2024	Receipts Miscellaneous	Receipts Debt Issued	Disbursements Improvement Authorizations	Disbursements Miscellaneous	Transfers From	Transfers To	Balance Dec. 31, 2025
Fund Balance		$ 1,416,921.01							1,416,921.01
Due from Current Fund		(3,069,812.30)	3,254,551.67			184,739.37	99,728.00		(99,728.00)
Due from Grant Fund		(191,317.50)	191,317.50						-
Due from Tourism Utility Operating Fund		-					6,000.00		(6,000.00)
MAC Receivable		-					104,762.00		(104,762.00)
Capital Improvement Fund		-	220,000.00				324,762.00	104,762.00	-
Encumbrances Payable		7,401,764.45					7,401,764.45	12,444,106.57	12,444,106.57
Deferred Charge - Overexpenditure of Capital Improvement Fund		(99,728.00)						99,728.00	-
Reserve for Payment of Bonds		404,612.97	1,956.01			300,500.00			106,068.98
Reserve for Open Space		3,718,569.00	467,100.00			250,000.00			3,935,669.00
Reserve Other - Mall Improvements		26,575.60							26,575.60
NJEIT Loan Receivable		(35,670.53)							(35,670.53)
State Grant Receivable		(303,066.77)							(303,066.77)
Improvement Authorizations:									
235-2011	ADA Improvements	1,586.84			1,586.84				-
252-2012	Various Improvements	21,851.59			(1,586.84)		11,320.78		12,117.65
263-2013	Acquisition of Open Space	(499,969.00)	500,000.00						31.00
269-2013	Various Improvements	239,172.78			687.94		695.21	1,383.15	239,172.78
279-2014	Various Improvements	351,764.86			1,642.80		500.00	2,142.80	351,764.86
292-2015	Various Improvements	-			6,655.17			6,655.17	-
302-2016	Various Improvements	3,453.61							3,453.61
306-2016	Various Improvements	-			1,230.25			1,230.25	-
311-2016	Improvements to Lafayette Street Park	(200,000.00)	200,000.00		59,721.88			854,502.61	794,780.73
315-2017	Various Improvements	-			23,486.54			23,486.54	-
343-2018	Preliminary Expenses for the Constuction of a new Public Safety Building	8,211.21					8,211.21		0.00
352-2018	Various Improvements	37,745.25			1,382.27			1,382.27	37,745.25
384-2019	Franklin Street School Library	0.00							0.00
399-2020	Various Improvements	127,040.01	100,000.00		12,832.83		100,000.01	46,386.10	160,593.27
402-2020	Construction of New Fire Station	1,041.95			18,813.80		13,862.28	33,926.08	2,291.95
413-2021	Acquisition of Real Property	13,604.29			287.00			190.88	13,508.17
418-2021	Acquisition of Body Cameras	480.00							480.00
437-2021	Various Improvements	925.86			2,776.00		6,575.36	9,765.92	1,340.42
459-2022	Construction of Police Station	(128,900.00)		4,750,000.00	240,047.20		4,643,052.80	262,000.00	-
470-2022	Various Improvements	191,800.32	118,577.18		7,958.09		252,354.70	54,645.99	104,710.70
501-2023	Various Improvements	995,875.99	296,201.01		1,166,839.00		514,102.60	677,711.16	288,846.56
511-2023	Fire Truck & Apparatus	23,937.22			862.86		976,062.78	976,062.78	23,074.36
538-2024	Various Improvements	(1,459,267.00)	384,221.11	4,100,000.00	5,762,900.44		1,000,609.81	4,450,292.75	711,736.61
547-2024	Various Improvements	560,889.08	242,060.00		204,145.42		594,097.66	6,000.00	10,706.00
553-2025	Various Improvements	-		2,000,000.00	196,180.42			104,762.00	1,908,581.58
566-2025	Various Improvements	-		950,000.00	296,142.67		4,322,661.37	220,000.00	(3,448,804.04)
		$ 9,560,092.79	5,975,984.48	11,800,000.00	8,004,592.58	735,239.37	20,381,123.02	20,381,123.02	18,596,245.32

See Accompanying Auditor's Report

Exhibit C - 4

GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance December 31, 2024		$	-
Increased by:			
Budget Appropriation	220,000.00		
Due from MAC	104,762.00		
			324,762.00
			324,762.00
Decreased by:			
Improvement Authorizations Funded	324,762.00		
			324,762.00
Balance December 31, 2025		$	-

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

Balance December 31, 2024		$	27,024,750.81
Increased by:			
Serial Bond Issued	19,145,000.00		
			19,145,000.00
			46,169,750.81
Decreased by:			
Serial Bonds Paid	3,520,000.00		
Green Trust Loan Principal Paid	19,887.18		
Capital Lease Payable	52,799.30		
			3,592,686.48
Balance December 31, 2025		$	42,577,064.33

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

Ord #	Improvement Description	Balance Dec. 31, 2024	2025 Authorizations	Debt Issued	Budget Appropriation	Balance Dec. 31, 2025	Analysis of Balance: Bond Anticipation Notes	Analysis of Balance: Expenditures	Analysis of Balance: Unexpended Improvement Authorizations
263-2013	Acquisition of Open Space	$ 500,000.00			500,000.00	-			
311-2016	Improvements to Lafayette Street Park	200,000.00			200,000.00	-			
399-2020	Various Improvements	100,000.00			100,000.00	-			
459-2022	Construction of Police Station	4,750,000.00		4,750,000.00		-			
470-2022	Various Improvements	60,000.00		60,000.00		-			
501-2023	Various Improvements	2,190,000.00		2,190,000.00		-			
511-2023	Fire Truck & Apparatus	950,000.00		950,000.00		-			
538-2024	Various Improvements	9,352,380.00		9,100,000.00	252,380.00	-			
553-2025	Various Improvements	-	2,095,238.00	2,000,000.00		95,238.00			95,238.00
566-2025	Various Improvements	-	4,400,000.00	950,000.00		3,450,000.00		3,448,804.04	1,195.96
		$ 18,102,380.00	6,495,238.00	20,000,000.00	1,052,380.00	3,545,238.00	-	3,448,804.04	96,433.96

