

**CITY OF CAPE MAY
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2016**

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CITY OF CAPE MAY
PART I
REPORT ON AUDIT OF
FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED
DECEMBER 31, 2016



FORD - SCOTT

& ASSOCIATES, L.L.C.

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Cape May, as of December 31, 2016 and 2015, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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, 2016 and 2015, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Note 20 of the financial statements, the City participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$257,689.43 and \$251,240.44 for 2016 and 2015 respectively were not audited and, therefore, we express no opinion on the LOSAP program.

Qualified Opinion on Regulatory Basis of Accounting

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cape May’s basic financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards, 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 the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2017 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 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

June 23, 2017

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**EXHIBIT - A
CURRENT FUND**

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

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Regular Fund:		
Cash:		
Treasurer	\$ 6,488,359.58	6,365,379.96
Petty Cash and Change Funds	950.00	950.00
Total Cash	<u>6,489,309.58</u>	<u>6,366,329.96</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	174,346.09	261,684.86
Tax Title and Other Liens	7,609.78	7,059.00
Property Acquired for Taxes - at Assessed Valuation	83,316.00	83,316.00
Revenue Accounts Receivable	5,637.97	4,920.71
Due from State:		
Chapter 20 P.L. 1971	6,126.80	5,376.80
Interfund Receivable:		
TTL Premium	2.84	7.17
Animal Control	489.89	818.35
Utility Operating	645.25	-
Federal and State Grant Funds	269,027.60	270,352.28
Total Receivables and Other Assets	<u>547,202.22</u>	<u>633,535.17</u>
Total Regular Fund	<u>7,036,511.80</u>	<u>6,999,865.13</u>
Federal and State Grant Fund:		
Cash	175,826.06	175,720.29
Federal and State Grants Receivable	2,699,846.46	2,898,058.89
Revolving Loan Receivable	600,000.00	600,000.00
Total Federal and State Grant Fund	<u>3,475,672.52</u>	<u>3,673,779.18</u>
Total Current Fund	<u>\$ 10,512,184.32</u>	<u>10,673,644.31</u>

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2016</u>	<u>2015</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 1,323,573.18	1,023,529.12
Reserve for Encumbrances/Accounts Payable	565,424.99	627,978.44
Prepaid Taxes	567,646.94	576,359.02
Overpaid Taxes	-	175.32
County Added Tax Payable	18,776.96	10,518.59
Local School Tax Payable (Overpaid)	(14,842.24)	-
Regional School Tax (Overpaid)	(0.07)	-
Due to State:		
Marriage Licenses	500.00	550.00
DCA Training Fees	4,708.00	4,013.00
Interfund Payable:		
Trusts Other	357.75	-
Utility Operating	-	365.49
Other:		
Payroll Taxes Payable	26,690.83	43,213.01
Tax Title Lien Exchange	1,482.58	1,482.58
Reserve for Section 8	16,394.81	16,394.81
Reserve for Codification of Ordinances	353.16	353.16
Reserve for Purchase of Ambulance	160.71	160.71
Reserve for Payment of Bonds and Coupons	15,080.51	15,080.51
Reserve for Escrow Deposits	136,213.37	83,168.91
Reserve for State Tax Appeal	4,558.48	4,558.48
Reserve for Revaluation	48,455.00	48,455.00
Reserve for Master Plan	27,744.12	27,744.12
	<u>2,743,279.08</u>	<u>2,484,100.27</u>
Reserve for Receivables and Other Assets	541,075.42	628,158.37
Fund Balance	<u>3,752,157.30</u>	<u>3,887,606.49</u>
Total Regular Fund	<u>7,036,511.80</u>	<u>6,999,865.13</u>
Federal and State Grant Fund:		
Unappropriated Reserves	31,707.89	19,004.90
Appropriated Reserves	2,574,765.49	2,565,782.75
Reserve for Encumbrances/Accounts Payable	171.54	218,639.25
Due to Current Fund	269,027.60	270,352.28
Reserve for Revolving Loans Receivable	600,000.00	600,000.00
Total Federal and State Grant Fund	<u>3,475,672.52</u>	<u>3,673,779.18</u>
Total Current Fund	<u>\$ 10,512,184.32</u>	<u>10,673,644.31</u>

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

	2016	2015
Revenue and Other Income Realized		
Fund Balance	\$ 2,184,000.00	2,184,000.00
Miscellaneous Revenue Anticipated	7,946,496.44	8,427,805.55
Receipts from Delinquent Taxes	261,684.86	306,938.48
Receipts from Current Taxes	23,248,504.65	24,026,178.64
Non Budget Revenue	158,697.19	136,618.92
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	755,157.91	1,085,974.45
Interfund Returned	2,255.97	146,710.35
Total Income	34,556,797.02	36,314,226.39
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	5,888,099.00	5,705,576.00
Other Expenses	5,085,236.00	5,156,797.00
Deferred Charges & Statutory Expenditures	1,574,763.00	1,547,892.00
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	749,776.00	735,074.00
Other Expenses	1,880,639.59	2,844,550.21
Capital Improvements	372,000.00	322,000.00
Debt Service	2,564,705.70	2,407,155.73
Deferred Charges	-	17,500.00
Local District School Tax	1,753,077.28	1,652,850.04
Regional District School Tax	5,511,008.43	6,272,174.50
County Tax	6,962,758.25	6,945,391.71
County Share of Added Tax	18,776.96	10,518.59
Interfund Created	1,243.75	271,177.80
Refund of Prior Year's Revenue	3,024.68	269.86
Cancellation of Grants	-	5,072.14
Prior Year Accounts Payable	143,137.57	6,131.07
Total Expenditures	32,508,246.21	33,900,130.65
Excess/(Deficit) in Revenue	2,048,550.81	2,414,095.74

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

	2016	2015
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	-	-
Total Adjustments	-	-
Statutory Excess to Fund Balance	2,048,550.81	2,414,095.74
Fund Balance January 1	3,887,606.49	3,657,510.75
	5,936,157.30	6,071,606.49
Decreased by:		
Utilization as Anticipated Revenue	2,184,000.00	2,184,000.00
Fund Balance December 31	\$ 3,752,157.30	3,887,606.49

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

	Budget	Anticipated N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	\$ 2,184,000.00		2,184,000.00	-
Total Fund Balance Anticipated	2,184,000.00	-	2,184,000.00	-
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Alcoholic Beverages	55,000.00		56,440.00	1,440.00
Other	310,000.00		328,785.30	18,785.30
Fees and Permits	175,000.00		201,434.43	26,434.43
Fines and Costs:				
Municipal Court	220,000.00		228,134.54	8,134.54
Interest and Costs on Taxes	64,000.00		69,627.36	5,627.36
Interest Earned on Investments	3,000.00		5,845.59	2,845.59
Parking Meters	1,011,500.00		1,117,739.52	106,239.52
Hotel Room Tax	1,000,000.00		1,214,488.89	214,488.89
Lease and Rent Contracts	450,000.00		482,800.44	32,800.44
T.V. Cable Receipts	37,000.00		40,060.39	3,060.39
Victorian Towers - In Lieu of Taxes	165,000.00		201,641.09	36,641.09
Emergency Medical Services	310,000.00		337,416.30	27,416.30
Total Section A: Local Revenues	3,800,500.00	-	4,284,413.85	483,913.85
Section B: State Aid Without Offsetting Appropriations				
Energy Receipts Tax	337,632.00		337,632.00	-
Total Section B: State Aid Without Offsetting Appropriations	337,632.00	-	337,632.00	-
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	320,000.00		570,655.00	250,655.00
Total Section C: Uniform Construction Code Fees	320,000.00	-	570,655.00	250,655.00
Section D: Interlocal Municipal Service Agreements				
Interlocal Agreement with West Cape May (Police Protection)	467,349.00		467,351.00	2.00
Interlocal Agreement with Cape May Point (Police Protection)	282,427.00		282,427.00	-
Total Section D: Interlocal Municipal Service Agreements	749,776.00	-	749,778.00	2.00

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

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	
	Realized		
Section F: Special Items - Public and Private Programs			
Off-Set with Appropriations			
Bureau of Housing Inspection	16,658.00		-
Estate of Edward D. Ross		60,000.00	-
Estate of Edward D. Ross		24,000.00	-
Electric Vehicle Charging Grant Program		10,000.00	-
Clean Communities		22,298.09	-
NJ Department of Environmental Protection - HPO		24,999.00	-
NJ Department of Environmental Protection - Circuit Rider		20,065.00	-
NJ Transportation Trust -2016		179,000.00	-
NJDOT - FY 2016 Bikeway Expansion Project		250,000.00	-
Emergency Management - FY 15 - EMAA Grant		7,000.00	-
County of Cape May - Lafayette Street Park		1,177,000.00	-
Cops in Shops		1,800.00	-
Bulletproof Vest Grant		2,397.50	-
Total Section F: Special Items - Public and Private Programs	16,658.00	1,778,559.59	-
Section G: Other Special Items			
Water & Sewer Utility Contribution to Street Improvements	50,000.00		-
Reserve to Pay Debt Service	158,800.00		-
Total Section G: Other Special Items	208,800.00	-	-
Total Miscellaneous Revenues:	5,433,366.00	1,778,559.59	734,570.85
Receipts from Delinquent Taxes	232,000.00		29,684.86
Amount to be Raised by Taxes for Support of Municipal Budget			
Local Tax for Municipal Purposes	9,537,143.01		974,897.44
Total Amount to be Raised by Taxes for Support of Municipal Budget	9,537,143.01	-	974,897.44
Budget Totals	17,386,509.01	1,778,559.59	1,739,153.15
Non- Budget Revenues:			
Other Non- Budget Revenues:			158,697.19
	\$ 17,386,509.01	1,778,559.59	21,062,918.94

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

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections 23,248,504.65

Less: Reserve for Tax Appeals Pending -

Net Revenue from Collections 23,248,504.65

Allocated to:

School, County and Other Taxes 13,783,824.21

Balance for Support of Municipal Budget Appropriations 9,464,680.44

Increased by:

Appropriation "Reserved for Uncollected Taxes" 1,047,360.01

Amount for Support of Municipal Budget Appropriations 10,512,040.45

Receipts from Delinquent Taxes:

Delinquent Tax Collection 261,684.86

Total Receipts from Delinquent Taxes 261,684.86

Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Accident Report	845.00
Clerk's office	7,836.85
Tax Sale Costs	289.94
Copy Machine	236.68
GIS	17,855.00
Parking Fees	9,725.00
Sale of Municipal Assets	27,975.77
Restitution	120.00
PILOTS	10,316.10
NSF Fees	420.00
Shade Tree	5,651.25
Dog Excess Revenue	489.89
Marriage Donation	10,800.00
SRECs Sold	12,460.00
JIF	2,573.29
2% Admin Fee	800.00
Cape May Pt - Court	17,530.39
FEMA - Hurricane Sandy & Matthew	13,139.24
Miscellaneous	19,632.79

Total Miscellaneous Revenue Not Anticipated: 158,697.19

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
General Administration						
Salaries and Wages	\$ 173,350.00	173,350.00	163,889.31		9,460.69	-
Other Expenses	107,250.00	107,250.00	74,404.13	9,592.61	23,253.26	-
Mayor and Council						
Salaries and Wages	41,275.00	42,275.00	41,609.44		665.56	-
Other Expenses	5,275.00	5,275.00	4,545.51		729.49	-
City Clerk						
Salaries and Wages	159,275.00	159,275.00	152,951.96		6,323.04	-
Other Expenses	18,415.00	18,415.00	10,046.20		8,368.80	-
Financial Administration						
Salaries and Wages	124,175.00	125,175.00	125,118.41		56.59	-
Other Expenses	13,250.00	13,250.00	10,739.89	1,790.00	720.11	-
Audit Services						
Other Expenses	28,000.00	28,000.00	28,000.00		-	-
Assessment of Taxes						
Salaries and Wages	82,500.00	82,500.00	64,744.88		17,755.12	-
Other Expenses	15,175.00	15,175.00	10,702.29	1,626.18	2,846.53	-
Collection of Taxes						
Salaries and Wages	110,800.00	110,800.00	107,260.06		3,539.94	-
Other Expenses	5,974.00	5,974.00	5,330.65		643.35	-
Legal Services						
Other Expenses						
Miscellaneous Other Expenses	445,000.00	445,000.00	202,899.20	6,925.24	235,175.56	-
Engineering & Planning Services						
Other Expenses	22,000.00	34,000.00	24,473.32		9,526.68	-
Economic Development						
Other Expenses	15,000.00	15,000.00	15,000.00		-	-
Emergency Medical Services - Collection						
Contractual Expenses	17,500.00	17,500.00	13,150.34		4,349.66	-
INSURANCE						
General Liability	327,605.00	252,605.00	188,947.00		63,658.00	-
Workers Compensation	353,325.00	353,325.00	339,867.69		13,457.31	-
Employee Group Health	2,101,216.00	2,053,216.00	1,676,503.02	121,370.13	255,342.85	-

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
LAND USE ADMINISTRATION						
Planning Board						
Salaries and Wages	500.00	500.00			500.00	-
Other Expenses	18,350.00	23,350.00	19,764.36		3,585.64	-
Zoning Board of Adjustment						
Salaries and Wages	500.00	500.00			500.00	-
Other Expenses	16,850.00	16,850.00	12,340.50		4,509.50	-
PUBLIC SAFETY						
Fire						
Salaries and Wages	1,312,400.00	1,347,400.00	1,343,976.54		3,423.46	-
Other Expenses	62,366.00	62,366.00	52,790.36	7,946.48	1,629.16	-
Aid to Volunteer Fire Company						
Other Expenses	35,000.00	35,000.00	35,000.00		-	-
Police						
Salaries and Wages	1,950,474.00	1,950,474.00	1,758,899.50		191,574.50	-
Other Expenses	143,525.00	143,525.00	98,165.87	18,037.89	27,321.24	-
Emergency Management Services						
Salaries and Wages	5,750.00	5,750.00	4,685.31		1,064.69	-
Other Expenses	4,135.00	4,135.00	3,340.49		794.51	-
Parking and Traffic Maintenance						
Salaries and Wages	98,500.00	98,500.00	89,695.26		8,804.74	-
Other Expenses	54,000.00	54,000.00	34,096.32	5,907.49	13,996.19	-
Public Safety						
Salaries and Wages	2,500.00	2,500.00			2,500.00	-
Other Expenses	1,000.00	1,000.00	1,000.00		-	-
Municipal Court						
Salaries and Wages	182,000.00	182,000.00	155,917.54		26,082.46	-
Other Expenses	27,305.00	27,305.00	19,606.81	89.11	7,609.08	-
Public Defender						
Other Expenses	8,300.00	8,300.00	7,500.00		800.00	-
PUBLIC WORKS FUNCTION						
Road Repairs and Maintenance						
Salaries and Wages	546,000.00	546,000.00	494,560.97		51,439.03	-
Other Expenses	219,375.00	219,375.00	167,830.24	14,095.65	37,449.11	-
Sanitary Landfill Contractual						
Other Expenses	27,000.00	27,000.00	16,113.07	2,698.00	8,188.93	-
Recycling						
Salaries and Wages	37,500.00	37,500.00	27,133.03		10,366.97	-
Other Expenses	251,845.00	251,845.00	204,697.68	20,170.63	26,976.69	-

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

	Appropriations		Paid or Charged	Expended		Reserved	(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Encumbered		
Public Buildings and Grounds							
Salaries and Wages	571,800.00	571,800.00	512,518.08		59,281.92		-
Other Expenses	330,350.00	330,350.00	279,168.01	27,722.40	23,459.59		-
Shade Tree Commission							
Salaries and Wages	500.00	500.00			500.00		-
Other Expenses	31,950.00	34,950.00	31,730.00	2,000.00	1,220.00		-
Property Maintenance Enforcement							
Other Expenses	2,500.00	2,500.00			2,500.00		-
HEALTH AND HUMAN SERVICES							
Board of Health							
Other Expenses	50.00	50.00			50.00		-
Administration of Public Assistance							
Other Expenses	100.00	100.00			100.00		-
Services of Visiting Nurse							
Other Expenses	50.00	50.00			50.00		-
Environmental Commission							
Salaries and Wages	1,800.00	1,800.00			1,800.00		-
Other Expenses	4,450.00	4,450.00	530.90		3,919.10		-
PARKS AND RECREATION FUNCTIONS							
Civic Affairs							
Salaries and Wages	133,000.00	133,000.00	107,451.33		25,548.67		-
Other Expenses	60,500.00	60,500.00	49,815.92	1,754.69	8,929.39		-
Historic Preservation Commission							
Salaries and Wages	12,000.00	12,500.00	12,274.40		225.60		-
Other Expenses	19,300.00	19,300.00	8,248.97	983.66	10,067.37		-
Grants Coordinator							
Other Expenses	25,000.00	25,000.00	24,095.00		905.00		-
UNIFORM CONSTRUCTION CODE							
State Uniform Construction Code							
Construction Official							
Salaries and Wages	289,000.00	304,000.00	302,386.15		1,613.85		-
Other Expenses	20,150.00	20,150.00	18,273.38	97.74	1,778.88		-
UNCLASSIFIED							
Celebration of Public Events - Anniversary or Holiday							
UTILITY EXPENSES AND BULK PURCHASES							
General Office Operations							
Street Lighting	127,800.00	127,800.00	111,948.40	2,627.27	13,224.33		-
Gas Lighting	135,000.00	135,000.00	119,088.06	2,156.02	13,755.92		-
Gas Lighting - Parts	32,500.00	32,500.00	23,305.83	464.37	8,729.80		-
Gas Lighting - Parts	12,000.00	12,000.00	11,921.97		78.03		-
TOTAL OPERATIONS WITHIN "CAPS"	11,021,835.00	10,972,335.00	9,460,398.50	248,055.56	1,263,880.94		-