See Accompanying Auditor's Report

Exhibit C - 7

GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord #	Improvement Description	Ord. Date	Amount	Balance December 31, 2024 Funded	Balance December 31, 2024 Unfunded	Authorizations Other Funding	Authorizations Deferred Charges to Future Taxation	Paid or Charged	Balance December 31, 2025 Funded	Balance December 31, 2025 Unfunded
235-2011	ADA Improvements	6/8/2011	500,000	$ 1,586.84				1,586.84	-	
252-2012	Various Improvements	5/15/2012	2,080,000	21,851.59				9,733.94	12,117.65	
263-2013	Acquisition of Open Space	3/19/2013	3,400,000		31.00				31.00	
269-2013	Various Improvements	5/21/2013	1,900,000	239,172.78				-	239,172.78	
279-2014	Various Improvements	6/2/2014	1,900,000	351,764.86				-	351,764.86	
292-2015	Various Improvements	5/19/2015	1,499,675	-				-	-	
302-2016	Various Improvements	3/15/2016	375,000	3,453.61					3,453.61	
306-2016	Various Improvements	5/17/2016	3,000,000	-				-	-	
311-2016	Improvements to Lafayette Street Park	11/14/2016	1,500,000		-			(794,780.73)	794,780.73	
315-2017	Various Improvements	5/16/2017	3,000,000	-				-	-	
343-2018	Preliminary Expenses for the Constuction of a new Public Safety Building	3/20/2018	300,000	8,211.21				8,211.21	-	
352-2018	Various Improvements	6/19/2018	1,700,000	37,745.25				-	37,745.25	
384-2019	Franklin Street School Library	11/18/2019	2,000,000	0.00					0.00	
399-2020	Various Improvements	6/16/2020	1,985,800	127,040.01	100,000.00			66,446.74	160,593.27	
402-2020	Construction of New Fire Station	2/16/2021	5,000,000	1,041.95				(1,250.00)	2,291.95	
413-2021	Acquisition of Real Property	3/2/2021	450,000	13,604.29				96.12	13,508.17	
418-2021	Acquisition of Body Cameras	4/6/2021	105,000	480.00					480.00	
437-2021	Various Improvements	8/17/2021	2,703,500	925.86				(414.56)	1,340.42	
459-2022	Construction of Police Station	4/19/2022	5,000,000		4,621,100.00			4,621,100.00		-
470-2022	Various Improvements	6/21/2022	2,484,500		191,800.32			87,089.62	104,710.70	
501-2023	Various Improvements	6/7/2023	5,556,285		995,875.99			707,029.43	288,846.56	
511-2023	Fire Truck & Apparatus	7/18/2023	1,000,000		23,937.22			862.86	23,074.36	
538-2024	Various Improvements	7/2/2024	9,820,000		2,893,113.00			2,181,376.39	711,736.61	
547-2024	Various Improvements	11/18/2024	560,889	560,889.08				550,183.08	10,706.00	
553-2025	Various Improvements	3/18/2025	2,200,000			104,762.00	2,095,238.00	196,180.42	1,908,581.58	95,238.00
566-2025	Various Improvements	7/1/2025	4,620,000			220,000.00	4,400,000.00	4,618,804.04		1,195.96
				$ 1,367,767.33	8,825,857.53	324,762.00	6,495,238.00	12,252,255.40	4,664,935.50	96,433.96

Exhibit C - 8a

GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2025 Date	Amount	Interest Rate	Balance Dec. 31, 2024	Increased	Decreased	Balance Dec. 31, 2025
General Obligation Bonds of 2013	7/15/2013	10,700,000	7/15/2026	920,000.00	4.000%	$ 2,730,000.00		920,000.00	1,810,000.00
			7/15/2027	890,000.00	4.000%				
General Obligation Bonds of 2014	6/17/2014	6,035,000				815,000.00		815,000.00	-
General Obligation Bonds of 2019	7/11/2019	10,155,000	2/1/2026	850,000.00	5.000%	6,890,000.00		800,000.00	6,090,000.00
			2/1/2027	930,000.00	4.000%				
			2/1/2028	980,000.00	3.000%				
			2/1/2029	1,050,000.00	2.250%				
			2/1/2030	1,150,000.00	3.000%				
			2/1/2031	1,130,000.00	3.000%				
General Obligation Bonds of 2021	10/13/2021	7,670,000	10/15/2026	460,000.00	3.000%	6,530,000.00		420,000.00	6,110,000.00
			10/15/2027	460,000.00	3.000%				
			10/15/2028	500,000.00	4.000%				
			10/15/2029	500,000.00	2.000%				
			10/15/2030	540,000.00	2.000%				
			10/15/2031	540,000.00	2.000%				
			10/15/2032	580,000.00	2.000%				
			10/15/2033	580,000.00	2.000%				
			10/15/2034	615,000.00	2.000%				
			10/15/2035	655,000.00	2.000%				
			10/15/2036	680,000.00	2.000%				
General Obligation Bonds of 2023	9/14/2023	10,840,000	9/1/2026	570,000.00	5.000%	9,610,000.00		565,000.00	9,045,000.00
			9/1/2027	610,000.00	5.000%				
			9/1/2028	655,000.00	5.000%				
			9/1/2029	715,000.00	5.000%				
			9/1/2030	760,000.00	5.000%				
			9/1/2031	815,000.00	4.000%				
			9/1/2032	835,000.00	4.000%				
			9/1/2033	930,000.00	4.000%				
			9/1/2034	1,015,000.00	4.000%				
			9/1/2035	1,050,000.00	4.000%				
			9/1/2036	1,090,000.00	4.000%				
General Obligation Bonds of 2025	8/27/2025	20,000,000.00	9/1/2026	860,000.00	5.000%	-	19,145,000.00		19,145,000.00
			9/1/2027	960,000.00	5.000%				
			9/1/2028	1,055,000.00	5.000%				
			9/1/2029	1,055,000.00	5.000%				
			9/1/2030	1,150,000.00	5.000%				
			9/1/2031	1,150,000.00	5.000%				
			9/1/2032	1,245,000.00	4.000%				
			9/1/2033	1,245,000.00	4.000%				
			9/1/2034	1,340,000.00	4.000%				
			9/1/2035	1,340,000.00	4.000%				
			9/1/2036	1,435,000.00	4.000%				
			9/1/2037	1,435,000.00	4.000%				
			9/1/2038	1,530,000.00	4.000%				
			9/1/2039	1,625,000.00	4.000%				
			9/1/2040	1,720,000.00	4.000%				
						$ 26,575,000.00	19,145,000.00	3,520,000.00	42,200,000.00