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

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
Contingent	1,000.00	1,000.00		1,000.00	-
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	11,022,835.00	10,973,335.00	9,460,398.50	248,055.56	1,264,880.94
Detail:					
Salaries and Wages	5,835,599.00	5,888,099.00	5,465,072.17	-	423,026.83
Other Expenses	5,187,236.00	5,085,236.00	3,995,326.33	248,055.56	841,854.11
DEFERRED CHARGES AND STATUTORY EXPENDITURES:					
Deferred Charges:					
Last Years Bill:					
Amano McGann, Inc	6,480.00	6,480.00	6,480.00		-
Statutory Expenditures:					
Contributions to:					
Public Employees' Retirement System	384,400.00	392,400.00	391,600.22		799.78
Social Security System (O.A.S.I.)	330,000.00	330,000.00	322,574.92		7,425.08
Police and Firemen's Retirement System	733,383.00	739,883.00	739,478.86		404.14
Unemployment Compensation Insurance	21,000.00	21,000.00	21,000.00		-
Defined Contribution Retirement Program	5,000.00	5,000.00	2,160.76		2,839.24
Reserve for Retirement Trust	45,000.00	80,000.00	80,000.00		-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	1,525,263.00	1,574,763.00	1,563,294.76	-	11,468.24
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	12,548,098.00	12,548,098.00	11,023,693.26	248,055.56	1,276,349.18
OPERATIONS - EXCLUDED FROM "CAPS"					
(A) Operations - Excluded from "CAPS"					
Length of Service Award Program - Fire	22,000.00	22,000.00		22,000.00	-
Interlocal Municipal Service Agreements					
Police Protection West Cape May & Cape May Point					
Contractual - West Cape May - Salaries & Wages	467,349.00	467,349.00	467,349.00		-
Contractual - Cape May Point - Salaries & Wages	282,427.00	282,427.00	282,427.00		-
Rental of Borough Property - West Cape May	38,198.00	38,198.00	38,198.00		-
Insurance					
Employee Group Health	224.00	224.00		224.00	-
	810,198.00	810,198.00	787,974.00	-	22,224.00

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
(A) Public and Private Programs Off-Set by Revenues						
Cops in Shops		1,800.00	1,800.00	-	-	-
Bulletproof Vest Grant		2,397.50	2,397.50	-	-	-
Matching Funds for Grants	25,000.00	25,000.00	-	25,000.00	-	-
Bureau of Housing Inspection	16,658.00	16,658.00	-	-	-	-
Estate of Edward D. Ross		60,000.00	60,000.00	-	-	-
Estate of Edward D. Ross		24,000.00	24,000.00	-	-	-
Electric Vehicle Charging Grant Program		10,000.00	10,000.00	-	-	-
Clean Communities		22,298.09	22,298.09	-	-	-
NJ Department of Environmental Protection - HPO		24,999.00	24,999.00	-	-	-
NJ Department of Environmental Protection - Circuit Rider		20,065.00	20,065.00	-	-	-
NJ Transportation Trust -2016		179,000.00	179,000.00	-	-	-
NJDOT - FY 2016 Bikeway Expansion Project		250,000.00	250,000.00	-	-	-
Emergency Management - FY 15 - EMAA Grant		7,000.00	7,000.00	-	-	-
County of Cape May - Lafayette Street Park		1,177,000.00	1,177,000.00	-	-	-
Total Public and Private Programs Off-Set by Revenues	41,658.00	1,820,217.59	1,795,217.59	-	25,000.00	-
Total Operations - Excluded from "CAPS" Detail:	851,856.00	2,630,415.59	2,583,191.59	-	47,224.00	-
Salaries and Wages	749,776.00	749,776.00	749,776.00	-	-	-
Other Expenses	102,080.00	1,880,639.59	1,833,415.59	-	47,224.00	-
(C) Capital Improvements	150,000.00	150,000.00	150,000.00	-	-	-
Capital Improvement Fund	222,000.00	222,000.00	222,000.00	-	-	-
Reserve for Open Space Acquisitions						
Total Capital Improvements	372,000.00	372,000.00	372,000.00	-	-	-
(D) Debt Service	1,728,000.00	1,728,000.00	1,727,472.12	-	-	527.88
Payment of Bond Principal	75,000.00	75,000.00	75,000.00	-	-	-
Payment of Bond Anticipation Notes and Capital Notes	643,495.00	643,495.00	643,073.08	-	-	421.92
Interest on Bonds	74,000.00	74,000.00	73,794.43	-	-	205.57
Interest on Notes						
Green Trust Loan Program:						
Loan Repayments for Principal and Interest	20,200.00	20,200.00	20,186.00	-	-	14.00
NJEIT Loans & Bonds	26,500.00	26,500.00	25,180.07	-	-	1,319.93
Total Debt Service	2,567,195.00	2,567,195.00	2,564,705.70	-	-	2,489.30

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

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
(E) Deferred Charges	-	-	-	-	-
Emergency Authorizations	-	-	-	-	-
Total Deferred Charges	-	-	-	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	3,791,051.00	5,569,610.59	5,519,897.29	47,224.00	2,489.30
SUBTOTAL GENERAL APPROPRIATIONS	16,339,149.00	18,117,708.59	16,543,590.55	248,055.56	2,489.30
(M) Reserve for Uncollected Taxes	1,047,360.01	1,047,360.01	1,047,360.01	-	-
TOTAL GENERAL APPROPRIATIONS	\$ 17,386,509.01	19,165,068.60	17,590,950.56	1,323,573.18	2,489.30
Budget		17,386,509.01			
Appropriations by 40A-4-87		1,778,559.59		Cancelled	2,489.30
		<u>19,165,068.60</u>		Overexpended	<u>2,489.30</u>
Reserve for Uncollected Taxes		1,047,360.01			
Federal and State Grants		1,795,217.59			
Rental of Borough Property - West Cape May		38,198.00			
Disbursements		14,710,174.96			
		<u>17,590,950.56</u>			

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**EXHIBIT - B
TRUST FUND**

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

	2016	2015
<u>Assets</u>		
<u>Animal Control Fund</u>		
Cash and Investments	\$ 2,516.93	2,640.73
Due from State of New Jersey	-	3.40
	2,516.93	2,644.13
<u>Length of Service Award Program (LOSAP) (unaudited)</u>		
Investments		
Mutual Funds	257,689.43	251,240.44
	257,689.43	251,240.44
<u>Other Funds</u>		
Cash and Investments	2,920,484.04	2,567,149.77
Due from Current	357.75	-
	2,920,841.79	2,567,149.77
	\$ 3,181,048.15	2,821,034.34

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

	2016	2015
<u>Liabilities, Reserves and Fund Balance</u>		
<u>Animal Control Fund</u>		
Reserve for Animal Control Expenditures	\$ 2,022.84	1,825.78
Due to Current Fund	489.89	818.35
Due to State of New Jersey	4.20	-
	2,516.93	2,644.13
<u>Length of Service Award Program (LOSAP) (unaudited)</u>		
Net Assets Available for Benefits	257,689.43	251,240.44
	257,689.43	251,240.44
<u>Other Funds</u>		
Reserve for:		
Due to Current Fund	2.84	7.17
Unemployment Compensation	15,942.38	9,730.54
Retirement Fund	104,376.31	125,663.36
Parking Offense Adjudication Act	16,484.95	13,372.85
Street Openings	116,991.94	97,333.21
Tax Lien Premiums	8,964.87	25,564.87
Parking Escrow	56,696.94	56,663.24
Lifeguard Pension	564,628.51	536,129.18
Police Forfeiture	1,588.80	1,587.86
COAH	744,923.36	582,662.89
Fire Safety	9,758.14	5.34
Neighborhood Revitalization	140,659.37	140,575.78
Security Deposits	30,612.18	30,593.99
DARE	528.36	528.02
Small Cities Block Grant	735,833.07	734,229.74
Public Assistance	3,517.33	3,515.24
Performance Bond	333,246.71	183,147.87
Police Off-Duty	29,697.78	19,905.52
Flexible Spending	1,203.81	1,506.85
Fishermen's Memorial	4,503.89	4,426.25
Dellas Field	680.25	-
	2,920,841.79	2,567,149.77
	\$ 3,181,048.15	2,821,034.34

EXHIBIT - C
GENERAL CAPITAL FUND

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

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Cash	\$ 3,882,318.98	2,089,112.58
Deferred Charges to Future Taxation -		
Funded	17,047,092.18	18,813,752.63
Unfunded	29,574,287.66	27,378,441.00
State Grant Receivable	348,066.77	348,066.77
NJEIT Loans Receivable	35,670.53	35,670.53
	<u>50,887,436.12</u>	<u>48,665,043.51</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	1,094,386.24	1,285,795.90
Bond Anticipation Notes Payable	6,575,000.00	3,700,000.00
Serial Bonds Payable	16,774,725.45	18,502,197.57
Green Trust Loan Payable	165,507.65	182,133.69
Environmental Infrastructure Trust Loans Payable	106,859.08	129,421.37
Improvement Authorizations:		
Funded	1,183,743.29	149,509.00
Unfunded	22,100,073.33	20,589,897.43
Reserve to Pay Bonds or Notes	745,382.19	904,182.19
Reserve for Open Space	1,942,569.00	2,720,569.00
Reserves Other	26,575.60	26,575.60
Capital Improvement Fund	16.00	16.00
Fund Balance	172,598.29	474,745.76
	<u>\$ 50,887,436.12</u>	<u>48,665,043.51</u>

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

2015	23,678,441.00
2016	22,999,287.66

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

	<u>2016</u>	<u>2015</u>
Beginning Balance January 1	\$ 474,745.76	431,751.76
Increased by:		
Premiums on sale of Bonds & Notes	72,852.53	42,994.00
Decreased by:		
Appropriated to Finance Improvement Authorizations	375,000.00	-
Ending Balance December 31	<u>\$ 172,598.29</u>	<u>474,745.76</u>

EXHIBIT - D
WATER AND SEWER UTILITY FUND

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

	2016	2015
<u>ASSETS</u>		
Operating Fund:		
Cash	\$ 1,639,367.65	1,926,025.85
	1,639,367.65	1,926,025.85
Receivables and Other Assets with Full Reserves:		
Consumer Accounts Receivable	17,984.70	15,795.12
Interfunds:		
Due from Current Fund	-	365.49
	17,984.70	16,160.61
Total Operating Fund	1,657,352.35	1,942,186.46
Capital Fund:		
Cash	1,370,059.91	1,379,697.08
Loans Receivable	52,126.47	52,126.47
Fixed Capital	18,975,433.85	18,975,433.85
Fixed Capital - Authorized and Uncompleted	24,382,155.99	23,182,155.99
Total Capital Fund	44,779,776.22	43,589,413.39
	\$ 46,437,128.57	45,531,599.85

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

	2016	2015
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Appropriation Reserves	\$ 244,534.24	374,645.55
Reserve for Encumbrances	82,008.57	93,448.54
Overpaid Rents	-	20,193.90
Sales Tax Payable	190.71	190.71
Accrued Interest on Bonds and Notes	159,966.93	167,086.29
Reserve for Sewer Treatment Plant	809.71	809.71
Interfunds:		
Due to Current Fund	645.25	-
	488,155.41	656,374.70
Reserve for Receivables	17,984.70	15,795.12
Fund Balance	1,151,212.24	1,270,016.64
 Total Operating Fund	 1,657,352.35	 1,942,186.46
Capital Fund:		
Encumbrances Payable	1,940,818.82	2,471,328.80
Bond Anticipation Notes Payable	1,800,000.00	600,000.00
Serial Bonds Payable	5,571,886.24	6,396,347.61
Loans Payable	7,272,322.64	7,498,993.49
Improvement Authorizations:		
Funded	262,715.79	269,715.79
Unfunded	2,592,515.96	2,104,587.57
Reserve for Amortization	22,865,019.73	21,813,887.51
Deferred Reserve for Amortization	1,789,655.23	1,789,655.23
Reserve for Debt Service	255,307.60	255,307.60
Capital Improvement Fund	110,000.00	90,000.00
Fund Balance	319,534.21	299,589.79
 Total Capital Fund	 44,779,776.22	 43,589,413.39
	\$ 46,437,128.57	45,531,599.85

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

	2015	4,688,536.00
	2016	4,688,536.00

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

	<u>2016</u>	<u>2015</u>
Revenue and Other Income Realized		
Fund Balance Utilized	\$ 625,000.00	575,000.00
Water and Sewer Rents	6,163,441.64	6,290,201.40
Miscellaneous	73,844.06	65,448.18
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	281,352.63	237,359.90
Total Income	<u>7,143,638.33</u>	<u>7,168,009.48</u>
Expenditures		
Operations:		
Salaries and Wages	853,450.00	890,475.00
Other Expenses	4,038,520.00	4,084,520.00
Capital Improvements	70,000.00	70,000.00
Debt Service	1,579,163.53	1,574,859.59
Deferred Charges and Statutory Expenditures	95,900.00	102,705.00
Refund of Prior Year Revenue	409.20	-
Total Expenditures	<u>6,637,442.73</u>	<u>6,722,559.59</u>
Excess in Revenue	<u>506,195.60</u>	<u>445,449.89</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	-	-
Total Adjustments	<u>-</u>	<u>-</u>
Excess in Operations	<u>506,195.60</u>	<u>445,449.89</u>
Fund Balance January 1	<u>1,270,016.64</u>	<u>1,399,566.75</u>
	1,776,212.24	1,845,016.64
Decreased by:		
Utilization as Anticipated Revenue	<u>625,000.00</u>	<u>575,000.00</u>
Fund Balance December 31	<u>\$ 1,151,212.24</u>	<u>1,270,016.64</u>

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

	<u>2016</u>	<u>2015</u>
Beginning Balance January 1	\$ 299,589.79	292,617.79
Increased by:		
Premiums on Sale of Bonds & Notes	19,944.42	6,972.00
Decreased by:		
None	-	-
Ending Balance December 31	<u>\$ 319,534.21</u>	<u>299,589.79</u>

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

	Anticipated Budget	Realized	Excess or (Deficit)
Surplus Anticipated	\$ 625,000.00	625,000.00	-
Anticipated Revenue:			
Water and Sewer Rents	6,191,000.00	6,163,441.64	(27,558.36)
Miscellaneous	61,870.00	73,844.06	11,974.06
	\$ 6,877,870.00	6,862,285.70	(15,584.30)
Analysis of Realized Revenue:			
Water and Sewer Rents			
Accounts Receivable	6,163,441.64		
Total Water & Sewer Rents		6,163,441.64	
Miscellaneous Revenue			
Interest on Investments	1,307.13		
Penalties and Interest	4,357.50		
Sewer Connection Fees	12,062.00		
Meter Installations	29,876.00		
Reconnection Fees	1,200.00		
Special Reading Charge	9,224.21		
Shut Off Notice Fee	4,880.00		
Disconnection Fees	850.00		
WCM Interlocal	1,282.50		
Miscellaneous	8,804.72		
Total Miscellaneous		73,844.06	

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Operations:						
Salaries and Wages	\$ 893,450.00	893,450.00	784,950.78		68,499.22	40,000.00
Other Expenses	4,173,520.00	4,173,520.00	3,787,589.83	82,008.57	168,921.60	135,000.00
	<u>5,066,970.00</u>	<u>5,066,970.00</u>	<u>4,572,540.61</u>	<u>82,008.57</u>	<u>237,420.82</u>	<u>175,000.00</u>
Capital Improvements:						
Capital Improvement Fund	20,000.00	20,000.00	20,000.00		-	
Cape May City Roads	50,000.00	50,000.00	50,000.00		-	
	<u>70,000.00</u>	<u>70,000.00</u>	<u>70,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Service:						
Payment of Bond Principal	1,052,000.00	1,052,000.00	1,052,000.00			-
Interest on Bonds	580,000.00	580,000.00	515,196.86			64,803.14
Interest on Notes	13,000.00	13,000.00	11,966.67			1,033.33
	<u>1,645,000.00</u>	<u>1,645,000.00</u>	<u>1,579,163.53</u>	<u>-</u>	<u>-</u>	<u>65,836.47</u>
Deferred Charges and Statutory Expenditures:						
PERS	15,000.00	15,000.00	15,000.00			
Social Security System (O.A.S.I.)	69,000.00	69,000.00	61,886.58		7,113.42	
Unemployment Compensation Insurance	3,900.00	3,900.00	3,900.00			
Retirement Trust	8,000.00	8,000.00	8,000.00			
	<u>95,900.00</u>	<u>95,900.00</u>	<u>88,786.58</u>	<u>-</u>	<u>7,113.42</u>	<u>-</u>
	<u>\$ 6,877,870.00</u>	<u>6,877,870.00</u>	<u>6,310,490.72</u>	<u>82,008.57</u>	<u>244,534.24</u>	<u>240,836.47</u>