See Accompanying Auditor's Report

GENERAL CAPITAL FUND
SCHEDULE OF GREEN TRUST LOAN PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2025 Date	Maturities of Bonds Outstanding December 31, 2025 Amount	Interest Rate	Balance Dec. 31, 2024	Increased	Decreased	Balance Dec. 31, 2025
Harborview Park	11/3/2005	324,621			2.000%	$ 19,887.18		19,887.18	-
	This loan is paid semi annually. The amount for principal and interest is $10,093.00. The loan ends on August 9, 2025.								
						$ 19,887.18	-	19,887.18	-

See Accompanying Auditor's Report

GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL LEASE PAYABLE

Purpose	Date of Loan	Amount of Original Issue	Maturities of Capital Lease Outstanding December 31, 2025 Date	Maturities of Capital Lease Outstanding December 31, 2025 Amount	Interest Rate	Balance Dec. 31, 2024	Increased	Decreased	Balance Dec. 31, 2025
ESIP Lease	5/1/2017	$ 825,000	5/1/2026	$ 27,204.08	2.574%	$ 429,863.63		52,799.30	377,064.33
			11/1/2026	28,612.14	2.574%				
			5/1/2027	31,615.12	2.574%				
			11/1/2027	33,089.35	2.574%				
			5/1/2028	27,619.49	2.574%				
			11/1/2028	29,033.79	2.574%				
			5/1/2029	32,076.91	2.574%				
			11/1/2029	33,558.06	2.574%				
			5/1/2030	33,833.83	2.574%				
			11/1/2030	34,341.34	2.574%				
			5/1/2031	66,080.22	2.574%				
						$ 429,863.63	-	52,799.30	377,064.33

See Accompanying Auditor's Report

Exhibit C - 9

GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES

Improvement Description	Ordinance Number	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2024	Increased	Decreased	Balance Dec. 31, 2025
Various Improvements	470-2022	9/12/2024	9/12/2024	9/11/2025	3.750%	$ 60,000.00		60,000.00	-
Various Improvements	501-2023	9/12/2024	9/12/2024	9/11/2025	3.750%	2,190,000.00		2,190,000.00	-
Fire Truck & Apparatus	511-2023	9/12/2024	9/12/2024	9/11/2025	3.750%	950,000.00		950,000.00	-
Various Improvements	538-2024	9/12/2024	9/12/2024	9/11/2025	3.750%	5,000,000.00		5,000,000.00	-
						$ 8,200,000.00	-	8,200,000.00	-

See Accompanying Auditor's Report

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2024	2025 Authorizations	Debt Issued	Budget Appropriation	Balance Dec. 31, 2025
263-2013	Acquisition of Open Space	$ 500,000.00			500,000.00	-
311-2016	Improvements to Lafayette Street Park	200,000.00			200,000.00	-
399-2020	Various Improvements	100,000.00			100,000.00	-
459-2022	Construction of Police Station	4,750,000.00		4,750,000.00		-
470-2022	Various Improvements	-		-		-
501-2023	Various Improvements	-		-		-
511-2023	Fire Truck & Apparatus	-		-		-
538-2024	Various Improvements	4,352,380.00		4,100,000.00	252,380.00	-
553-2025	Various Improvements	-	2,095,238.00	2,000,000.00		95,238.00
566-2025	Various Improvements	-	4,400,000.00	950,000.00		3,450,000.00
		$ 9,902,380.00	6,495,238.00	11,800,000.00	1,052,380.00	3,545,238.00

See Accompanying Auditor's Report

Exhibit D - 5

WATER AND SEWER UTILITY FUND
SCHEDULE OF CASH - TREASURER

	Operating Fund		Capital Fund	
Balance December 31, 2024	$	2,120,017.98		4,233,831.77
Increased by Receipts:				
Water and Sewer Rent Collected	7,317,303.13			
Reserve for Debt Service			95,088.69	
Miscellaneous Revenue	317,505.57			
Due from Utility Capital Fund	414,412.00			
Capital Improvement Fund			10,000.00	
		8,049,220.70		105,088.69
		10,169,238.68		4,338,920.46
Decreased by Disbursements:				
Current Appropriations	7,508,543.03			
Appropriation Reserves	36,172.77			
Due to Current Fund	100,630.30			
Due to Trust Fund	22,500.00			
Improvement Authorizations			3,257,131.75	
Due to Utility Operating Fund			414,412.00	
		7,667,846.10		3,671,543.75
Balance December 31, 2025	$	2,501,392.58		667,376.71