Cash Disbursed	\$ 6,380,877.61
Reimbursements	(63,267.53)
Accrued Interest	(7,119.36)
	<u>6,310,490.72</u>

EXHIBIT - E
BEACH UTILITY FUND

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

	2016	2015
<u>ASSETS</u>		
Operating Fund:		
Cash	\$ 1,258,566.00	1,036,988.03
	1,258,566.00	1,036,988.03
Total Operating Fund	1,258,566.00	1,036,988.03
Capital Fund:		
Cash	677,403.22	712,633.79
Fixed Capital - Authorized and Uncompleted	4,685,900.00	4,385,900.00
	5,363,303.22	5,098,533.79
Total Capital Fund	5,363,303.22	5,098,533.79
	\$ 6,621,869.22	6,135,521.82

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

	2016	2015
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Appropriation Reserves	\$ 204,599.29	123,810.90
Encumbrances Payable	29,898.56	45,970.90
Accrued Interest on Bonds and Notes	25,700.00	27,418.75
	260,197.85	197,200.55
Fund Balance	998,368.15	839,787.48
Total Operating Fund	1,258,566.00	1,036,988.03
Capital Fund:		
Encumbrances Payable	159,480.00	93,673.12
Bond Anticipation Notes Payable	200,000.00	200,000.00
General Serial Bonds Payable	1,760,000.00	1,885,000.00
Reserve for Amortization	1,415,000.00	1,290,000.00
Improvement Authorizations		
Funded	284,084.02	297,548.29
Unfunded	1,003,838.29	893,627.04
Capital Improvement Fund	429,000.00	329,000.00
Fund Balance	111,900.91	109,685.34
Total Capital Fund	5,363,303.22	5,098,533.79
	\$ 6,621,869.22	6,135,521.82

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

2015	1,010,900.00
2016	1,310,900.00

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

	<u>2016</u>	<u>2015</u>
Revenue and Other Income Realized		
Fund Balance Utilized	\$ 214,125.00	224,245.00
Beach Fees	2,450,289.00	2,576,796.00
Miscellaneous Revenue	1,472.93	8,382.16
Other Credits to Income:		
Unexpended Balance of Appropriation		
Reserves	119,913.88	138,548.53
Total Income	<u>2,785,800.81</u>	<u>2,947,971.69</u>
Expenditures		
Operations:		
Salaries and Wages	1,441,425.00	1,421,425.00
Other Expenses	527,350.00	505,870.00
Capital Improvements	100,000.00	15,000.00
Debt Service	183,820.14	179,958.23
Deferred Charges and Statutory Expenditures	160,500.00	152,500.00
Refund of Prior Year's Revenue		-
Total Expenditures	<u>2,413,095.14</u>	<u>2,274,753.23</u>
Excess/(Deficit) in Revenue	<u>372,705.67</u>	<u>673,218.46</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by		
Statute Deferred Charges to Budgets of		
Succeeding Year	-	-
Total Adjustments	<u>-</u>	<u>-</u>
Excess in Operations	<u>372,705.67</u>	<u>673,218.46</u>
Fund Balance January 1	<u>839,787.48</u>	<u>390,814.02</u>
	1,212,493.15	1,064,032.48
Decreased by:		
Utilization as Anticipated Revenue	<u>214,125.00</u>	<u>224,245.00</u>
Fund Balance December 31	<u>\$ 998,368.15</u>	<u>839,787.48</u>

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

	2016	2015
Beginning Balance January 1	\$ 109,685.34	107,361.34
Increased by:		
Premiums on sale of Bonds & Notes	2,215.57	2,324.00
Decreased by:		
None	-	-
Ending Balance December 31	\$ 111,900.91	109,685.34

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

	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	\$ 214,125.00	214,125.00	-
Anticipated Revenue:			
Beach Fees	2,200,000.00	2,450,289.00	250,289.00
Miscellaneous	700.00	1,472.93	772.93
	<u>\$ 2,414,825.00</u>	<u>2,665,886.93</u>	<u>251,061.93</u>
Analysis of Realized Revenue:			
Beach Fees			
Collections	<u>2,450,289.00</u>		
Total Beach Fees		<u>2,450,289.00</u>	
Miscellaneous Revenue			
Miscellaneous	187.00		
Interest on Investments:	<u>1,285.93</u>		
Total Miscellaneous		<u>1,472.93</u>	

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Operations:						
Salaries and Wages	\$ 1,441,425.00	1,441,425.00	1,352,680.32		88,744.68	
Other Expenses	527,350.00	527,350.00	413,022.86	29,898.56	84,428.58	
	<u>1,968,775.00</u>	<u>1,968,775.00</u>	<u>1,765,703.18</u>	<u>29,898.56</u>	<u>173,173.26</u>	<u>-</u>
Capital Improvements:						
Capital Improvement Fund	100,000.00	100,000.00	100,000.00	-	-	
	<u>100,000.00</u>	<u>100,000.00</u>	<u>100,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Service:						
Bond Principal	125,000.00	125,000.00	125,000.00		-	-
Interest on Bonds	56,550.00	56,550.00	54,831.25		-	1,718.75
Interest on Notes	4,000.00	4,000.00	3,988.89		-	11.11
	<u>185,550.00</u>	<u>185,550.00</u>	<u>183,820.14</u>	<u>-</u>	<u>-</u>	<u>1,729.86</u>
Deferred Charges and Statutory Expenditures:						
Lifeguard Pension	35,000.00	35,000.00	35,000.00		-	
Unemployment	15,000.00	15,000.00	15,000.00		-	
Social Security System	110,500.00	110,500.00	79,073.97		31,426.03	
	<u>160,500.00</u>	<u>160,500.00</u>	<u>129,073.97</u>	<u>-</u>	<u>31,426.03</u>	<u>-</u>
\$	<u><u>2,414,825.00</u></u>	<u><u>2,414,825.00</u></u>	<u><u>2,178,597.29</u></u>	<u><u>29,898.56</u></u>	<u><u>204,599.29</u></u>	<u><u>1,729.86</u></u>

Cash Disbursed	\$ 2,180,316.04
Accrued Interest	(1,718.75)
	<u><u>2,178,597.29</u></u>

EXHIBIT - F
TOURISM UTILITY FUND

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

	2016	2015
<u>ASSETS</u>		
Operating Fund:		
Cash	\$ 643,521.64	451,108.42
Change Fund	1,000.00	1,000.00
	644,521.64	452,108.42
Total Operating Fund	644,521.64	452,108.42
	644,521.64	452,108.42
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Appropriation Reserves	127,235.55	58,143.16
Encumbrances Payable	12,171.38	15,645.11
Sales Tax Payable	630.89	630.89
Due to Security Deposit	25,217.50	24,600.00
	165,255.32	99,019.16
Fund Balance	479,266.32	353,089.26
Total Operating Fund	644,521.64	452,108.42
	\$ 644,521.64	452,108.42

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

	<u>2016</u>	<u>2015</u>
Revenue and Other Income Realized		
Fund Balance Utilized	\$ 75,000.00	75,000.00
Tourism Fees	1,236,514.26	1,147,036.34
Other Credits to Income:		
Miscellaneous Revenue not Anticipated	1,612.32	44,322.85
Unexpended Balance of Appropriation Reserves	43,150.48	51,467.39
Total Income	<u>1,356,277.06</u>	<u>1,317,826.58</u>
Expenditures		
Operations:		
Salaries and Wages	374,000.00	328,000.00
Other Expenses	781,100.00	778,700.00
Total Expenditures	<u>1,155,100.00</u>	<u>1,106,700.00</u>
Excess/(Deficit) in Revenue	<u>201,177.06</u>	<u>211,126.58</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	-	-
Total Adjustments	<u>-</u>	<u>-</u>
Excess in Operations	<u>201,177.06</u>	<u>211,126.58</u>
Fund Balance January 1	<u>353,089.26</u>	<u>216,962.68</u>
Decreased by:	554,266.32	428,089.26
Utilization as Anticipated Revenue	<u>75,000.00</u>	<u>75,000.00</u>
Fund Balance December 31	<u>\$ 479,266.32</u>	<u>353,089.26</u>

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

	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Anticipated Revenue:			
Surplus Anticipated	\$ 75,000.00	75,000.00	-
Tourism Fees & Events	577,000.00	526,031.16	(50,968.84)
Hotel Room Tax	176,600.00	314,774.53	138,174.53
Lease and Rent Contracts	261,500.00	328,658.57	67,158.57
Mercantile License Fee	65,000.00	67,050.00	2,050.00
Miscellaneous	-	1,612.32	1,612.32
	<u>\$ 1,155,100.00</u>	<u>1,313,126.58</u>	<u>158,026.58</u>

Analysis of Realized Revenue:

Tourism Fees		
Collections		526,031.16
		<u>526,031.16</u>
Miscellaneous		
Miscellaneous		1,424.00
Interest		188.32
		<u>1,612.32</u>

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Operations:						
Salaries and Wages	\$ 374,000.00	374,000.00	365,217.02		8,782.98	-
Other Expenses	781,100.00	781,100.00	650,476.05	12,171.38	118,452.57	-
	<u>1,155,100.00</u>	<u>1,155,100.00</u>	<u>1,015,693.07</u>	<u>12,171.38</u>	<u>127,235.55</u>	<u>-</u>
	<u>\$ 1,155,100.00</u>	<u>1,155,100.00</u>	<u>1,015,693.07</u>	<u>12,171.38</u>	<u>127,235.55</u>	<u>-</u>
			Cash Disbursed \$ 1,029,468.85			
			Reimbursements (13,775.78)			
			<u>\$ 1,015,693.07</u>			

EXHIBIT - G
GENERAL FIXED ASSET ACCOUNT GROUP

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

	<u>2016</u>	<u>2015</u>
<u>General Fixed Assets</u>		
Land, Buildings and Improvements	\$ 26,775,258.12	26,308,506.55
Machinery and Equipment	10,111,523.50	9,385,567.57
	<u>36,886,781.62</u>	<u>35,694,074.12</u>
<u>Investment in General Fixed Assets</u>		
Investment in General Fixed Assets	36,886,781.62	35,694,074.12
	<u>\$ 36,886,781.62</u>	<u>35,694,074.12</u>

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

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 2010 census is 3,607.

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

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

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

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

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

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

Tourism Utility Operating -- 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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)

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.

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

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 municipality 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. There is a ten day grace period.

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 on January 29, April 30, August 6 and October 28.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

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. Recent Accounting Pronouncements Not Yet Effective

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68". This statement, which is effective for fiscal periods beginning after June 30, 2016, will not have any effect on the Borough's financial reporting.

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

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

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

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

NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2016 and 2015 statutory budgets included a reserve for uncollected taxes in the amount of \$1,047,360.01 and \$1,045,841.36. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2016 and 2015 statutory budgets was \$2,184,000.00. 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 budgets 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 2016 and 2015 statutory budgets was \$625,000.00 and \$575,000.00. The amount of fund balance budgeted to balance the beach utility budget in 2016 and 2015 statutory budgets was \$214,125.00 and \$224,245.00. The amount of fund balance budgeted to balance to tourism utility budget in 2016 and 2015 was \$75,000.00.

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 City Council. The following more significant budget transfers were approved in the 2016 and 2015 calendar years:

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

<u>Budget Category</u>	<u>2016</u>	<u>2015</u>
<u>Current Fund:</u>		
Financial Administration		
Salaries and Wages		(25,000.00)
Engineering & Planning Services		
Other Expenses	12,000.00	32,000.00
Fire Department		
Salaries and Wages	35,000.00	
Insurance		
General Liability	(75,000.00)	(55,000.00)
Employee Group Health	(48,000.00)	(60,000.00)
Fire		
Salaries and Wages	35,000.00	120,000.00
Public Buildings and Grounds		
Salaries and Wages		(40,000.00)
Reserve for Retirement Trust	35,000.00	
Construction Official		
Salaries and Wages	15,000.00	
Other Expenses		(25,000.00)
General Office Operations		30,000.00
<u>Water/Sewer Utility Fund:</u>		
Operations	None	
Salaries and Wages		(10,000.00)
Retirement Trust		10,000.00
<u>Tourism Utility Fund:</u>		
Operations	None	
Salaries and Wages		(20,000.00)
Other Expenses		20,000.00
<u>Beach Utility Fund:</u>		
Operations		None
Public Buildings	(10,000.00)	
Engineering & Planning	10,000.00	

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

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

<u>Budget Category</u>	<u>2016</u>	<u>2015</u>
Clean Communities Program	\$ 22,298.09	19,504.82
Bulletproof Vest	2,397.50	2,340.95
Body Armor		2,352.27
NJ Transportation Trust	179,000.00	
2014 Hazard Mitigation Grant		100,000.00
NJDOT - Bikeway Expansion Project		350,000.00
NJDOT - 2015 Muni Aid CM Ave South Side		175,000.00
NJDOT - 2016 Bikeway Expansion Project	250,000.00	
NJDEP - HPO	24,999.00	
NJDEP - Circuit Rider	20,065.00	
USHUD - CDBG - Lafayette Street Park	1,177,000.00	1,500,000.00
Small Cities Block Grant - East Lyle - Phase II		400,000.00
Estate of Edward D. Ross	84,000.00	
Electric Vehicle Charging Grant Program	10,000.00	
Emergency Management - 2015 EMAA Grant	7,000.00	
Cops in Shops	1,800.00	

The City may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. The City funded in full the emergency appropriation from the 2014 down payment funds of a City Bond Ordinance of \$17,500.00 for the reconstruction of the Community Swimming Pool in the 2015 City budget. There is no unfunded balance as of December 31, 2016. There were no Emergency or Special Emergency appropriations in 2016.

NOTE 3: INVESTMENTS

As of December 31, 2016 and 2015, the City did not have any investments.

Interest Rate Risk. The municipality does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk. New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)

Concentration of Credit Risk. The municipality places no limit on the amount the City can invest in any one issuer.

NOTE 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The municipality’s policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or fund that may pass to the municipality relative to the happening of a future condition. As of December 31, 2016 and 2015, \$0 of the municipality’s bank balance of \$19,460,653.57 and \$16,774,473.86 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, 2016 and 2015:

	Balance 12/31/2014	Additions	Retirements/ Adjustments	Balance 12/31/2015
Land, Building and Improvements	\$ 25,975,375.06	333,131.49		26,308,506.55
Equipment and Machinery	9,415,286.62	594,629.75	(624,348.80)	9,385,567.57
	<u>35,390,661.68</u>	<u>927,761.24</u>	<u>(624,348.80)</u>	<u>35,694,074.12</u>

	Balance 12/31/2015	Additions	Retirements/ Adjustments	Balance 12/31/2016
Land, Building and Improvements	\$ 26,308,506.55	466,751.57		26,775,258.12
Equipment and Machinery	9,385,567.57	946,161.75	(220,205.82)	10,111,523.50
	<u>35,694,074.12</u>	<u>1,412,913.32</u>	<u>(220,205.82)</u>	<u>36,886,781.62</u>

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 6: SHORT-TERM OBLIGATIONS

	Balance 12/31/14	Issued	Retired	Balance 12/31/15
Bond Anticipation				
Notes payable:				
General	\$ 1,600,000.00	3,700,000.00	1,600,000.00	3,700,000.00
Water and Sewer Utility	-	600,000.00	-	600,000.00
Beach Utility	-	200,000.00	-	200,000.00
	<u>\$ 1,600,000.00</u>	<u>4,500,000.00</u>	<u>1,600,000.00</u>	<u>4,500,000.00</u>

	Balance 12/31/15	Issued	Retired	Balance 12/31/16
Bond Anticipation				
Notes payable:				
General	\$ 3,700,000.00	6,575,000.00	3,700,000.00	6,575,000.00
Water and Sewer Utility	600,000.00	1,800,000.00	600,000.00	1,800,000.00
Beach Utility	200,000.00	200,000.00	200,000.00	200,000.00
	<u>\$ 4,500,000.00</u>	<u>8,575,000.00</u>	<u>4,500,000.00</u>	<u>8,575,000.00</u>

The note was issued on July 16, 2016 and is due and payable on July 14, 2017 with interest at 2.000%. As of December 31, 2016, the City has authorized but not issued bonds in the amount of \$22,999,287.66, \$4,688,536.00, \$1,310,900.00 in the General Capital Fund, Water and Sewer Utility Capital Fund and Beach Utility Capital Fund respectively.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)

NOTE 7: LONG TERM DEBT

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

	Balance 12/31/14	Issued	Retired	Balance 12/31/15	Amounts Due Within One Year
Bonds payable:					
General	\$ 20,150,028.16		1,647,830.59	18,502,197.57	1,727,472.12
Water Sewer Utility	7,206,312.01		809,964.40	6,396,347.61	824,461.37
Beach Utility	2,005,000.00		120,000.00	1,885,000.00	125,000.00
Total	29,361,340.17	-	2,577,794.99	26,783,545.18	2,676,933.49
Other liabilities:					
Loans Payable:					
General	346,709.59		35,154.53	311,555.06	39,188.33
Water Sewer Utility	7,710,177.55		211,184.06	7,498,993.49	226,670.85
Compensated					
Absences Payable	1,325,037.71	9,608.20		1,334,645.91	-
Total long-term liabilities	\$ 38,743,265.02	9,608.20	2,824,133.58	35,928,739.64	2,942,792.67
	Balance 12/31/15	Issued	Retired	Balance 12/31/16	Amounts Due Within One Year
Bonds payable:					
General	\$ 18,502,197.57		1,727,472.12	16,774,725.45	1,812,345.73
Water Sewer Utility	6,396,347.61		824,461.37	5,571,886.24	859,183.94
Beach Utility	1,885,000.00		125,000.00	1,760,000.00	130,000.00
Total	26,783,545.18	-	2,676,933.49	24,106,611.69	2,801,529.67
Other liabilities:					
Loans Payable:					
General	311,555.06		39,188.33	272,366.73	39,124.36
Water Sewer Utility	7,498,993.49		226,670.85	7,272,322.64	229,758.26
Compensated					
Absences Payable	1,334,645.91		16,779.16	1,317,866.75	-
Total long-term liabilities	\$ 35,928,739.64	-	2,959,571.83	32,969,167.81	3,070,412.29

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

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

\$2,097,000 General Bonds dated January 23, 1981, due in annual installments through January 23, 2020, bearing interest at 5.00% per annum. The balance remaining as of December 31, 2016 is \$439,725.45.