See Accompanying Auditor's Report

WATER AND SEWER UTILITY CAPITAL FUND
ANALYSIS OF CASH

	Balance	Receipts		Disbursements		Transfers		Balance
	Dec. 31, 2024	Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To	Dec. 31, 2025
Fund Balance	$ 378,306.34							378,306.34
Capital Improvement Fund	200,000.00	10,000.00						210,000.00
Due to WS Utility Operating Fund	417,412.00	160,142.34			574,554.34		225,000.00	228,000.00
Reserve for Debt Service	317,981.35	95,088.69				225,000.00		188,070.04
NJEIT Loans Receivable	(37,126.47)							(37,126.47)
NJEIT Loans Receivable - 2018 A-1	(214,563.00)							(214,563.00)
NJEIT Loans Receivable - 1998	(15,000.00)							(15,000.00)
Encumbrances Payable	1,877,903.77					1,877,903.77	7,617,940.62	7,617,940.62
Improvement Authorizations:								
1291 Various Utility Improvements	3,085.29							3,085.29
36-2005 Various Utility Improvements	75,465.26							75,465.26
61-2006 System Improvements	6,984.19			6,984.19				-
62-2006 System Improvements (USDA)	7,636.84			7,636.84				-
109-2007 System Improvements	7,007.17			7,007.17				-
149-2008 System Improvements	6,214.64			2,625.30				3,589.34
154-2008 System Improvements	13,024.66							13,024.66
155-2008 System Improvements	2,604.89							2,604.89
179-2009 System Improvements	269,781.62					1,000.00		268,781.62
207-2010 System Improvements	28,958.13							28,958.13
230-2011 System Improvements	473,887.84							473,887.84
250-2012 System Improvements	91,433.34			12,362.10		31,325.00		47,746.24
268-2013 System Improvements	3,359.59							3,359.59
281-2014 System Improvements	4,116.93							4,116.93
293-2015 System Improvements	175,425.75			59,846.00		63,000.00		52,579.75
298-2015 System Improvements	-			99.14			444.98	345.84
307-2016 System Improvements	1,996.96						1,924.16	3,921.12
316-2017 System Improvements	2,634.00							2,634.00
353-2018 System Improvements	3,684.96			321.53				3,363.43
398-2020 System Improvements	225,338.75			38,078.66			441.00	187,701.09
436-2021 System Improvements	(34,322.88)			87,343.09		82,500.00	215,524.98	11,359.01
469-2022 System Improvements	20,606.64			19,784.75			5,182.65	6,004.54
521-2023 System Improvements	1,169,278.25			525,303.73		411,293.37	519,489.75	752,170.90
537-2024 System Improvements	(1,249,285.04)			583,888.90		1,098,476.45	1,134,896.25	(1,796,754.14)
564-2025 System Improvements	-			136,633.89		358,217.60		(494,851.49)
567-2025 System Improvements	-			1,588,919.39		5,483,565.73		(7,072,485.12)
579-2025 System Improvements	-			180,297.07		88,562.47		(268,859.54)
	$ 4,233,831.77	265,231.03	-	3,257,131.75	574,554.34	9,720,844.39	9,720,844.39	667,376.71

See Accompanying Auditor's Report

Exhibit D - 8

WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

Balance December 31, 2024		$	251,218.83
Increased by Receipts:			
Consumer Accounts Charges and Levies	7,431,761.14		
Overpayments Created	21,925.82		
			7,453,686.96
			7,704,905.79
Decreased by Disbursements:			
Collections	7,317,303.13		
Adjustments	31,553.97		
Overpayments Applied	27,389.65		
			7,376,246.75
Balance December 31, 2025		$	328,659.04

Exhibit D - 9

WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF UTILITY LIENS

Balance December 31, 2024		$	-
Increased by Receipts:			
None	-		
			-
			-
Decreased by Disbursements:			
None	-		
			-
Balance December 31, 2025		$	-

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

	Balance Dec. 31, 2024	Balance After Transfers	Paid or Charges	Balance Lapsed	Over-Expended
Operating:					
Salaries and Wages	$ 32,100.73	32,100.73		32,100.73	-
Other Expenses	421,307.87	421,307.87	41,876.82	379,431.05	-
Deferred Charges and Statutory Expenditures:					
Social Security System (O.A.S.I.)	12,850.80	12,850.80		12,850.80	-
	$ 466,259.40	466,259.40	41,876.82	424,382.58	-

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

Balance December 31, 2024		$	141,647.51
Increased by:			
Budget Appropriations	133,561.04		
			133,561.04
			275,208.55
Decreased By:			
Payments of Debt Service Interest	141,647.51		
			141,647.51
Balance December 31, 2025		$	133,561.04

Analysis of Accrued Interest December 31, 2025

Principal Outstanding December 31, 2025	Interest Rate	From	To	Days	Amount
360,000.00	Var.	8/1/2025	12/31/2025	150	5,151.04
2,510,000.00	Var.	8/1/2025	12/31/2025	150	34,583.33
4,860,000.00	Var.	12/15/2025	12/31/2025	15	8,100.00
7,014,000.00	4.00%	9/10/2025	12/31/2025	110	85,726.67
14,744,000.00					133,561.04

Exhibit D - 12

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

						Authorizations				
		Ord.		Balance December 31, 2024		Other	Deferred Charges to Future	Paid or	Balance December 31, 2025	
Ord #	Improvement Description	Date	Amount	Funded	Unfunded	Funding	Taxation	Charged	Funded	Unfunded
1291	Various Utility Improvements	4/14/2003	550,000	$ 3,085.29					3,085.29	
36-2005	Various Utility Improvements	6/21/2005	2,000,000		75,465.26					75,465.26
61-2006	Various Utility Improvements	5/16/2006	1,000,000	6,984.19				6,984.19	-	
62-2006	Various Utility Improvements	5/16/2006	1,500,000	7,636.84				7,636.84	-	
109-2007	System Improvements	6/19/2007	1,000,000	7,007.17				7,007.17	-	
149-2008	System Improvements	5/20/2008	1,000,000	6,214.64				2,625.30	3,589.34	
154-2008	System Improvements	6/17/2008	2,000,000	13,024.66					13,024.66	
155-2008	System Improvements	6/17/2008	2,100,000		2,604.89					2,604.89
179-2009	System Improvements	5/19/2009	900,000	69,781.62	200,000.00			1,000.00	68,781.62	200,000.00
207-2010	System Improvements	6/15/2010	1,000,000		28,958.13					28,958.13
230-2011	System Improvements	3/22/2011	1,350,000	372,287.84	101,600.00				372,287.84	101,600.00
250-2012	System Improvements	5/15/2012	1,263,000		91,433.34			43,687.10		47,746.24
268-2013	System Improvements	5/21/2013	1,050,000		3,359.59					3,359.59
281-2014	System Improvements	6/2/2014	1,150,000		4,116.93					4,116.93
293-2015	System Improvements	5/19/2015	994,000		175,425.75			122,846.00		52,579.75
298-2015	System Improvements	12/15/2015	500,000		-			(345.84)		345.84
307-2016	System Improvements	5/17/2016	1,200,000	1,996.96				(1,924.16)	3,921.12	
316-2017	System Improvements	5/16/2017	769,000		2,634.00					2,634.00
353-2018	System Improvements	6/19/2018	1,019,000		3,684.96			321.53		3,363.43
398-2020	System Improvements	6/16/2020	1,270,000		225,338.75			37,637.66		187,701.09
436-2021	System Improvements	8/17/2021	1,000,000		677.12			(45,681.89)		46,359.01
469-2022	System Improvements	6/21/2022	1,364,000		20,606.64			14,602.10		6,004.54
521-2023	System Improvements	10/17/2023	2,000,000		1,169,278.25			417,107.35		752,170.90
537-2024	System Improvements	7/2/2024	1,800,000		550,714.96			547,469.10		3,245.86
564-2025	System Improvements	7/1/2025	2,355,000				2,355,000.00	494,851.49		1,860,148.51
567-2025	System Improvements	6/26/2025	8,750,000				8,750,000.00	7,072,485.12		1,677,514.88
579-2025	System Improvements	10/7/2025	350,000				350,000.00	268,859.54		81,140.46
				$ 488,019.21	2,655,898.57	-	11,455,000.00	8,997,168.60	464,689.87	5,137,059.31