\$6,340,000 General Bonds dated October 1, 2008, due in annual installments through October 1, 2019, bearing interest at various rates. The balance remaining as of December 31, 2016 is \$1,950,000.00.

\$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, 2016 is \$9,190,000.00.

\$6,035,000 General Bonds dated July 15, 2014, due in annual installments through July 15, 2025, bearing interest at 3.00% per annum. The balance remaining as of December 31, 2016 is \$5,195,000.00.

\$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. The balance remaining as of December 31, 2016 is \$165,507.65.

\$61,250 Environmental Infrastructure Trust Bond dated October 17, 2001, due in annual installments through October 17, 2021, bearing interest at various rates. The balance remaining as of December 31, 2016 is \$24,500.00.

\$63,932.75 Environmental Infrastructure Trust Loan dated October 17, 2001, due in annual installments through October 17, 2021, bearing interest at 0.00% per annum. The balance remaining as of December 31, 2016 is \$18,048.36.

\$115,970.26 Environmental Infrastructure Trust Loan dated October 17, 2001, due in annual installments through October 17, 2021, bearing interest at 0.00% per annum. The balance remaining as of December 31, 2016 is \$27,560.72.

\$110,250 Environmental Infrastructure Trust Bond dated October 17, 2001, due in annual installments through October 17, 2021, bearing interest at various rates. The balance remaining as of December 31, 2016 is \$36,750.00.

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

\$1,903,000 Water and Sewer Utility Bonds dated January 20, 1981, due in annual installments through January 20, 2020, bearing interest at 5.00% per annum. The balance remaining as of December 31, 2016 is \$399,101.24.

\$142,500 Water and Sewer Utility Bonds dated June 24, 1983, due in annual installments through June 24, 2022, bearing interest at 5.00% per annum. The balance remaining as of December 31, 2016 is \$42,785.00.

\$3,630,000 Water and Sewer Utility Bonds dated November 1, 2008, due in annual installments through November 1, 2020, bearing interest at various rates. The balance remaining as of December 31, 2016 is \$930,000.00.

\$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. The balance remaining as of December 31, 2016 is \$1,880,000.00.

\$2,700,000 General Bonds dated July 15, 2014, due in annual installments through July 15, 2025, bearing interest at 3.00% per annum. The balance remaining as of December 31, 2016 is \$2,320,000.00.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

\$690,000 New Jersey Environmental Infrastructure Trust Bond, dated October 15, 1998, due in annual installments through October 15, 2018, bearing interest at various rates. The balance remaining as of December 31, 2016 is \$100,000.00.

\$675,000 New Jersey Environmental Infrastructure Trust Loan dated October 15, 1998, due in annual installments through October 15, 2018, bearing interest at 0.00% per annum. The balance remaining as of December 31, 2016 is \$67,999.11.

\$63,750 Environmental Infrastructure Trust Bond dated October 17, 2001, due in annual installments through October 17, 2021, bearing interest at various rates. The balance remaining as of December 31, 2016 is \$25,500.00.

\$66,542.25 Environmental Infrastructure Trust Loan dated October 17, 2001, due in annual installments through October 17, 2021, bearing interest at 0.00% per annum. The balance remaining as of December 31, 2015 is \$18,785.03.

\$120,703.74 Environmental Infrastructure Trust Loan dated October 17, 2001, due in annual installments through October 17, 2021, bearing interest at 0.00% per annum. The balance remaining as of December 31, 2016 is \$28,685.66.

\$114,750 Environmental Infrastructure Trust Bond dated October 17, 2001, due in annual installments through October 17, 2021, bearing interest at various rates. The balance remaining as of December 31, 2016 is \$38,250.00.

\$1,200,000 Environmental Infrastructure Trust Bond dated October 12, 2007, due in semi annual installments through October 12, 2047, bearing interest at various rates. The balance remaining as of December 31, 2016 is \$1,073,731.85.

\$2,500,000 FmHA Loan dated December 15, 1998, due in annual installments through December 15, 2038, bearing interest at 4.50% per annum. The balance remaining as of December 31, 2016 is \$1,876,542.23.

\$1,250,000 Environmental Infrastructure Trust Bond dated October 27, 2011, due in annual installments through April 27, 2052, bearing interest at 3.75% per annum. The balance remaining as of December 31, 2016 is \$1,175,285.54.

\$1,400,000 Environmental Infrastructure Trust Bond dated October 27, 2011, due in annual installments through April 27, 2052, bearing interest at 3.75% per annum. The balance remaining as of December 31, 2016 is \$1,316,319.80.

\$1,585,000 Environmental Infrastructure Trust Bond dated July 18, 2014, due in semiannual installments through July 18, 2054, bearing interest at 4.50% per annum. The balance remaining as of December 31, 2016 is \$1,551,223.42.

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

\$2,700,000 General Bonds dated July 15, 2014, due in annual installments through July 15, 2025, bearing interest at 3.00% per annum. The balance remaining as of December 31, 2016 is \$1,760,000.00.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)

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

Year Ending December 31,	General Capital Fund	
	Principal	Interest
2017	1,812,345.73	576,177.63
2018	1,937,463.01	506,632.41
2019	2,002,836.16	433,224.93
2020	1,417,080.55	364,277.01
2021	1,380,000.00	322,350.00
2022-2026	7,335,000.00	910,400.00
2027	890,000.00	35,600.00
	<u>\$ 16,774,725.45</u>	<u>3,148,661.98</u>

Year Ending December 31,	Utility Capital Fund		Beach Utility Capital Fund	
	Principal	Interest	Principal	Interest
2017	859,183.94	192,664.70	130,000.00	52,800.00
2018	744,142.64	156,981.54	140,000.00	48,900.00
2019	699,348.52	127,644.26	150,000.00	44,700.00
2020	723,621.14	102,870.02	160,000.00	40,200.00
2021	487,670.00	80,037.75	170,000.00	35,400.00
2022-2026	2,057,920.00	161,698.00	1,010,000.00	94,800.00
	<u>\$ 5,571,886.24</u>	<u>821,896.27</u>	<u>1,760,000.00</u>	<u>316,800.00</u>

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

Year Ending December 31,	General Capital Fund		Utility Capital Fund	
	Principal	Interest	Principal	Interest
2017	39,124.36	6,227.03	229,758.26	291,926.37
2018	39,067.09	5,273.63	233,055.16	283,894.50
2019	39,016.69	4,313.38	154,720.38	275,644.35
2020	38,973.27	3,346.14	159,896.19	269,416.63
2021	38,956.98	2,402.38	165,330.11	262,983.48
2022-2026	77,228.34	3,515.66	815,943.13	1,215,436.87
2027-2031			1,003,594.73	1,027,785.27
2032-2036			1,234,702.41	796,677.59
2037-2041			1,085,903.10	536,008.97
2042-2046			1,012,606.88	342,023.12
2047-2051			959,520.13	143,112.29
2052-2054			217,292.16	15,569.21
	<u>\$ 272,366.73</u>	<u>25,078.22</u>	<u>7,272,322.64</u>	<u>5,460,478.65</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)

As of December 31, 2016 the carrying value of the above bonds and notes approximates the fair value of the bonds. No interest was charged to capital projects during the year and the total interest charged to the current budget was \$716,867.51 and to the water and sewer utility budget was \$527,163.53.

<u>Summary of Municipal Debt</u>	<u>Year 2016</u>	<u>Year 2015</u>	<u>Year 2014</u>
<u>Issued:</u>			
General - Bonds and Notes	\$ 23,622,092.18	22,513,752.63	22,096,737.75
Water/Sewer Utility - Bonds and Notes	14,644,208.88	14,495,341.10	14,916,489.56
Beach Utility - Bonds and Notes	1,960,000.00	2,085,000.00	2,005,000.00
Total Issued	<u>40,226,301.06</u>	<u>39,094,093.73</u>	<u>39,018,227.31</u>
<u>Authorized but not issued:</u>			
General - Bonds and Notes	22,999,287.66	23,678,441.00	23,878,750.00
Water/Sewer Utility - Bonds and Notes	4,688,536.00	4,688,536.00	3,679,536.00
Beach Utility - Bonds and Notes	1,310,900.00	1,010,900.00	1,012,800.00
Total Authorized But Not Issued	<u>28,998,723.66</u>	<u>29,377,877.00</u>	<u>28,571,086.00</u>
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 69,225,024.72</u>	<u>68,471,970.73</u>	<u>67,589,313.31</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.666%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District Debt	\$ 4,149,772.87	4,149,772.87	-
Water and Sewer Utility Debt	19,332,744.88	19,332,744.88	-
Beach Utility	3,270,900.00	3,270,900.00	-
General Debt	46,621,379.84	745,382.19	45,875,997.65
	<u>\$ 73,374,797.59</u>	<u>27,498,799.94</u>	<u>45,875,997.65</u>

Net Debt \$45,875,997.65 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$2,754,149,634.67 = 1.666%.

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$	96,395,237
Net Debt		45,875,998
Remaining Borrowing Power	<u>\$</u>	<u>50,519,239</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2016 and 2015, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2017 and 2016 were as follows:

		<u>2017</u>	<u>2016</u>
Current Fund	\$	2,300,000.00	2,184,000.00
Water/Sewer Utility		675,000.00	625,000.00
Beach Utility		214,125.00	214,125.00
Tourism Utility		100,000.00	75,000.00

NOTE 9: SCHOOL TAXES

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

		<u>12/31/2016</u>	<u>12/31/2015</u>
Balance of Tax	\$	887,298.76	850,936.28
Deferred		902,141.00	850,936.28
Tax Payable	\$	<u>(14,842.24)</u>	<u>-</u>

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:

		<u>12/31/2016</u>	<u>12/31/2015</u>
Balance of Tax	\$	2,499,003.43	3,012,004.93
Deferred		2,499,003.50	3,012,004.93
Tax Payable	\$	<u>(0.07)</u>	<u>-</u>

NOTE 10: TAXES COLLECTED IN ADVANCE

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

	<u>Balance 12/31/16</u>	<u>Balance 12/31/15</u>
Prepaid Taxes	\$ 567,646.94	576,359.02
Cash Liability for Taxes Collected in Advance	<u>\$ 567,646.94</u>	<u>576,359.02</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 11: 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/annrpts.shtml>.

Public Employees' Retirement System

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

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). The 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. Currently there are five 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 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.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.06% through June 30, 2016 and 7.20% thereafter of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 12.91% of covered payroll. The City's contributions to PERS for the years ended December 31, 2016, 2015, and 2014 were \$393,179.00, \$389,100.00 and \$350,172.82.

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, 2016, 2015, and 2014 were \$733,383.00, \$743,774.00 and \$682,916.87.

The total payroll for the year ended December 31, 2016, 2015 and 2014 was \$8,113,586.92, \$7,939,780.39 and \$7,991,466.47. Payroll covered by PFRS was \$2,918,891.00, \$3,025,179.00 and \$2,892,401.00. Payroll covered by PERS was \$3,144,692.00, \$3,155,162.00 and \$3,063,546.00.

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, 2016 was \$564,628.51. Currently there are eight individuals receiving benefits. The benefits paid by the trust for the year ended December 31, 2016, 2015 and 2014 were \$39,036.00, \$23,851.00 and \$14,423.29.

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.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

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

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

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

Note 12: PENSION LIABILITIES

In 2012, the Governmental Accounting Standards Board issued GASB statement 68. This statement is effective for fiscal years beginning after June 15, 2014. This statement changes the method of reporting the municipality's pension liabilities. However, due to the fact that the municipality reports on the regulatory basis of accounting, no financial statement impact will be recognized.

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

Public Employees' Retirement System

The Municipality has a liability of \$13,979,218.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Municipality's proportion would be 0.04719976830%, which would be an increase of 5.73% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Municipality would have recognized pension expense of \$1,449,067.00. At December 31, 2016, the Municipality would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected & actual experience	\$ 259,971.00	
Changes of assumptions	2,895,747.00	
Changes in proportion	664,944.00	(181,817.00)
Net difference between projected and actual earnings on pension plan investments	533,040.00	
Total	<u>\$ 4,353,702.00</u>	<u>(181,817.00)</u>

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

<u>Year ended June 30,</u>		
2017	\$	944,123.58
2018		944,123.58
2019		1,079,327.21
2020		903,217.07
2021		301,093.56
Total	<u>\$</u>	<u>4,171,885.00</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)

Actuarial Assumptions

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

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)

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

Discount Rate

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

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

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

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Municipality's proportionate share of the net pension liability	\$ 16,752,747.16	13,979,218.00	11,691,887.72

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

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 Municipality has a liability of \$17,862,334.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Municipality's proportion would be 0.09350754584%, which would be an increase of 3.64% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Municipality would have recognized pension expense of \$2,028,284.00. At December 31, 2016, the Municipality would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected & actual experience		
Changes of assumptions	2,474,080.00	
Changes in proportion	995,049.00	(565,279.00)
Net difference between projected and actual earnings on pension plan investments	1,251,578.00	(117,090.00)
Total	<u>\$ 4,720,707.00</u>	<u>(682,369.00)</u>

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

	<u>Year ended June 30,</u>	
2017	\$ 976,521.53	
2018	976,521.53	
2019	1,296,132.47	
2020	759,303.35	
2021	29,859.13	
Total	<u>\$ 4,038,338.00</u>	

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

Actuarial Assumptions

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

Inflation rate	3.08%
Salary increases:	
Through 2026	2.10% - 8.98% (based on age)
Thereafter	3.10% - 9.98% (based on age)
Investment rate of return:	7.65%

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

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

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)

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

Discount Rate

The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

The following presents the collective net pension liability of the participating employers as of June 30, 2016, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
District's proportionate share of the net pension liability	\$ 22,707,611.96	17,862,334.00	13,912,888.17

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, 2016 State special funding situation net pension liability amount of \$1,604,141,087.00, 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, 2016 State special funding situation pension expense of \$204,886,666.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2016. 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 2016, the State contributed an amount less 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 Municipality was 0.09350754584% for 2016. The net pension liability amount allocated to the Municipality was \$1,499,993.00. For the fiscal year ending June 30, 2016 State special funding situation pension expense of \$191,584.00 is allocated to the Municipality.

Pension plan fiduciary net position.

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

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 13: POST-RETIREMENT BENEFITS

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

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

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

Plan Coverage The City currently has 9 union groups, UAW Local 2327 Cape May Lieutenant Lifeguards, UAW Local 2327 Cape May Lifeguards, UAW Local 2327 Upper Management Employees, UAW Local 2327 Middle Management Employees, UAW Local 2327 White Collar Clerical Employees, UAW Local 2327 Blue Collar Employees (Public Works and Water Sewer Employees), UAW Local 2327 Communications Employees, Policemen Benevolent Association Local 59 and International Association of Fire Fighters Local 3495. The employee's post-employment benefits are dependent upon the collective bargaining unit to which they are a member as well as the year of retirement. The benefits by collective bargaining unit are:

UAW Local 2327 (except Lifeguards) – Upon retirement after 25 years of service to the City (or 27 years of service to the City for employees hired on or after January 1, 2010), the City will pay the entire cost of health benefit coverages available for retirees at the time of retirement to supplement Medicare or any other health benefits to which the retiring employee may be entitled for the lifetime of the retiring employee and the employee's spouse at the time of retirement. The health plan for retirees shall reflect a lifetime limit as provided for under the specific health plan selected by the retiree.