See Accompanying Auditor's Report

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, 2025 Date	Maturities of Bonds Outstanding December 31, 2025 Amount	Interest Rate	Balance Dec. 31, 2024	Increased	Decreased	Balance Dec. 31, 2025
Various Capital Improvements	7/15/2013	2,335,000				$ 150,000.00		150,000.00	-
Various Capital Improvements	7/15/2014	2,700,000				280,000.00		280,000.00	-
Various Capital Improvements	7/11/2019	4,250,000	2/1/2026	360,000.00	5.00%	2,850,000.00		340,000.00	2,510,000.00
			2/1/2027	380,000.00	4.00%				
			2/1/2028	400,000.00	3.00%				
			2/1/2029	440,000.00	2.25%				
			2/1/2030	450,000.00	3.00%				
			2/1/2031	480,000.00	3.00%				
Utility Refunding Bonds, Series 2021	12/15/2021	5,505,000	6/15/2026	175,000.00	4.00%	5,030,000.00		170,000.00	4,860,000.00
			6/15/2027	180,000.00	4.00%				
			6/15/2028	190,000.00	4.00%				
			6/15/2029	200,000.00	4.00%				
			6/15/2030	205,000.00	4.00%				
			6/15/2031	215,000.00	4.00%				
			6/15/2032	220,000.00	4.00%				
			6/15/2033	235,000.00	4.00%				
			6/15/2034	245,000.00	4.00%				
			6/15/2035	255,000.00	4.00%				
			6/15/2036	260,000.00	4.00%				
			6/15/2037	275,000.00	4.00%				
			6/15/2038	285,000.00	4.00%				
			6/15/2039	180,000.00	4.00%				
			6/15/2040	190,000.00	4.00%				
			6/15/2041	195,000.00	4.00%				
			6/15/2042	205,000.00	4.00%				
			6/15/2043	210,000.00	4.00%				
			6/15/2044	220,000.00	4.00%				
			6/15/2045	230,000.00	4.00%				
			6/15/2046	240,000.00	4.00%				
			6/15/2047	250,000.00	4.00%				
						$ 8,310,000.00	-	940,000.00	7,370,000.00

See Accompanying Auditor's Report

Exhibit D - 13a

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF WATER AND SEWER LOANS

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2025 Date	Maturities of Bonds Outstanding December 31, 2025 Amount	Interest Rate	Balance Dec. 31, 2024	Increased	Decreased	Balance Dec. 31, 2025
System Improvements									
NJ-EIT	5/22/2018	430,000	8/1/2026	10,000.00	5.000%	$ 370,000.00		10,000.00	360,000.00
			8/1/2027	10,000.00	5.000%				
			8/1/2028	10,000.00	3.000%				
			8/1/2029	15,000.00	3.000%				
			8/1/2030	15,000.00	3.000%				
			8/1/2031	15,000.00	3.000%				
			8/1/2032	15,000.00	3.125%				
			8/1/2033	15,000.00	3.125%				
			8/1/2034	15,000.00	3.250%				
			8/1/2035	15,000.00	3.250%				
			8/1/2036	15,000.00	3.375%				
			8/1/2037	15,000.00	3.375%				
			8/1/2038	15,000.00	3.375%				
			8/1/2039	15,000.00	3.375%				
			8/1/2040	20,000.00	3.500%				
			8/1/2041	20,000.00	3.500%				
			8/1/2042	20,000.00	3.500%				
			8/1/2043	20,000.00	3.500%				
			8/1/2044	20,000.00	3.500%				
			8/1/2045	20,000.00	3.500%				
			8/1/2046	20,000.00	3.500%				
			8/1/2047	25,000.00	3.500%				

See Accompanying Auditor's Report

Exhibit D - 13a

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF WATER AND SEWER LOANS

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2025 Date	Amount	Interest Rate	Balance Dec. 31, 2024	Increased	Decreased	Balance Dec. 31, 2025
System Improvements									
NJ-EIT	5/22/2018	1,252,948	2/1/2026	14,078.06		819,727.73		42,234.19	777,493.54
			8/1/2026	28,156.13					
			2/1/2027	14,078.06					
			8/1/2027	28,156.13					
			2/1/2028	14,078.06					
			8/1/2028	28,156.13					
			2/1/2029	14,078.06					
			8/1/2029	28,156.13					
			2/1/2030	14,078.06					
			8/1/2030	28,156.13					
			2/1/2031	14,078.06					
			8/1/2031	28,156.13					
			2/1/2032	14,078.06					
			8/1/2032	28,156.13					
			2/1/2033	14,078.06					
			8/1/2033	28,156.13					
			2/1/2034	14,078.06					
			8/1/2034	28,156.13					
			2/1/2035	14,078.06					
			8/1/2035	28,156.13					
			2/1/2036	14,078.06					
			8/1/2036	28,156.13					
			2/1/2037	14,078.06					
			8/1/2037	28,156.13					
			2/1/2038	14,078.06					
			8/1/2038	28,156.13					
			2/1/2039	14,078.06					
			8/1/2039	28,156.13					
			2/1/2040	14,078.06					
			8/1/2040	28,156.13					
			2/1/2041	14,078.06					
			8/1/2041	28,156.13					
			2/1/2042	14,078.06					
			8/1/2042	28,156.13					
			2/1/2043	14,078.06					
			8/1/2043	28,156.13					
			2/1/2044	14,078.06					
			8/1/2044	3,200.06					
					$	1,189,727.73	-	52,234.19	1,137,493.54