International Association of Fire Fighters Local 3495 – Upon retirement after 25 years of service to the City, the City will pay the entire cost of health benefit coverages available for retirees at the time of retirement to supplement Medicare or any other health benefits to which the retiring employee may be entitled for the lifetime of the retiring employee and the employee's spouse at the time of retirement. The health plan for retirees shall reflect a lifetime limit as provided for under the specific health plan selected by the retiree. Dependent health coverage will be provided according to the terms of eligibility of the retiree's selected health plan.

Policemen Benevolent Association Local 59 – Upon retirement after 25 years of service with the City, the City will provide full time Officers and their eligible dependents at the time of retirement, lifetime medical coverage as set forth in this Article and subject to (1) the conditions established below and (2) the requirements of SHBP, including requirements to participate in Medicare. Officers who retire prior to January 1, 2012, shall be subject to the premium cost sharing provisions in effect when they retired as applicable to retirees. Pursuant to P.L. 2011, Chapter 78, Officers retiring on or after January 1, 2012 either with 25 years or more of pensionable law enforcement service in a State administered retirement system and with 25 years of services with the City or (ii) from a work related accidental disability pension, as set forth in Article 9.L. below, shall make a standard contribution to the City as a deduction from their retirement benefits.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

Non Affiliated Employees - Individuals who retired with at least 25 years of service in the Public Employees' Retirement System receive hospitalization, major medical and prescription for the employee and spouse in effect at the time of retirement.

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the City of Cape May on a monthly basis. The rates charged by the system for the year ended December 31, 2012 vary according to the type of coverage selected by the retiree and range from \$378 to \$1,770 monthly per retiree.

The City of Cape May contributions to SHBP for post-retirement benefits for the year ended December 31, 2016 and 2015 were \$671,192.85 and \$666,586.60 respectively, which equaled the required contribution for the year.

NOTE 14: ACCRUED SICK AND VACATION BENEFITS

The City has permitted employees to accrue unused vacation, 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, 2016, the City estimates this liability to approximate \$1,317,866.75 based on 2016 pay rates and compensated absence balances.

NOTE 15: 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 16: RISK MANAGEMENT

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

Property and Liability Insurance - The City maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2016 and 2015 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 \$200,000 under JIF, which increases to \$4,900,000 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.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

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: 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 19: INTERFUND BALANCES

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

	Due From	Due To
Current Fund:		
Animal Control Fund	\$ 489.89	
Federal and State Grant Funds	269,027.60	
Trusts Other		354.91
Utility Operating	645.25	
Grant Fund:		
Current Fund		269,027.60
Other Trusts:		
Current Fund	354.91	
Animal Control Fund:		
Current Fund		489.89
Utility Operating:		
Current Fund		645.25
	\$ <u>270,517.65</u>	<u>270,517.65</u>

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 20: 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. The 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 21: SUBSEQUENT EVENTS

The City has evaluated subsequent events through June 23, 2017, the date which the financial statements were available to be issued and identified no events requiring disclosure.

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SUPPLEMENTARY INFORMATION



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City 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 regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Cape May's basic financial statements, and have issued our report thereon dated June 23, 2017, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Cape May'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 City'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

June 23, 2017



FORD - SCOTT

& ASSOCIATES, L.L.C.

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Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Cape May's compliance with the types of compliance requirements described in the *Uniform Guidance Compliance Supplement* that could have a direct and material effect on each of the City of Cape May's major federal programs for the year ended December 31, 2016. The City of Cape May's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Cape May's major federal programs based on our audit of the types of compliance requirements referred to above. 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; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Cape May's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Cape May's compliance.

Opinion on Each Major Federal Program

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 programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of City of Cape May is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Cape May's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Cape May's 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 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 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Ford, Scott & Associates, L.L.C.
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Leon P. Costello

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

June 23, 2017

**SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA Number	Federal FAIN Number	Grant Period		Program or Award Amount	Receipts or Revenue Recognized	Budgetary Expenditures			(MEMO) Passed Through to Sub-Recipients
			From	To			Pass Through	Source Direct	Total	
FEDERAL: Federal Emergency Management Agency Hurricane Sandy	97.036		2012	Open	13,139.24	\$ 13,139.24	13,139.24	-	13,139.24	-
Total Federal Emergency Management Agency						13,139.24	13,139.24	-	13,139.24	-
Housing and Urban Development Small Cities Program CDBG - East Lyle Lane -Ph. 2	14.228	B15DC340001	01/01/2015	Open	400,000.00	400,000.00	400,000.00		400,000.00	
Small Cities Program CDBG 2013 Community Development Block Grant	14.228	B13DC340001	01/01/2013	Open	400,000.00	92.96	92.96		92.96	
Hurricane Sandy Recovery Grant	14.269	B13DS340001	05/13/2015	01/01/2017	1,500,000.00	1,439,300.43	1,323,149.21		1,323,149.21	
Total Housing and Urban Development						1,839,300.43	1,723,242.17	-	1,723,242.17	-
Total Federal Assistance						\$ 1,852,439.67	1,736,381.41	-	1,736,381.41	-

**NOTES TO SCHEDULE EXPENDITURES OF
FEDERAL AWARDS FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2016**

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.

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 per Schedule of Federal Awards	\$	1,736,381.41
Less: General Capital Fund Grant		(92.96)
Less: Current Fund Grant		(13,139.24)
Plus: State Grants		36,710.14
Plus: Local Grants		26,375.50
Expenditures reported on Schedule A-12	<u>\$</u>	<u>1,786,234.85</u>

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**CITY OF CAPE MAY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

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: \$ 750,000.00
- E) Auditee qualified as low-risk auditee? _____ yes X no _____ n/a
- 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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery

Part 2 - Schedule of Financial Statement Findings

None

Part 3 - Schedule of Federal Award Findings and Questioned Costs

None

STATUS OF PRIOR YEAR FINDINGS

There were no prior year findings.

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	Current Fund	Grant Fund
Balance December 31, 2015	\$ 6,365,379.96	175,720.29
Increased by Receipts:		
Tax Collector	23,535,795.10	
Revenue Accounts Receivable	6,043,344.88	
Miscellaneous Revenue	158,207.30	
Due from State - Seniors and Veterans	39,250.00	
Due from Current		2,004,808.33
Due from TTL Premium	6,907.17	
Due from Beach Operating	5,332.88	
Due from Tourism Operating	68,670.68	
Due from Flex Spending	8,350.00	
Due from Grant Fund	2,006,133.01	
Due from General Capital	1,086,547.84	
Due from Utility Operating	50.00	
Due to SCBG Econ Loan	1,166.66	
Due from Animal Control	818.35	
Due to COAH	161,889.00	
Due from Street Opening Trust	19,600.00	
Due to P.O.A.A. Trust	3,104.00	
Elections	8,800.00	
Due from Performance Bond	159,933.00	
Due from Pd Outside Employment	9,780.00	
Payroll & Payroll Taxes Payable	9,624,660.45	
Reserve for Escow Trust	143,642.84	
TTL Exchange	17,335.24	
Federal and State Unappropriated Reserves		29,360.99
Federal and State Receivables		1,976,772.02
Due to the State of New Jersey:		
DCA Training Fees	20,222.00	
Marriage Licenses	5,025.00	
	43,134,565.40	4,010,941.34
	49,499,945.36	4,186,661.63

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	Current Fund	Grant Fund
Decreased by Disbursements:		
Current Year Appropriation	14,710,174.96	
Prior Year Appropriations	639,498.08	
County Taxes	6,973,276.84	
Local District School Taxes	1,767,919.52	
Regional School Taxes	5,511,008.50	
Accounts Payable	82,619.71	
Tax Overpayments	4,865.63	
Due from Flex Spending	8,350.00	
Due from General Capital	1,086,547.84	
Due from Street Opening Trust	19,600.00	
Due from Utility Operating	1,060.74	
Due to P.O.A.A. Trust	3,104.00	
Due from TTL Premium	6,900.00	
Due to Beach Operating	5,332.88	
Due from Grant Fund	2,004,702.56	
Due to SCBG Econ Loan	1,166.66	
Due to COAH	161,531.25	
Due to Tourism Operating	68,670.68	
Due to Pd Outside Employment	9,780.00	
Reserve for Escrow Trust	90,598.38	
Payroll & Payroll Taxes Payable	9,641,182.63	
TTL Exchange Account	17,335.24	
Due to Performance Bond	159,933.00	
Elections	8,800.00	
Federal and State Disbursements		2,004,702.56
Refund of Prior Year Revenue		2,006,133.01
Due to Current		
Due to the State of New Jersey:		
DCA Training Fees	19,527.00	
Marriage Licenses	5,075.00	
	<u>43,011,585.78</u>	<u>4,010,835.57</u>
Balance December 31, 2016	<u>\$ 6,488,359.58</u>	<u>175,826.06</u>

**CURRENT FUND
SCHEDULE OF CURRENT CASH - COLLECTOR**

Balance December 31, 2015		\$	-
Increased by Receipts:			
Prepaid Taxes	567,646.94		
Taxes Receivable	22,898,520.80		
Revenue Accounts Receivable	69,627.36		
			23,535,795.10
			23,535,795.10
Payments to Treasurer			23,535,795.10
Balance December 31, 2016		\$	-

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

Balance December 31, 2015		\$	7,059.00
Increased by:			
Transfers from Taxes Receivable December 8, 2016	550.78		
	550.78		550.78
			7,609.78
Decreased by:			
None	-		
	-		-
Balance December 31, 2016		\$	7,609.78

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2015	Accrued in 2015	Collected by			Balance Dec. 31, 2016
			Collector	Treasurer	Other	
Licenses:						
Alcoholic Beverages	-	56,440.00		56,440.00		-
Other	-	328,785.30		328,785.30		-
Fees and Permits	-	201,434.43		201,434.43		-
Fines and Costs:						
Municipal Court	4,920.71	228,851.80		228,134.54		5,637.97
Interest and Costs on Taxes	-	69,627.36				-
Interest Earned on Investments	-	5,845.59		5,845.59		-
Parking Meters	-	1,117,739.52		1,117,739.52		-
Hotel Room Tax	-	1,214,488.89		1,214,488.89		-
Lease and Rental Contracts	-	482,800.44		482,800.44		-
TV Cable Receipts	-	40,060.39		40,060.39		-
Victorian Towers - In Lieu of Taxes	-	201,641.09		201,641.09		-
Emergency Medical Services	-	337,416.30		337,416.30		-
Energy Receipts Tax	-	337,632.00		337,632.00		-
Uniform Construction Code Fees	-	570,655.00		570,655.00		-
Interlocal Services Agreement - West Cape May - Police Protection	-	467,351.00		467,351.00		-
Cape May Point - Police Protection	-	282,427.00		282,427.00		-
Utility Street Improvements	-	50,000.00		50,000.00		-
Reserve to Pay Debt Service	-	158,800.00		158,800.00		-
Miscellaneous Revenue Not Anticipated	-	158,697.19		158,697.19		-
	<u>\$ 4,920.71</u>	<u>6,310,693.30</u>	<u>69,627.36</u>	<u>6,240,348.68</u>	<u>-</u>	<u>5,637.97</u>

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

	Balance Dec. 31, 2015	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT:					
General Administration					
Other Expenses	20,303.98	20,303.98	4,210.44	16,093.54	-
Mayor and Council					
Other Expenses	2,539.88	2,539.88	559.43	1,980.45	-
City Clerk					
Other Expenses	11,553.43	11,553.43	2,771.29	8,782.14	-
Financial Administration					
Other Expenses	3,884.00	3,884.00	3,525.65	358.35	-
Assessment of Taxes					
Other Expenses	10,846.97	10,846.97	3,020.41	7,826.56	-
Collection of Taxes					
Other Expenses	318.38	318.38	316.50	1.88	-
Legal Services					
Other Expenses					
Miscellaneous Other Expenses	349,779.85	349,779.85	330,506.44	19,273.41	-
Engineering Services					
Other Expenses	29,993.12	29,993.12	27,500.09	2,493.03	-
Emergency Medical Services - Collection					
Contractual Expenses	3,794.32	3,794.32	3,242.55	551.77	-
INSURANCE					
General Liability	66,305.87	66,305.87	30,150.00	36,155.87	-
Employee Group Health	404,697.52	404,697.52	245,103.54	159,593.98	-

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

	Balance Dec. 31, 2015	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
LAND USE ADMINISTRATION					
Planning Board					
Other Expenses	1,585.79	1,585.79	1,338.54	247.25	-
Zoning Board of Adjustment					
Other Expenses	392.38	392.38	374.00	18.38	-
PUBLIC SAFETY					
Fire					
Other Expenses	12,784.03	12,784.03	5,291.77	7,492.26	-
Police					
Other Expenses	83,363.63	83,363.63	58,960.04	24,403.59	-
Emergency Management Services					
Other Expenses	405.69	405.69	30.54	375.15	-
Parking and Traffic Maintenance					
Other Expenses	22,124.28	22,124.28	12,178.98	9,945.30	-
Public Safety					
Other Expenses	1,000.00	1,000.00	929.50	70.50	-
Municipal Court					
Other Expenses	8,052.70	8,052.70	1,265.13	6,787.57	-
PUBLIC WORKS FUNCTION					
Road Repair and Maintenance					
Other Expenses	48,083.12	48,083.12	42,308.35	5,774.77	-
Sanitary Landfill - Contractual					
Other Expenses	7,787.29	7,787.29	2,155.28	5,632.01	-
Recycling					
Other Expenses	47,702.59	47,702.59	19,147.61	28,554.98	-
Public Buildings and Grounds					
Other Expenses	40,084.84	40,084.84	34,570.37	5,514.47	-
Shade Tree Commission					
Other Expenses	5,688.75	5,688.75	5,290.00	398.75	-
HEALTH AND HUMAN SERVICES					
Environmental Commission					
Salaries and Wages	2,420.00	2,420.00	90.00	2,330.00	-

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

	Balance Dec. 31, 2015	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
PARKS AND RECREATION					
Civic Affairs					
Other Expenses	3,187.86	3,187.86	2,340.81	847.05	-
Historic Preservation Commission					
Other Expenses	12,200.22	12,200.22	675.00	11,525.22	-
Grants Coordinator					
Other Expenses	15,566.51	15,566.51	1,113.75	14,452.76	-
UNIFORM CONSTRUCTION CODE					
State Uniform Construction Code					
Construction Official					
Salaries and Wages	5,952.11	5,952.11	200.00	5,752.11	-
Other Expenses	6,124.11	6,124.11	5,078.97	1,045.14	-
UNCLASSIFIED					
Celebration of Public Events, Anniversary or Holiday	1,434.97	1,434.97	985.62	449.35	-
UTILITY EXPENSES AND BULK PURCHASES					
General Office Operations	33,177.09	33,177.09	6,642.85	26,534.24	-
Street Lighting	16,511.35	16,511.35	13,236.01	3,275.34	-
Gas Lighting	10,475.44	10,475.44	2,174.62	8,300.82	-
Gas Lighting - Parts	4,275.62	4,275.62	4,170.00	105.62	-
OPERATIONS EXCLUDED FROM "CAPS"					
Length of Service Award Program - Fire	22,000.00	22,000.00	18,044.00	3,956.00	-
All Other Accounts - No Change	328,258.30	328,258.30		328,258.30	-
	<u>\$ 1,644,655.99</u>	<u>1,644,655.99</u>	<u>889,498.08</u>	<u>755,157.91</u>	<u>-</u>

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

Balance December 31, 2015			
School Tax Payable	\$	-	
School Tax Deferred		<u>850,936.28</u>	
			\$ 850,936.28
Increased by:			
Levy - School Year July 1, 2016 to June 30, 2017			<u>1,804,282.00</u>
			2,655,218.28
Decreased by:			
Payments			<u>1,767,919.52</u>
Balance December 31, 2016			
School Tax Payable		(14,842.24)	
School Tax Deferred		<u>902,141.00</u>	
			<u>887,298.76</u>
Current Year Liability for Local School District School Tax:			
Tax Paid			1,767,919.52
Tax Payable Ending			<u>(14,842.24)</u>
			1,753,077.28
Less: Deferred			
Less: Tax Payable Beginning			<u>-</u>
Amount charged to Current Year Operations			<u>\$ 1,753,077.28</u>

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

Balance December 31, 2015			
School Tax Payable	\$	-	
School Tax Deferred		<u>3,012,004.93</u>	
			\$ 3,012,004.93
Increased by:			
Levy - School Year July 1, 2016 to June 30, 2017			<u>4,998,007.00</u>
			8,010,011.93
Decreased by:			
Payments			<u>5,511,008.50</u>
Balance December 31, 2016			
School Tax Payable		(0.07)	
School Tax Deferred		<u>2,499,003.50</u>	
			<u>2,499,003.43</u>
Current Year Liability for Regional School District School Tax:			
Tax Paid			5,511,008.50
Tax Payable Ending			<u>(0.07)</u>
			5,511,008.43
Less: Deferred			
Less: Tax Payable Beginning			<u>-</u>
Amount charged to Current Year Operations			<u>\$ 5,511,008.43</u>

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

<u>Purpose</u>	Balance Dec. 31, 2015	Transferred From 2016 Revenues	Received	Canceled	Balance Dec. 31, 2016
FEDERAL GRANTS:					
Small Cities Block Grant - East Lyle - Phase II	\$ 400,000.00		400,000.00		-
USHUD - CDBG - Lafayette Street Park	1,475,500.00		1,439,300.43		36,199.57
Total Federal	<u>1,875,500.00</u>	<u>-</u>	<u>1,839,300.43</u>	<u>-</u>	<u>36,199.57</u>
STATE GRANTS:					
Smart Growth Planning	2,000.00				2,000.00
NJ Trans Trust - 2008	35,000.00				35,000.00
Bulletproof Vest	1,261.53		1,261.53		-
DOT FY2013 Transportation Trust Fund	175,000.00				175,000.00
2014 Hazard Mitigation Grant -Energy Allocation	100,000.00				100,000.00
2015 Hazard Mitigation Grant -Energy Allocation	100,000.00				100,000.00
Transportation Trust Fund - CM Ave Phase III	76,956.41				76,956.41
Sustainable Jersey Small Cities	5,000.00		5,000.00		-
Clean Communities - 2016	-	22,298.09	22,298.09		-
NJDOT - 2015 Muni Aid CM Ave South Side	175,000.00				175,000.00
NJDOT - Bikeway Expansion Project	350,000.00				350,000.00
2016 NJDEP Historic Preservation Office-Circuit Rider	-	20,065.00	20,000.00		65.00
Bulletproof Vest Grant - 2015	2,340.95		714.47		1,626.48
Bulletproof Vest Grant - 2016	-	2,397.50	2,397.50		-
Cops in Shops - 2016	-	1,800.00	1,800.00		-
2016 NJ Dept. of Environ Protection-Electric Vehicle	-	10,000.00			10,000.00
2016 NJ Dept. of Environ Protection-Architectural Survey	-	24,999.00			24,999.00
2016 NJ Dept. of Transportation-FY 2016 Bikeway Progra	-	250,000.00			250,000.00
NJ Transportation Trust - FY 2016	-	179,000.00			179,000.00
2016 Emergency Management-EMAA Grant	-	7,000.00			7,000.00
Total State	<u>1,022,558.89</u>	<u>517,559.59</u>	<u>53,471.59</u>	<u>-</u>	<u>1,486,646.89</u>
OTHER GRANTS:					
Estate of Edward Ross - 2016 Educational Purposes	-	60,000.00	60,000.00		-
Estate of Edward Ross - 2016 Educational Purposes	-	24,000.00	24,000.00		-
County of Cape May Open Space-Lafayette Street Park	-	1,177,000.00			1,177,000.00
Total Other	<u>-</u>	<u>1,261,000.00</u>	<u>84,000.00</u>	<u>-</u>	<u>1,177,000.00</u>
	<u>\$ 2,898,058.89</u>	<u>1,778,559.59</u>	<u>1,976,772.02</u>	<u>-</u>	<u>2,699,846.46</u>

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

	Balance December 31, 2015		2016		Balance
	Appropriated	Reserve for Encumbrances	Appropriations	Disbursed	Dec. 31, 2016
FEDERAL GRANTS:					
Small Cities Block Grant - East Lyle - Phase II	\$ 400,000.00			400,000.00	-
USHUD - CDBG - Lafayette Street Park	1,338,415.50	76,763.75		1,399,741.42	15,266.29
Total Federal	1,738,415.50	76,763.75	-	1,799,741.42	15,266.29
STATE GRANTS:					
Clean Communities - Prior	152.44	144.50		296.94	(0.00)
Clean Communities - 2015	19,504.82			15,975.02	3,529.80
Clean Communities - 2016	-		22,298.09		22,298.09
Solid Waste Management Grant - Prior	9,102.27			2,553.14	6,549.13
Solid Waste Management Grant - 2014	2,121.17				2,121.17
Special Legislative Grant - Convention Hall	14,412.00				14,412.00
Body Armor Grant	5,305.88			2,454.05	2,851.83
Body Armor Grant - 2015	2,352.27				2,352.27
Bulletproof Vest Grant - 2016	2,340.95			2,340.95	-
Housing Inspections	26,031.00		2,397.50		2,397.50
Housing Inspections - 2015	20,934.00				26,031.00
Housing Inspections - 2016	-		16,658.00		20,934.00
Alcohol Education and Rehabilitation	1,555.88				16,658.00
NJLPS COPS in Shops - 2015	1,200.00				1,555.88
Sustainable Jersey Small Cities	1,117.00				1,200.00
DOT FY2013 Transportation Trust Fund	52,783.00				1,117.00
2014 Hazard Mitigation Grant -Energy Allocation	100,000.00				52,783.00
2015 Hazard Mitigation Grant -Energy Allocation	100,000.00				100,000.00
NJDOT - 2015 Muni Aid CM Ave South Side	33,269.00	141,731.00		134,965.54	100,000.00
Transportation Trust Fund - CM Ave Phase III	31,248.11				40,034.46
Cops in Shops - 2016			1,800.00		31,248.11
NJDOT - Bikeway Expansion Project	350,000.00				1,800.00
2016 NJDEP Historic Preservation Office-Circuit Rider			20,065.00	20,000.00	350,000.00
2016 NJ Dept. of Environ Protection-Electric Vehicle			10,000.00		65.00
2016 NJ Dept. of Environ Protection-Architectural Survey			24,999.00		10,000.00
2016 NJ Dept. of Transportation-FY 2016 Bikeway Program			250,000.00		24,999.00
NJ Transportation Trust - FY 2016			179,000.00		250,000.00
2016 Emergency Management-EMAA Grant			7,000.00		179,000.00
Total State	773,429.79	141,875.50	534,217.59	178,585.64	1,270,937.24

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

	Balance December 31, 2015		2016		Balance
	Appropriated	Reserve for Encumbrances	Appropriations	Disbursed	Dec. 31, 2016
OTHER GRANTS:					
Geraldine R. Dodge Foundation	3,578.54			1,165.50	2,413.04
Estate of Edward Ross	50,358.92			25,210.00	25,148.92
Estate of Edward Ross - 2016 Educational Purposes	-		60,000.00		60,000.00
Estate of Edward Ross - 2016 Educational Purposes	-		24,000.00		24,000.00
County of Cape May Open Space-Lafayette Street Park	-		1,177,000.00		1,177,000.00
Total Other	<u>53,937.46</u>	<u>-</u>	<u>1,261,000.00</u>	<u>26,375.50</u>	<u>1,288,561.96</u>
\$	<u>2,565,782.75</u>	<u>218,639.25</u>	<u>1,795,217.59</u>	<u>2,004,702.56</u>	<u>2,574,765.49</u>

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

Purpose	Balance Dec. 31, 2015	Transferred To 2016 Appropriations	Received	Adjustments	Balance Dec. 31, 2016
FEDERAL GRANTS:					
None	-				-
Total Federal	-	-	-	-	-
STATE GRANTS:					
Housing Inspections	16,658.00	16,658.00	15,141.00		15,141.00
NJ Environmental Protection	2,346.90				2,346.90
Recycling Tonnage	-		12,196.22		12,196.22
Body Armor	-		2,023.77		2,023.77
Total State	<u>19,004.90</u>	<u>16,658.00</u>	<u>29,360.99</u>	<u>-</u>	<u>31,707.89</u>
\$	<u><u>19,004.90</u></u>	<u><u>16,658.00</u></u>	<u><u>29,360.99</u></u>	<u><u>-</u></u>	<u><u>31,707.89</u></u>

TRUST FUND
SCHEDULE OF ANIMAL CONTROL CASH - TREASURER

Balance December 31, 2015		\$	2,640.73
Increased By Receipts:			
Dog License Fees	1,045.80		
Late Fees	182.00		
State License Fees	235.20		
Interest Earned	1.95		
	<u> </u>		<u>1,464.95</u>
			4,105.68
Decreased By Disbursements:			
Paid to State of NJ	236.40		
Due to Current Fund	818.35		
Dog Fund Expenditures	534.00		
	<u> </u>		<u>1,588.75</u>
Balance December 31, 2016		\$	<u><u>2,516.93</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance December 31, 2015		\$	1,825.78
Increased By:			
Dog Licenses Fees Collected	\$		1,045.80
Late Fees Collected			182.00
Interest Received			1.95
			1,229.75
			3,055.53
Decreased By:			
Animal Control Expenditures			534.00
Statutory Excess due to Current Fund			489.89
Adjustment			8.80
			1,032.69
Balance December 31, 2016		\$	2,022.84

License Fees Collected	<u>Year</u>	
	2014	924.40
	2015	1,098.44
		2,022.84
	\$	2,022.84

TRUST - OTHER FUND
STATEMENT OF DUE TO CURRENT FUND

Balance December 31, 2015	\$	818.35
Increased By:		
Statutory Excess due to Current Fund		489.89
		1,308.24
Decreased By:		
Statutory Excess due to Current Fund		818.35
Balance December 31, 2016	\$	489.89

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

Balance December 31, 2015	\$	3.40
Increased by:		
Paid to State of New Jersey		236.40
		239.80
Decreased by:		
Licenses Issued in 2016		235.20
Adjustment		8.80
		244.00
Balance December 31, 2016	\$	(4.20)

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

Balance December 31, 2015		\$ 2,089,112.58
Increased by:		
Reserve for Open Space	222,000.00	
Grant Receivable	1,004,153.34	
Pool Ordinance 2014-283	75,000.00	
Capital Improvement Fund	150,000.00	
Due from Current Fund - BAN Paydown	75,000.00	
Bond Premium	72,852.53	
Bond Anticipation Notes	6,575,000.00	
	<hr/>	<u>8,174,005.87</u>
		10,263,118.45
Decreased by:		
Improvement Authorizations	2,521,999.47	
Bond Anticipation Notes	3,700,000.00	
Reserve for Payment of Bonds	158,800.00	
	<hr/>	<u>6,380,799.47</u>
Balance December 31, 2016		\$ <u><u>3,882,318.98</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance		Receipts		Disbursements		Transfers		Balance Dec. 31, 2016
	Dec. 31, 2015		Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 474,745.76								172,598.29
Capital Improvement Fund	16.00		72,852.53				375,000.00		16.00
Encumbrances Payable	1,285,795.90		150,000.00				150,000.00		1,094,386.24
Reserve for Payment of Bonds	904,182.19					158,800.00	1,285,795.90	1,094,386.24	745,382.19
Reserve for Open Space	2,720,569.00		222,000.00				1,000,000.00		1,942,569.00
Reserve Other - Mall Improvements	26,575.60								26,575.60
NJEIT Loan Receivable	(35,670.53)								(35,670.53)
State Grant Receivable	(348,066.77)								(348,066.77)
Improvement Authorizations:									
1122 Various Capital Improvements	2,705.80								2,705.80
1153 Rehabilitation to Bus/Train Station	30,051.05								30,051.05
1261 Property Acquisition	2,890.28								2,890.28
1264 Property Acquisition	(11,102.02)								(11,102.02)
1324 Property Acquisition	59,498.23				(1,834.29)				61,332.52
28-2005 Various Capital Improvements	3,735.25								3,735.25
72-2006 Entrance Way Improvements	1,070.94								1,070.94
79-2006 Various Improvements	48,346.80				285,800.00				48,346.80
104-2007 Washington Street Mall	120,818.96								(164,981.04)
110-2007 Various Improvements	515.85								515.85
113-2007 Harborview Park	694.80								694.80
151-2008 Various Improvements	(78,870.20)								(78,870.20)
161-2008 Convention Hall	92.50								92.50
167-2008 Rotary Park	-				91,500.00			91,500.00	-
180-2009 Various Improvements	(99,524.84)								(99,524.84)
205-2010 Storm Water Collection	(14,631.65)								(14,631.65)
206-2010 Various Improvements	(62,926.78)				100,680.00			100,000.00	(63,606.78)
232-2011 Various Improvements	110,130.24				145,439.46		5,599.09	104,365.10	63,456.79
235-2011 ADA Improvements	1,586.84								1,586.84
252-2012 Various Improvements	79,723.03				116,682.56		67,394.31	130,000.00	25,646.16
263-2013 Acquisition of Open Space	(2,372,871.76)		1,004,153.34		465,423.06		4,005.00	3,474.00	(1,834,672.48)
269-2013 Various Improvements	62,502.72		225,000.00		52,281.26				348,937.30
270-2013 Various Improvements	(18,950.20)		50,000.00		42,222.25			7,452.25	(3,720.20)
279-2014 Various Improvements	(106,269.06)		600,000.00		259,228.46		39,039.00	195,750.32	391,213.80
283-2014 Pool Improvements	51,031.02		75,000.00		107,568.99		78,280.00		815,182.03
289-2015 Seawall Feasibility	(16,805.77)								23,194.23
292-2015 Various Improvements	(732,476.60)				587,126.96		274,927.31	539,538.39	(54,992.48)
302-2016 Various Improvements	-				77,696.21		264,303.79	375,000.00	33,000.00
306-2016 Various Improvements	-				191,584.55		360,837.74	150,000.00	(242,422.29)
311-2016 Improvements to Lafayette Street Park	-				600.00			1,000,000.00	999,400.00
	\$ 2,089,112.58		1,524,005.87	2,950,000.00	2,521,999.47	158,800.00	3,905,182.14	3,905,182.14	3,882,318.98

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

Balance December 31, 2015		\$	16.00
Increased by:			
Budget Appropriation	150,000.00		
			150,000.00
			150,016.00
Decreased by:			
Improvement Authorizations Funded	150,000.00		
			150,000.00
Balance December 31, 2016		\$	16.00

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

Balance December 31, 2015		\$ 18,813,752.63
Increased by:		
None	-	
	<hr/>	<hr/>
		-
		18,813,752.63
Decreased by:		
Serial Bonds Paid	1,727,472.12	
Green Trust Loan Principal Paid	16,626.04	
NJEIT Bonds & Loans	22,562.29	
	<hr/>	<hr/>
		1,766,660.45
Balance December 31, 2016		\$ <u>17,047,092.18</u>

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2016		Interest Rate	Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
			Date	Amount					
Storm Drainage Bonds of 1981	1/23/1981	2,097,000	1/20/2017	102,345.73	5.000% \$	537,197.57		97,472.12	439,725.45
			1/20/2018	107,463.01					
			1/20/2019	112,836.16					
			1/20/2020	117,080.55					
General Obligation Bonds of 2008	10/1/2008	6,340,000	10/1/2017	650,000.00	5.000%	2,600,000.00		650,000.00	1,950,000.00
			10/1/2018	650,000.00	5.000%				
			10/1/2019	650,000.00	4.000%				
General Obligation Bonds of 2013	7/15/2013	10,700,000	7/15/2017	600,000.00	3.000%	9,740,000.00		550,000.00	9,190,000.00
			7/15/2018	700,000.00	3.000%				
			7/15/2019	750,000.00	3.000%				
			7/15/2020	800,000.00	3.000%				
			7/15/2021	850,000.00	3.000%				
			7/15/2022	920,000.00	3.000%				
			7/15/2023	920,000.00	3.250%				
			7/15/2024	920,000.00	3.500%				
			7/15/2025	920,000.00	4.000%				
			7/15/2026	920,000.00	4.000%				
			7/15/2027	890,000.00	4.000%				
General Obligation Bonds of 2014	6/17/2014	6,035,000	7/15/2017	460,000.00	3.000%	5,625,000.00		430,000.00	5,195,000.00
			7/15/2018	480,000.00	3.000%				
			7/15/2019	490,000.00	3.000%				
			7/15/2020	500,000.00	3.000%				
			7/15/2021	530,000.00	3.000%				
			7/15/2022	560,000.00	3.000%				
			7/15/2023	660,000.00	3.000%				
			7/15/2024	700,000.00	3.000%				
			7/15/2025	815,000.00	3.000%				
					\$	18,502,197.57	-	1,727,472.12	16,774,725.45

**GENERAL CAPITAL FUND
SCHEDULE OF GREEN TRUST LOAN PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2016	Date	Amount	Interest Rate	Balance Dec. 31, 2015	Maturities of Bonds Outstanding		Balance Dec. 31, 2016
								Increased	Decreased	
Harborview Park	11/3/2005	324,621				2.000%	\$ 182,133.69		16,626.04	165,507.65
							\$ 182,133.69		16,626.04	165,507.65

This loan is paid semi annually. The amount for principal and interest is \$10,093.00. The loan ends on August 9, 2025.