See Accompanying Auditor's Report

Exhibit D - 14

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 Dec. 31, 2024	Increased	Decreased	Balance Dec. 31, 2025
Various Utility Improvements	36-2005	12/23/2022	*	*	*	$ 116,500.00			116,500.00
System Improvements	179-2009	12/23/2022	*	*	*	100,000.00			100,000.00
System Improvements	250-2012	8/24/2023	*	*	*	163,000.00			163,000.00
System Improvements	281-2014	8/24/2023	*	*	*	152,500.00			152,500.00
System Improvements	293-2015	8/24/2023	*	*	*	200,000.00			200,000.00
System Improvements	298-2015	8/24/2023	*	*	*	100,000.00			100,000.00
System Improvements	316-2017	8/24/2023	*	*	*	69,000.00			69,000.00
System Improvements	353-2018	12/23/2022	9/12/2024	9/11/2025	3.750%	354,000.00		354,000.00	-
		12/23/2022	9/10/2025	9/9/2026	4.000%	-	354,000.00		354,000.00
System Improvements	398-2020	12/23/2022	9/12/2024	9/11/2025	3.750%	500,000.00		500,000.00	-
		12/23/2022	9/10/2025	9/9/2026	4.000%	-	500,000.00		500,000.00
System Improvements	436-2021	12/23/2022	9/12/2024	9/11/2025	3.750%	800,000.00		800,000.00	-
		12/23/2022	9/10/2025	9/9/2026	4.000%	-	800,000.00		800,000.00
System Improvements	469-2022	12/23/2022	9/12/2024	9/11/2025	3.750%	1,360,000.00		1,360,000.00	-
		12/23/2022	9/10/2025	9/9/2026	4.000%	-	1,360,000.00		1,360,000.00
System Improvements	155-2008	12/30/2023	**	**	**	315,000.00			315,000.00
System Improvements	179-2009	12/30/2023	**	**	**	100,000.00			100,000.00
System Improvements	207-2010	12/30/2023	**	**	**	50,000.00			50,000.00
System Improvements	230-2011	12/30/2023	**	**	**	100,000.00			100,000.00
System Improvements	268-2013	12/30/2023	**	**	**	50,000.00			50,000.00
System Improvements	293-2015	12/30/2023	**	**	**	200,000.00			200,000.00
System Improvements	298-2015	12/30/2023	**	**	**	200,000.00			200,000.00
System Improvements	353-2018	12/30/2023	**	**	**	50,000.00			50,000.00
System Improvements	398-2020	12/30/2023	**	**	**	770,000.00			770,000.00
System Improvements	436-2021	12/30/2023	**	**	**	165,000.00			165,000.00
System Improvements	500-2023	9/12/2024	9/12/2024	9/11/2025	3.750%	2,000,000.00		2,000,000.00	-
			9/10/2025	9/9/2026	4.000%	-	2,000,000.00		2,000,000.00
System Improvements	521-2023	9/12/2024	9/12/2024	9/11/2025	3.750%	2,000,000.00		2,000,000.00	-
			9/10/2025	9/9/2026	4.000%	-	2,000,000.00		2,000,000.00
						$ 9,915,000.00	7,014,000.00	7,014,000.00	9,915,000.00

* Note held by the Water and Sewer Operating Fund
** Note held by the Current Fund

See Accompanying Auditor's Report

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

Ordinance Number			Balance Dec. 31, 2024	2025 Authorizations	Debt Issued	Balance Dec. 31, 2025
436-2021	System Improvements	$	35,000.00			35,000.00
537-2024	System Improvements		1,800,000.00			1,800,000.00
564-2025	System Improvements		-	2,355,000.00		2,355,000.00
567-2025	System Improvements		-	8,750,000.00		8,750,000.00
579-2025	System Improvements		-	350,000.00		350,000.00
		$	1,835,000.00	11,455,000.00	-	13,290,000.00

See Accompanying Auditor's Report

Exhibit E - 5

BEACH UTILITY FUND
SCHEDULE OF CASH - TREASURER

	Operating Fund		Capital Fund	
Balance December 31, 2024	$	2,792,837.59		684,706.67
Increased by Receipts:				
Beach Rent Collected	3,736,434.50			
Miscellaneous Anticipated Revenue	109,984.00			
Miscellaneous Not Anticipated Revenue	90.00			
Due from Current Fund	1,399.00			
Due from Beach Operating			179,900.00	
		3,847,907.50		179,900.00
		6,640,745.09		864,606.67
Decreased by Disbursements:				
Current Appropriations	4,019,954.80			
Appropriation Reserves	73,464.01			
Due to Beach Capital	179,900.00			
Improvement Authorizations			545,356.36	
		4,273,318.81		545,356.36
Balance December 31, 2025	$	2,367,426.28		319,250.31

See Accompanying Auditor's Report

BEACH UTILITY CAPITAL FUND
ANALYSIS OF CASH

	Balance Dec. 31, 2024	Receipts: Miscellaneous	Receipts: Debt Issued	Disbursements: Improvement Authorizations	Disbursements: Miscellaneous	Transfers: From	Transfers: To	Balance Dec. 31, 2025
Fund Balance	$ 121,924.62							121,924.62
Capital Improvement Fund	484,000.00	20,000.00						504,000.00
Reserve to Pay Bonds	77,353.96							77,353.96
Due from Beach Operating	(159,900.00)	159,900.00						-
Due to Grant Fund	-						380,551.63	380,551.63
Encumbrances Payable	149,063.80					149,063.80	1,583,858.22	1,583,858.22
Improvement Authorizations:								
Ord. Number								
29-2005 Various Utility Improvements	9,268.59			9,268.59				-
63-2006 Various Utility Improvements	818.12			818.12				-
108-2007 Various Utility Improvements	128.24			128.24				-
150-2008 Various Utility Improvements	715.64			544.64				171.00
178-2009 Various Beach Utility Improvements	17,553.50			5,422.43				12,131.07
188-2009 ADA Phase II	10,606.90							10,606.90
208-2010 Various Utility Improvements	33,767.49			25,813.77				7,953.72
231-2011 Various Utility Improvements	(19,187.96)			8,110.46				(27,298.42)
236-2011 Beach Replenishment	(16,925.25)							(16,925.25)
251-2012 Various Utility Improvements	4.09							4.09
267-2013 Various Beach Utility Improvements	555.28			46,924.68			46,493.68	124.28
280-2014 Various Beach Utility Improvements	2,417.52			1,383.03				1,034.49
294-2015 Various Beach Utility Improvements	2,696.19			2,696.19				-
310-2016 Various Beach Utility Improvements	15.07			15.07				(0.00)
314-2017 Various Beach Utility Improvements	3,276.74			3,276.74			645.00	645.00
354-2018 Various Beach Utility Improvements	1,272.25			1,272.25			4,184.85	4,184.85
435-2021 Various Beach Utility Improvements	1,874.98			1,841.87			137.35	170.46
468-2022 Various Beach Utility Improvements	356.90			61,009.82			60,652.92	-
536-2024 Various Beach Utility Improvements	(36,950.00)			300,510.46		730,551.63	36,950.00	(1,031,062.09)
565-2025 Various Beach Utility Improvements	-			76,320.00		1,233,858.22		(1,310,178.22)
	$ 684,706.67	179,900.00	-	545,356.36	-	2,113,473.65	2,113,473.65	319,250.31