**GENERAL CAPITAL FUND
SCHEDULE OF ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2016		Interest Rate	Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
			Date	Amount					
Various Capital Improvements NJ-EIT	10/17/2001	61,250	8/1/2017	4,900.00	5.000% \$	29,400.00		4,900.00	24,500.00
			8/1/2018	4,900.00	5.000%				
			8/1/2019	4,900.00	5.000%				
			8/1/2020	4,900.00	4.750%				
			8/1/2021	4,900.00	4.750%				
Various Capital Improvements NJ-EIT	10/17/2001	63,933	2/1/2017	386.02	None	22,129.11		4,080.75	18,048.36
			8/1/2017	3,537.18					
			2/1/2018	307.23					
			8/1/2018	3,458.40					
			2/1/2019	228.46					
			8/1/2019	3,379.62					
			2/1/2020	149.68					
			8/1/2020	3,300.84					
			2/1/2021	74.84					
			8/1/2021	3,226.09					
Various Capital Improvements NJ-EIT	10/17/2001	115,970	2/1/2017	589.47	None	33,792.26		6,231.54	27,560.72
			8/1/2017	5,401.47					

**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, 2015	Dec. 31, 2016
Various Improvements	252-2012	7/18/2013	7/16/2015	7/15/2016	2.000%	\$ 1,225,000.00	-
			7/16/2016	7/14/2017	2.000%	1,175,000.00	1,225,000.00
Various Improvements	269-2013	5/21/2013	7/16/2015	7/15/2016	2.000%	1,200,000.00	-
			7/16/2016	7/14/2017	2.000%	1,400,000.00	1,200,000.00
Storm Water Collection System	270-2013	7/16/2015	7/16/2015	7/15/2016	2.000%	200,000.00	-
			7/16/2016	7/14/2017	2.000%	250,000.00	200,000.00
Various Improvements	279-2014	7/16/2015	7/16/2015	7/15/2016	2.000%	750,000.00	-
			7/16/2016	7/14/2017	2.000%	1,350,000.00	750,000.00
Pool Improvements	283-2014	7/16/2015	7/16/2015	7/15/2016	2.000%	75,000.00	-
			7/16/2016	7/14/2017	2.000%	950,000.00	75,000.00
Seawall Feasibility	289-2015	7/16/2015	7/16/2015	7/15/2016	2.000%	250,000.00	-
			7/16/2016	7/14/2017	2.000%	290,000.00	250,000.00
Various Improvements	292-2015	7/16/2016	7/16/2016	7/14/2017	2.000%	-	1,000,000.00
Various Improvements	306-2016	7/16/2016	7/16/2016	7/14/2017	2.000%	-	160,000.00
						\$ 3,700,000.00	6,575,000.00
						3,700,000.00	6,575,000.00

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2015	2016 Authorizations	Debt Issued	Other	Balance Dec. 31, 2016
		\$				
1261	Property Acquisition	300,000.00				300,000.00
1264	Property Acquisition	15,985,000.00				15,985,000.00
104-2007	Washington Street Mall	165,000.00				165,000.00
151-2008	Various Improvements	80,000.00				80,000.00
161-2008	Construction of a New Convention Hall	1,250.00				1,250.00
180-2009	Various Improvements	100,000.00				100,000.00
205-2010	Storm Water Collection	61,250.00				61,250.00
206-2010	Various Improvements	75,000.00				75,000.00
232-2011	Various Improvements	25,000.00				25,000.00
263-2013	Acquisition of Open Space	3,400,000.00			1,004,153.34	2,395,846.66
269-2013	Various Improvements	225,000.00		225,000.00		-
270-2013	Storm Water Collection System	61,250.00		50,000.00		11,250.00
279-2014	Various Improvements	675,000.00		600,000.00		75,000.00
283-2014	Pool Improvements	875,000.00		875,000.00	75,000.00	(75,000.00)
289-2015	Seawall Feasibility	225,000.00		40,000.00		185,000.00
292-2015	Various Improvements	1,424,691.00		1,000,000.00		424,691.00
306-2016	Various Improvements	-	2,850,000.00	160,000.00		2,690,000.00
311-2016	Improvements to Lafayette Street Park	-	500,000.00			500,000.00
		<u>\$ 23,678,441.00</u>	<u>3,350,000.00</u>	<u>2,950,000.00</u>	<u>1,079,153.34</u>	<u>22,999,287.66</u>

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

	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance December 31, 2015	\$ 1,926,025.85	1,379,697.08
Increased by Receipts:		
Water and Sewer Rent Collected	6,143,247.74	
Reimbursements	63,267.53	
Capital Improvement Fund		20,000.00
Due from Current Fund	9,839.26	
Bond Anticipation Note		1,200,000.00
Bond Premium		19,944.42
Miscellaneous Revenue	73,794.06	
	<u>6,290,148.59</u>	<u>1,239,944.42</u>
	8,216,174.44	2,619,641.50
Decreased by Disbursements:		
Current Appropriations	6,380,877.61	
Appropriation Reserves	186,741.46	
Refund Overpayments	409.20	
Improvement Authorizations		1,249,581.59
Due to Current Fund	8,778.52	
	<u>6,576,806.79</u>	<u>1,249,581.59</u>
Balance December 31, 2016	\$ <u>1,639,367.65</u>	<u>1,370,059.91</u>

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

	Balance Dec. 31, 2015		Receipts		Disbursements		Transfers		Balance Dec. 31, 2016
			Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$	299,589.79							319,534.21
Capital Improvement Fund		90,000.00	19,944.42						110,000.00
Reserve for Debt Service		255,307.60	20,000.00						255,307.60
Reserve for Amortization		614,830.00							614,830.00
NJEIT Loans Receivable		(37,126.47)							(37,126.47)
Encumbrances Payable		2,471,328.80					2,471,328.80	1,940,818.82	1,940,818.82
<u>Improvement Authorizations:</u>									
1291 Various Utility Improvements		3,085.29							3,085.29
36-2005 Various Utility Improvements		(41,070.74)							(41,070.74)
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							6,214.64
154-2008 System Improvements		13,024.66							13,024.66
155-2008 System Improvements		(312,395.11)							(312,395.11)
179-2009 System Improvements		95,340.66					3,566.50	3,566.50	95,340.66
207-2010 System Improvements		(31,108.03)		50,000.00	33,433.84				(14,541.87)
230-2011 System Improvements		130,422.34			98,940.86		119,139.63	211,080.49	123,422.34
250-2012 System Improvements		(251,108.29)		150,000.00	211,800.10		388,064.00	420,500.00	(280,472.39)
268-2013 System Improvements		(468,632.59)			95,950.00		400,610.00	444,360.00	(520,832.59)
281-2014 System Improvements		(740,233.67)		200,000.00	278,129.44		397,924.10	653,021.81	(563,265.40)
293-2015 System Improvements		(739,400.00)		400,000.00	477,997.35		69,590.65	738,800.00	(148,188.00)
298-2015 System Improvements		-			14,130.00		22,470.00		(36,600.00)
307-2016 System Improvements		-		400,000.00	39,200.00		539,453.94		(178,653.94)
	\$	<u>1,379,697.08</u>	<u>39,944.42</u>	<u>1,200,000.00</u>	<u>1,249,581.59</u>	<u>-</u>	<u>4,412,147.62</u>	<u>4,412,147.62</u>	<u>1,370,059.91</u>

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

Balance December 31, 2015		\$ 15,795.12
Increased by Receipts:		
Consumer Accounts Charges and Levies	6,165,631.22	
	<hr/>	<hr/>
		6,165,631.22
		6,181,426.34
Decreased by Disbursements:		
Collections	6,143,247.74	
Overpayments Applied	20,193.90	
	<hr/>	<hr/>
		6,163,441.64
Balance December 31, 2016		\$ <u><u>17,984.70</u></u>

**WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF UTILITY LIENS**

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

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

	Balance Dec. 31, 2015	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
Operating:					
Salaries and Wages	\$ 78,972.00	78,972.00		78,972.00	-
Other Expenses	373,624.10	373,624.10	186,741.46	186,882.64	-
Deferred Charges and Statutory Expenditures:					
Social Security System (O.A.S.I.)	5,497.99	5,497.99		5,497.99	-
Retirement Trust	10,000.00	10,000.00		10,000.00	-
	<u>\$ 468,094.09</u>	<u>468,094.09</u>	<u>186,741.46</u>	<u>281,352.63</u>	<u>-</u>

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

Balance December 31, 2015		\$	167,086.29
Increased by:			
Budget Appropriations	159,966.93		
	159,966.93		327,053.22
Decreased By:			
Payments of Debt Service Interest	167,086.29		
	167,086.29		159,966.93
Balance December 31, 2016		\$	159,966.93

Analysis of Accrued Interest December 31, 2016

Principal Outstanding December 31, 2016	Interest Rate	From	To	Days	Amount
399,101.24	5.00%	7/20/2016	12/31/2016	165	8,081.89
42,785.00	5.00%	12/24/2016	12/31/2016	7	38.53
930,000.00	3.00%	10/1/2016	12/31/2016	91	16,312.50
1,880,000.00	Var.	7/15/2016	12/31/2016	169	27,477.08
1,876,542.23	4.50%	12/15/2016	12/31/2016	16	3,494.65
1,073,731.85	4.50%	12/15/2016	12/31/2016	16	12,625.74
1,175,285.54	3.75%	2/1/2016	12/31/2016	334	7,319.70
1,316,319.80	3.75%	2/1/2016	12/31/2016	334	8,198.08
100,000.00	Var.	10/15/2016	12/31/2016	77	1,875.00
25,500.00	5.00%	10/17/2016	12/31/2016	75	520.63
38,250.00	5.00%	10/17/2016	12/31/2016	75	780.94
2,320,000.00	3.00%	7/15/2016	12/31/2016	169	31,900.00
1,551,223.42	4.50%	7/18/2016	12/31/2016	166	27,842.19
1,800,000.00	2.00%	7/15/2016	12/31/2016	135	13,500.00
14,528,739.08					159,966.93

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

Ord #	Improvement Description	Ord. Date	Amount	Balance December 31, 2015		Authorizations		Paid or Charged	Balance December 31, 2016	
				Funded	Unfunded	Other Funding	Deferred Charges to Future Taxation		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					6,214.64	
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	95,340.66	200,000.00			-	95,340.66	200,000.00
207-2010	System Improvements	6/15/2010	1,000,000		68,891.97			33,433.84		35,458.13
230-2011	System Improvements	3/22/2011	1,350,000	130,422.34	350,000.00			7,000.00	123,422.34	350,000.00
250-2012	System Improvements	5/15/2012	1,263,000		461,891.71			179,364.10		282,527.61
268-2013	System Improvements	5/21/2013	1,050,000		81,367.41			52,200.00		29,167.41
281-2014	System Improvements	6/2/2014	1,150,000		109,766.33			23,031.73		86,734.60
293-2015	System Improvements	5/19/2015	994,000		254,600.00			(191,212.00)		445,812.00
298-2015	System Improvements	12/15/2015	500,000		500,000.00			36,600.00		463,400.00
307-2016	System Improvements	5/17/2016	1,200,000		-			578,653.94		621,346.06
				\$ 269,715.79	2,104,587.57	-		719,071.61	262,715.79	2,592,515.96

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2016		Interest Rate	Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
			Date	Amount					
System Improvements	1/20/1981	1,903,000	1/20/2017	92,873.94	5.000% \$	487,552.61		88,451.37	399,101.24
			1/20/2018	97,517.64					
			1/20/2019	102,393.52					
			1/20/2020	106,316.14					
Improvement to Water Tower	6/24/1983	142,500	6/24/2017	6,310.00	5.000%	48,795.00		6,010.00	42,785.00
			6/24/2018	6,625.00					
			6/24/2019	6,955.00					
			6/24/2020	7,305.00					
			6/24/2021	7,670.00					
		6/24/2022	7,920.00						
Various Capital Improvements	11/1/2008	3,630,000	10/1/2017	390,000.00	5.00%	1,310,000.00		380,000.00	930,000.00
			10/1/2018	240,000.00	5.00%				
			10/1/2019	150,000.00	4.00%				
			10/1/2020	150,000.00	4.00%				
Various Capital Improvements	7/15/2013	2,335,000	7/15/2017	170,000.00	3.00%	2,040,000.00		160,000.00	1,880,000.00
			7/15/2018	180,000.00	3.00%				
			7/15/2019	190,000.00	3.00%				
			7/15/2020	200,000.00	3.00%				
			7/15/2021	210,000.00	3.00%				
			7/15/2022	240,000.00	3.00%				
			7/15/2023	260,000.00	3.25%				
		7/15/2024	280,000.00	3.50%					
		7/15/2025	150,000.00	4.00%					
Various Capital Improvements	7/15/2014	2,700,000	7/15/2017	200,000.00	3.00%	2,510,000.00		190,000.00	2,320,000.00
			7/15/2018	220,000.00	3.00%				
			7/15/2019	250,000.00	3.00%				
			7/15/2020	260,000.00	3.00%				
			7/15/2021	270,000.00	3.00%				
			7/15/2022	280,000.00	3.00%				
		7/15/2023	280,000.00	3.00%					
		7/15/2024	280,000.00	3.00%					
		7/15/2025	280,000.00	3.00%					
						\$ 6,396,347.61	-	824,461.37	5,571,886.24

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
			Date	Amount					
Water Desalination USDA-FmHA	12/15/1998	2,500,000	2017	51,478.29	4.500%	1,925,779.89		49,237.66	1,876,542.23
			2018	53,820.87					
			2019	56,270.06					
			2020	58,830.70					
			2021	61,507.86					
			2022	64,306.86					
			2023	67,233.22					
			2024	70,292.75					
			2025	73,491.50					
			2026	76,835.83					
			2027	80,332.35					
			2028	83,987.98					
			2029	87,809.94					
			2030	91,805.84					
			2031	95,983.58					
			2032	100,351.44					
			2033	104,918.06					
			2034	109,692.48					
		2035	114,684.18						
		2036	119,903.02						
		2037	125,359.36						
		2038	127,646.06						
Water Desalination NJ-EIT	10/15/1998	690,000	8/1/2017 8/1/2018	50,000.00 50,000.00	Var.	150,000.00		50,000.00	100,000.00
This Loan has a remaining balance that has yet to be drawn down in the amount of \$15,000.00									
Water Desalination NJ-EIT	10/15/1998	675,000	2017 2018	34,716.08 33,283.03	None	104,148.42		36,149.31	67,999.11

**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, 2016		Interest Rate	Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
			Date	Amount					
System Improvements NJ-EIT	10/17/2001	63,750	8/1/2017	5,100.00	5.000%	30,600.00		5,100.00	25,500.00
			8/1/2018	5,100.00	5.000%				
			8/1/2019	5,100.00	5.000%				
			8/1/2020	5,100.00	4.750%				
			8/1/2021	5,100.00	4.750%				
NJ-EIT	10/17/2001	66,542	2017	4,083.33	None	23,032.34		4,247.31	18,785.03
			2018	3,919.33					
			2019	3,755.35					
			2020	3,591.36					
			2021	3,435.66					
System Improvements NJ-EIT	10/17/2001	114,750	8/1/2017	7,650.00	5.000%	45,900.00		7,650.00	38,250.00
			8/1/2018	7,650.00	5.000%				
			8/1/2019	7,650.00	5.000%				
			8/1/2020	7,650.00	4.750%				
			8/1/2021	7,650.00	4.750%				
System Improvements NJ-EIT	10/17/2001	120,704	2017	6,235.47	None	35,171.55		6,485.89	28,685.66
			2018	5,985.05					
			2019	5,734.63					
			2020	5,484.21					
			2021	5,246.30					

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Increased	Decreased	Balance Dec. 31, 2015	Balance Dec. 31, 2016
			Date	Amount					
System Improvements USDA	10/12/2007	1,200,000	4/12/17	8,515.20	4.250%			1,090,234.39	1,073,731.85
			10/12/17	8,696.15	4.250%		16,502.54		
			4/12/18	8,880.94	4.250%				
			10/12/18	9,069.66	4.250%				
			4/12/19	9,262.39	4.250%				
			10/12/19	9,459.22	4.250%				
			4/12/20	9,660.22	4.250%				
			10/12/20	9,865.50	4.250%				
			4/12/21	10,075.15	4.250%				
			10/12/21	10,289.24	4.250%				
			4/12/22	10,507.89	4.250%				
			10/12/22	10,731.18	4.250%				
			4/12/23	10,959.22	4.250%				
			10/12/23	11,192.10	4.250%				
			4/12/24	11,429.93	4.250%				
			10/12/24	11,672.82	4.250%				
			4/12/25	11,920.87	4.250%				
			10/12/25	12,174.19	4.250%				
			4/12/26	12,432.89	4.250%				
			10/12/26	12,697.09	4.250%				
			4/12/27	12,966.90	4.250%				
			10/12/27	13,242.45	4.250%				
			4/12/28	13,523.85	4.250%				
			10/12/28	13,811.23	4.250%				
			4/12/29	14,104.72	4.250%				
			10/12/29	14,404.44	4.250%				
			4/12/30	14,710.54	4.250%				
			10/12/30	15,023.14	4.250%				
			4/12/31	15,342.38	4.250%				
			10/12/31	15,668.41	4.250%				
			4/12/32	16,001.36	4.250%				
			10/12/32	16,341.39	4.250%				
			4/12/33	16,688.64	4.250%				
			10/12/33	17,043.28	4.250%				
			4/12/34	17,405.45	4.250%				
			10/12/34	17,775.31	4.250%				
			4/12/35	18,153.04	4.250%				
			10/12/35	18,538.79	4.250%				
			4/12/36	18,932.74	4.250%				
			10/12/36	19,335.06	4.250%				
		4/12/37	19,745.93	4.250%					
		10/12/37	20,165.53	4.250%					
		4/12/38	20,594.05	4.250%					
		10/12/38	21,031.67	4.250%					
		4/12/39	21,478.59	4.250%					
		10/12/39	21,935.01	4.250%					
		4/12/40	22,401.13	4.250%					
		10/12/40	22,877.16	4.250%					
		4/12/41	23,363.30	4.250%					
		10/12/41	23,859.77	4.250%					
		4/12/42	24,366.79	4.250%					