See Accompanying Auditor's Report

BEACH UTILITY OPERATING FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2024	Balance After Transfers	Paid or Charges	Balance Lapsed	Over-Expended
Operations:					
Beach Front (Lifeguards)	$				
Salaries & Wages	112,067.03	112,067.03	26,203.30	85,863.73	-
Other Expenses	21,417.81	21,417.81	9,610.95	11,806.86	-
Beach Tag Program					
Salaries & Wages	3,578.81	3,578.81		3,578.81	-
Other Expenses	30,932.40	30,932.40	28,157.56	2,774.84	-
Insurance					
Employee Group Insurance	17,000.00	17,000.00		17,000.00	-
Audit Services					
Other Expenses	4,375.00	4,375.00		4,375.00	-
Legal					
Other Expenses	6,000.00	6,000.00		6,000.00	-
Road Repairs & Maintenance					
Other Expenses	6,736.31	6,736.31	4,321.17	2,415.14	-
Public Buildings & Grounds					
Other Expenses	1,167.93	1,167.93	1,093.63	74.30	-
General Administration					
Other Expenses	2,615.74	2,615.74		2,615.74	-
Sanitary Landfill					
Other Expenses	4,164.98	4,164.98		4,164.98	-
Beach Safety					
Other Expenses	10,000.00	10,000.00		10,000.00	-
Operating					
Salaries & Wages	27,000.00	27,000.00		27,000.00	-
Other Expenses	3,538.34	3,538.34		3,538.34	-
Engineering & Planning					
Other Expenses	22,563.54	22,563.54	4,162.50	18,401.04	-
Deferred Charges and Statutory Expenditures:					
Social Security System	18,594.88	18,594.88		18,594.88	-
	$ 291,752.77	291,752.77	73,549.11	218,203.66	-

See Accompanying Auditor's Report

BEACH UTILITY OPERATING FUND
SCHEDULE OF ACCRUED INTEREST ON BONDS, LOANS AND NOTES AND ANALYSIS OF BALANCE

Balance December 31, 2024		$	34,866.67
Increased by:			
Budget Appropriations	28,033.33		
			28,033.33
			62,900.00
Decreased By:			
Payments of Debt Service Interest	34,866.67		
			34,866.67
Balance December 31, 2025		$	28,033.33

Analysis of Accrued Interest December 31, 2025

Principal Outstanding December 31, 2025	Interest Rate	From	To	Days	Amount
240,000.00	3.00%	7/15/2025	12/31/2025	165	3,300.00
240,000.00	5.00%	8/1/2025	12/31/2025	150	4,500.00
1,360,000.00	5.00%	9/1/2025	12/31/2025	120	20,233.33
1,840,000.00					28,033.33

Exhibit E - 12

BEACH UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord #	Improvement Description	Ord. Date	Amount	Balance December 31, 2024 Funded	Balance December 31, 2024 Unfunded	Authorizations Other Funding	Authorizations Deferred Charges to Future Taxation	Paid or Charged	Balance December 31, 2025 Funded	Balance December 31, 2025 Unfunded
29-2005	Various Utility Improvements	5/17/2005	724,000	$ 9,268.59				9,268.59	-	
63-2006	Various Utility Improvements	5/16/2006	510,000	818.12				818.12	-	
108-2007	Various Utility Improvements	6/19/2007	180,000	128.24				128.24	-	
150-2008	Various Utility Improvements	5/20/2008	630,000	715.64				544.64	171.00	
178-2009	Various Beach Utility Improvements	5/19/2009	175,000	17,553.50				5,422.43	12,131.07	
188-2009	ADA Phase II	9/15/2009	400,000	10,606.90					10,606.90	
208-2010	Various Utility Improvements	6/15/2010	215,000	33,767.49	40,000.00			25,813.77	7,953.72	40,000.00
231-2011	Various Utility Improvements	3/22/2011	200,000		20,812.04			8,110.46		12,701.58
236-2011	Beach Replenishment	7/5/2011	300,000		23,074.75					23,074.75
251-2012	Various Utility Improvements	5/15/2012	300,000	4.09					4.09	
267-2013	Various Beach Utility Improvements	5/21/2013	475,000	555.28				431.00	124.28	
280-2014	Various Beach Utility Improvements	6/2/2014	165,000	2,417.52				1,383.03	1,034.49	
294-2015	Various Beach Utility Improvements	5/19/2015	198,100	2,696.19				2,696.19	-	
310-2016	Various Beach Utility Improvements	10/18/2016	300,000	15.07				15.07	(0.00)	
314-2017	Various Beach Utility Improvements	5/16/2017	411,000	3,276.74				2,631.74	645.00	
354-2018	Various Beach Utility Improvements	6/19/2018	393,000	1,272.25				(2,912.60)	4,184.85	
435-2021	Various Beach Utility Improvements	8/17/2021	410,000	1,874.98				1,704.52	170.46	
468-2022	Various Beach Utility Improvements	6/21/2022	445,000	356.90				356.90	(0.00)	
536-2024	Various Beach Utility Improvements	7/2/2024	1,400,000		1,363,050.00			994,112.09		368,937.91
565-2025	Various Beach Utility Improvements	7/1/2025	2,000,000				2,000,000.00	1,310,178.22		689,821.78
				$ 85,327.50	1,446,936.79	-	2,000,000.00	2,360,702.41	37,025.86	1,134,536.02

Cash Disbursed	$ 545,356.36
Encumbered	1,434,794.42
Due to Grant Fund	380,551.63
	$ 1,980,150.78

See Accompanying Auditor's Report

BEACH UTILITY CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2025 Date	Amount	Interest Rate	Balance Dec. 31, 2024	Increased	Decreased	Balance Dec. 31, 2025
Various Capital Improvements	7/15/2014	2,005,000	7/15/2026	240,000.00	3.00%	$ 440,000.00		200,000.00	240,000.00
Various Capital Improvements	7/11/2019	760,000	2/1/2026	120,000.00	5.00%	360,000.00		120,000.00	240,000.00
			2/1/2027	120,000.00	4.00%				
Various Capital Improvements	9/14/2023	1,650,000	9/1/2026	100,000.00	5.00%	1,455,000.00		95,000.00	1,360,000.00
			9/1/2027	110,000.00	5.00%				
			9/1/2028	120,000.00	5.00%				
			9/1/2029	140,000.00	5.00%				
			9/1/2030	160,000.00	5.00%				
			9/1/2031	170,000.00	4.00%				
			9/1/2032	180,000.00	4.00%				
			9/1/2033	190,000.00	4.00%				
			9/1/2034	190,000.00	4.00%				
						$ 2,255,000.00	-	415,000.00	1,840,000.00

BEACH UTILITY CAPITAL FUND
SCHEDULE OF BOND AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number		Balance Dec. 31, 2024	2025 Authorizations	Budget Appropriation	Balance Dec. 31, 2025
208-2010	Various Utility Improvements	$ 40,000.00			40,000.00
231-2011	Various Utility Improvements	40,000.00			40,000.00
236-2011	Beach Replenishment	40,000.00			40,000.00
536-2024	Various Beach Utility Improvements	1,400,000.00			1,400,000.00
565-2025	Various Beach Utility Improvements	-	2,000,000.00		2,000,000.00
		$ 1,520,000.00	2,000,000.00	-	3,520,000.00

See Accompanying Auditor's Report

Exhibit F - 5

TOURISM UTILITY FUND
SCHEDULE OF CASH - TREASURER

			Operating Fund
Balance December 31, 2024	$		2,666,097.12
Increased by Receipts:			
Tourism Fees		1,353,320.70	
Miscellaneous Revenue Not Anticipated		46,281.27	
Due from Current Fund		241,529.95	
			1,641,131.92
			4,307,229.04
Decreased by Disbursements:			
Current Appropriations		1,533,385.91	
Appropriation Reserves		106,949.30	
Change Fund		150.00	
			1,640,485.21
Balance December 31, 2025	$		2,666,743.83

Exhibit F - 9

TOURISM UTILITY OPERATING FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

		Balance Dec. 31, 2024	Balance After Transfers	Paid or Charges	Balance Lapsed	Over-Expended
Operating:						
Other Expenses	$	154,622.03	154,622.03	107,344.30	47,277.73	-
Statutory Expenditures:						
Social Security System		12,852.72	12,852.72		12,852.72	-
	$	167,474.75	167,474.75	107,344.30	60,130.45	-

See Accompanying Auditor's Report

CITY OF CAPE MAY

PART II

GENERAL COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2025

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 therefore, except as is provided otherwise in this act or specifically by any other law." Effective July 1, 2020, the bid threshold was $44,000. However, effective July 1, 2025, pursuant to subsection b. of section 9 of P.L. 1971, c. 198 (C.40A:11-9), the governing body can establish the bid threshold at $53,000 with the appointment of a qualified purchasing agent. The City adopted the bid threshold of $53,000.

The governing body of the City of Cape May 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 City Council'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:

- Boat Recovery and Disposal
- Electric Vehicle Trolley Supply in the City of Cape May
- Generator Maintenance Services in the City of Cape May
- HVAC Maintenance and Repair Services
- Electrical Maintenance and Repair Services
- Tree Trimming, Maintenance and Stump Grinding Services in the City of Cape May
- NJ Water Bank - Sanitary Sewer and Water System Improvements
- Police Headquarters Building
- Harborview Park Improvements Project
- Sidewalk Improvement Project
- Cape May Beach Patrol Addition and Alterations
- Lease of Beach Concessions Parcel(s) A through I – Term: 2026-2030

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.

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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 City Council of the City of Cape May, 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 City of Cape May, 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 City Council of the City of Cape May, 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.

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

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

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

Year	Number
2025	1
2024	1
2023	1

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

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:

Type	Number Mailed
Payments of 2025 and 2026 Taxes	25
Delinquent Taxes	25
Payment of Water and Sewer Rents	25
Delinquent Water and Sewer Rents	10
Total	85

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.

		Currently	
Year	Tax Levy	Cash Collections	Percentage of Collections
2025	$ 33,206,116.43	32,951,685.39	99.23%
2024	31,918,145.42	31,710,420.51	99.35%
2023	32,113,420.01	31,908,339.87	99.36%
2022	30,627,744.76	30,371,673.78	99.16%
2021	29,809,009.92	29,603,794.41	99.31%

Comparative Schedule of Tax Rate Information

	2025	2024	2023	2022	2021
Tax Rate	$ 1.093	1.057	1.074	1.032	1.018
Apportionment of Tax Rate:					
Municipal	0.361	0.361	0.361	0.361	0.363
County	0.384	0.365	0.377	0.348	0.316
Local School	0.065	0.065	0.067	0.066	0.065
Regional School	0.283	0.266	0.269	0.257	0.274
Assessed Valuation	3,028,160,800	3,007,475,900	2,972,014,100	2,948,578,600	2,912,777,800

Delinquent Taxes and Tax Title Liens

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

Year	Amount of Tax Title Liens	Amount of Delinquent Taxes	Total Delinquent	Percentage Of Tax Levy
2025	$ 13,598.23	236,314.74	249,912.97	0.75%
2024	12,874.66	204,338.30	217,212.96	0.68%
2023	12,174.93	288,675.28	300,850.21	0.94%
2022	11,463.94	254,484.56	265,948.50	0.87%
2021	10,780.76	182,848.63	193,629.39	0.65%

Uniform Construction Code

The City of Cape May'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.

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RECOMMENDATIONS

None

In accordance with the Division of Local Government Services Regulations, a corrective action plan must be prepared and filed by the City Council 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

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

May 15, 2026

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