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
			Date	Amount					
	4/27/40		39,205.92	3.750%					
	4/27/41		40,689.93	3.750%					
	4/27/42		42,230.11	3.750%					
	4/27/43		43,828.58	3.750%					
	4/27/44		45,487.57	3.750%					
	4/27/45		47,209.34	3.750%					
	4/27/46		48,996.29	3.750%					
	4/27/47		50,850.88	3.750%					
	4/27/48		52,775.66	3.750%					
	4/27/49		54,773.30	3.750%					
	4/27/50		56,846.55	3.750%					
	4/27/51		58,998.29	3.750%					
	4/27/52		(1,673.32)	3.750%					
	4/27/17	1,400,000	18,683.54	3.750%	1,334,321.93		18,002.13		1,316,319.80
System Improvements	10/27/2011	1,400,000	19,390.74	3.750%					
USDA	4/27/19		20,124.71	3.750%					
	4/27/20		20,886.46	3.750%					
	4/27/21		21,677.05	3.750%					
	4/27/22		22,497.56	3.750%					
	4/27/23		23,349.12	3.750%					
	4/27/24		24,232.93	3.750%					
	4/27/25		25,150.18	3.750%					
	4/27/26		26,102.15	3.750%					
	4/27/27		27,090.16	3.750%					
	4/27/28		28,115.56	3.750%					
	4/27/29		29,179.78	3.750%					
	4/27/30		30,284.28	3.750%					
	4/27/31		31,430.59	3.750%					
	4/27/32		32,620.29	3.750%					
	4/27/33		33,855.02	3.750%					
	4/27/34		35,136.48	3.750%					
	4/27/35		36,466.46	3.750%					
	4/27/36		37,846.76	3.750%					
	4/27/37		39,279.32	3.750%					
	4/27/38		40,766.11	3.750%					
	4/27/39		42,309.17	3.750%					
	4/27/40		43,910.64	3.750%					
	4/27/41		45,572.72	3.750%					
	4/27/42		47,297.72	3.750%					
	4/27/43		49,088.01	3.750%					
	4/27/44		50,946.07	3.750%					
	4/27/45		52,874.46	3.750%					
	4/27/46		54,875.84	3.750%					
	4/27/47		56,952.98	3.750%					
	4/27/48		59,108.74	3.750%					
	4/27/49		61,346.10	3.750%					
	4/27/50		63,668.14	3.750%					
	4/27/51		66,078.08	3.750%					
	4/27/52		(1,874.12)	3.750%					

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Increased	Decreased	Balance	
			Date	Amount				Dec. 31, 2015	Dec. 31, 2016
System Improvements USDA	7/18/2014	1,585,000	1/18/17	8,870.53	4.500%			1,568,446.10	1,551,223.42
			7/18/17	9,047.94	4.500%		17,222.68		
			1/18/18	9,228.90	4.500%				
			7/18/18	9,413.48	4.500%				
			1/18/19	9,601.75	4.500%				
			7/18/19	9,793.78	4.500%				
			1/18/20	9,989.66	4.500%				
			7/18/20	10,189.45	4.500%				
			1/18/21	10,393.24	4.500%				
			7/18/21	10,601.11	4.500%				
			1/18/22	10,813.13	4.500%				
			7/18/22	11,029.39	4.500%				
			1/18/23	11,249.98	4.500%				
			7/18/23	11,474.98	4.500%				
			1/18/24	11,704.48	4.500%				
			7/18/24	11,938.57	4.500%				
			1/18/25	12,177.34	4.500%				
			7/18/25	12,420.89	4.500%				
			1/18/26	12,669.30	4.500%				
			7/18/26	12,922.69	4.500%				
			1/18/27	13,181.14	4.500%				
			7/18/27	13,444.77	4.500%				
			1/18/28	13,713.66	4.500%				
			7/18/28	13,987.93	4.500%				
			1/18/29	14,267.69	4.500%				
			7/18/29	14,553.05	4.500%				
			1/18/30	14,844.11	4.500%				
			7/18/30	15,140.99	4.500%				
			1/18/31	15,443.81	4.500%				
			7/18/31	15,752.69	4.500%				
			1/18/32	16,067.74	4.500%				
			7/18/32	16,389.09	4.500%				
			1/18/33	16,716.88	4.500%				
			7/18/33	17,051.21	4.500%				
			1/18/34	17,392.24	4.500%				
			7/18/34	17,740.08	4.500%				
			1/18/35	18,094.89	4.500%				
			7/18/35	18,456.78	4.500%				
			1/18/36	18,825.92	4.500%				
			7/18/36	19,202.44	4.500%				
		1/18/37	19,586.49	4.500%					
		7/18/37	19,978.22	4.500%					
		1/18/38	20,377.78	4.500%					
		7/18/38	20,785.34	4.500%					
		1/18/39	21,201.04	4.500%					
		7/18/39	21,625.06	4.500%					
		1/18/40	22,057.56	4.500%					
		7/18/40	22,498.72	4.500%					
		1/18/41	22,948.69	4.500%					
		7/18/41	23,407.66	4.500%					
		1/18/42	23,875.82	4.500%					

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
			Date	Amount					
	7/18/42		24,353.33		4.500%				
	1/18/43		24,840.40		4.500%				
	7/18/43		25,337.21		4.500%				
	1/18/44		25,843.95		4.500%				
	7/18/44		26,360.83		4.500%				
	1/18/45		26,888.05		4.500%				
	7/18/45		27,425.81		4.500%				
	1/18/46		27,974.32		4.500%				
	7/18/46		28,533.81		4.500%				
	1/18/47		29,104.49		4.500%				
	7/18/47		29,686.58		4.500%				
	1/18/48		30,280.31		4.500%				
	7/18/48		30,885.91		4.500%				
	1/18/49		31,503.63		4.500%				
	7/18/49		32,133.71		4.500%				
	1/18/50		32,776.38		4.500%				
	7/18/50		33,431.91		4.500%				
	1/18/51		34,100.55		4.500%				
	7/18/51		34,782.56		4.500%				
	1/18/52		35,478.21		4.500%				
	7/18/52		36,187.77		4.500%				
	1/18/53		36,911.53		4.500%				
	7/18/53		37,649.76		4.500%				
	1/18/54		38,402.75		4.500%				
	7/18/54		36,209.58		4.500%				
						\$ 7,498,993.49	-	226,670.85	7,272,322.64

**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, 2015	Increased	Decreased	Balance Dec. 31, 2016
System Improvements	268-2013	7/16/2015	7/16/2015 7/16/2016	7/15/2016 7/14/2017	2.000% 2.000%	300,000.00	300,000.00	300,000.00	- 300,000.00
System Improvements	281-2014	7/16/2015	7/16/2015 7/16/2016	7/15/2016 7/14/2017	2.000% 2.000%	300,000.00	500,000.00	300,000.00	- 500,000.00
System Improvements	207-2010	7/16/2016	7/16/2016	7/14/2017	2.000%	-	50,000.00	-	50,000.00
System Improvements	250-2012	7/16/2016	7/16/2016	7/14/2017	2.000%	-	150,000.00	-	150,000.00
System Improvements	293-2015	7/16/2016	7/16/2016	7/14/2017	2.000%	-	400,000.00	-	400,000.00
System Improvements	307-2016	7/16/2016	7/16/2016	7/14/2017	2.000%	-	400,000.00	-	400,000.00
						\$ 600,000.00	1,800,000.00	600,000.00	1,800,000.00

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

Ordinance Number	Description	Balance Dec. 31, 2015	2016 Authorizations	Debt Issued	Balance Dec. 31, 2016
36-2005	Various Utility Improvements	\$ 116,536.00			116,536.00
155-2008	System Improvements	315,000.00			315,000.00
179-2009	System Improvements	200,000.00			200,000.00
207-2010	System Improvements	100,000.00		50,000.00	50,000.00
230-2011	System Improvements	350,000.00			350,000.00
250-2012	System Improvements	713,000.00		150,000.00	563,000.00
268-2013	System Improvements	550,000.00			550,000.00
281-2014	System Improvements	850,000.00		200,000.00	650,000.00
293-2015	System Improvements	994,000.00		400,000.00	594,000.00
298-2015	System Improvements	500,000.00			500,000.00
307-2016	System Improvements	-	1,200,000.00	400,000.00	800,000.00
		<u>\$ 4,688,536.00</u>	<u>1,200,000.00</u>	<u>1,200,000.00</u>	<u>4,688,536.00</u>

**BEACH UTILITY FUND
SCHEDULE OF CASH - TREASURER**

	Operating Fund	Capital Fund
Balance December 31, 2015	\$ 1,036,988.03	712,633.79
Increased by Receipts:		
Beach Rent Collected	2,450,289.00	
Miscellaneous Anticipated Revenue	1,472.93	
Bond Premium		2,215.57
Capital Improvement Fund		100,000.00
	2,451,761.93	102,215.57
	3,488,749.96	814,849.36
Decreased by Disbursements:		
Current Appropriations	2,180,316.04	
Appropriation Reserves	49,867.92	
Improvement Authorizations		137,446.14
	2,230,183.96	137,446.14
Balance December 31, 2016	\$ 1,258,566.00	677,403.22

**BEACH UTILITY CAPITAL FUND
ANALYSIS OF CASH**

	Balance		Receipts		Disbursements		Transfers		Balance Dec. 31, 2016
	Dec. 31, 2015		Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 109,685.34		2,215.57						111,900.91
Capital Improvement Fund	329,000.00		100,000.00						429,000.00
Reserve for Amortization	174,000.00								174,000.00
Encumbrances Payable	93,673.12						93,673.12	159,480.00	159,480.00
<u>Improvement Authorizations:</u>									
Ord. Number									
29-2005 Various Utility Improvements	(66,575.42)				20,955.99				(87,531.41)
63-2006 Various Utility Improvements	(34,181.88)								(34,181.88)
108-2007 Various Utility Improvements	(54,871.76)								(54,871.76)
150-2008 Various Utility Improvements	17,179.91				13,464.27				3,715.64
178-2009 Various Beach Utility Improvements	(30,779.30)				6,667.20				(37,446.50)
188-2009 ADA Phase II	10,606.90								10,606.90
208-2010 Various Utility Improvements	35,720.26								35,720.26
231-2011 Various Utility Improvements	128,147.50								128,147.50
236-2011 Beach Replenishment	105,893.72				28,600.00		24,080.00	52,680.00	105,893.72
251-2012 Various Utility Improvements	(5,113.60)				11,051.47				(16,165.07)
267-2013 Various Beach Utility Improvements	(19,343.75)				7,725.00				(27,068.75)
280-2014 Various Beach Utility Improvements	29,091.23				7,489.09				21,602.14
294-2015 Various Beach Utility Improvements	(109,498.48)				40,893.12			40,893.12	(109,398.48)
310-2016 Various Beach Utility Improvements	-				600.00		135,400.00		(136,000.00)
	\$ 712,633.79		102,215.57	-	137,446.14	-	253,153.12	253,153.12	677,403.22

**BEACH UTILITY OPERATING FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2015	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
Operating:					
Salaries and Wages	\$ 50,239.79	50,239.79		50,239.79	-
Other Expenses	91,105.16	91,105.16	49,867.92	41,237.24	-
Deferred Charges and Statutory Expenditures:					
Social Security System	28,436.85	28,436.85		28,436.85	-
	<u>\$ 169,781.80</u>	<u>169,781.80</u>	<u>49,867.92</u>	<u>119,913.88</u>	<u>-</u>

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

Balance December 31, 2015		\$	27,418.75
Increased by:			
Budget Appropriations	25,700.00		
	25,700.00		25,700.00
			53,118.75
Decreased By:			
Payments of Debt Service Interest	27,418.75		
	27,418.75		27,418.75
Balance December 31, 2016		\$	25,700.00

Analysis of Accrued Interest December 31, 2016

Principal Outstanding December 31, 2016	Interest Rate	From	To	Days	Amount
1,760,000.00	3.00%	7/15/2016	12/31/2016	165	24,200.00
200,000.00	2.00%	7/15/2016	12/31/2016	135	1,500.00
1,960,000.00					25,700.00

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2016				Interest Rate	Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
			Date	Amount	Interest Rate	Balance Dec. 31, 2015					
Various Capital Improvements	7/15/2014	2,005,000	7/15/2017	130,000.00	3.00%	\$	1,885,000.00	-	125,000.00	1,760,000.00	
			7/15/2018	140,000.00	3.00%						
			7/15/2019	150,000.00	3.00%						
			7/15/2020	160,000.00	3.00%						
			7/15/2021	170,000.00	3.00%						
			7/15/2022	180,000.00	3.00%						
			7/15/2023	190,000.00	3.00%						
			7/15/2024	200,000.00	3.00%						
		7/15/2025	200,000.00	3.00%							
		7/15/2026	240,000.00	3.00%							
							<u>\$ 1,885,000.00</u>	<u>-</u>	<u>125,000.00</u>	<u>1,760,000.00</u>	

**BEACH 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, 2015	Increased	Decreased	Balance Dec. 31, 2016
Beach Replenishment	236-2011	7/16/2015	7/16/2015 7/15/2016	7/15/2016 7/14/2017	2.000% 2.000%	50,000.00	50,000.00	50,000.00	- 50,000.00
Various Beach Utility Improvements	251-2012	7/16/2015	7/16/2015 7/15/2016	7/15/2016 7/14/2017	2.000% 2.000%	50,000.00	50,000.00	50,000.00	- 50,000.00
Various Beach Utility Improvements	280-2014	7/16/2015	7/16/2015 7/15/2016	7/15/2016 7/14/2017	2.000% 2.000%	100,000.00	100,000.00	100,000.00	- 100,000.00
						\$ 200,000.00	200,000.00	200,000.00	200,000.00

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

Ordinance Number	Balance Dec. 31, 2015	2016 Authorizations	Debt Issued	Balance Dec. 31, 2016
29-2005	\$ 12,800.00			12,800.00
178-2009	55,000.00			55,000.00
208-2010	55,000.00			55,000.00
231-2011	50,000.00			50,000.00
236-2011	50,000.00			50,000.00
251-2012	150,000.00			150,000.00
267-2013	375,000.00			375,000.00
280-2014	65,000.00			65,000.00
294-2015	198,100.00			198,100.00
310-2016	-	300,000.00		300,000.00
	<u>\$ 1,010,900.00</u>	<u>300,000.00</u>	<u>-</u>	<u>1,310,900.00</u>

**TOURISM UTILITY FUND
SCHEDULE OF CASH - TREASURER**

		<u>Operating Fund</u>
Balance December 31, 2015	\$	451,108.42
Increased by Receipts:		
Tourism Fees		1,236,514.26
Reimbursements		13,775.78
Due to Security Deposit		15,200.00
Miscellaneous Revenue Not Anticipated		1,612.32
		<u>1,267,102.36</u>
		1,718,210.78
Decreased by Disbursements:		
Current Appropriations		1,029,468.85
Appropriation Reserves		30,637.79
Due to Security Deposit		14,582.50
		<u>1,074,689.14</u>
Balance December 31, 2016	\$	<u><u>643,521.64</u></u>

**TOURISM UTILITY OPERATING FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2015	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
Operating:					
Salaries and Wages	\$ 18,971.91	18,971.91		18,971.91	-
Other Expenses	54,816.36	54,816.36	30,637.79	24,178.57	-
	<u>\$ 73,788.27</u>	<u>73,788.27</u>	<u>30,637.79</u>	<u>43,150.48</u>	<u>-</u>

CITY OF CAPE MAY

PART II

GENERAL COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2016

GENERAL COMMENTS

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

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

The governing body of the City of 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 Counsel'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:

- Beach Concessions
- Reconstruction of East Lyle Lane and Renovations to Rotary Park
- Lafayette Street Park Project Phase I Renovations, NJ Economic Development Authority Project
- Sublease of a portion of the Nature Center of Cape May for Operation of a Kayak Eco-Tour Business
- Extension of Capehart Lane
- New Jersey Environmental Infrastructure Financing Program Clean Water Applications for Financial Assistance-Well No. 8
- Welcome Center Parking & Lighting Improvements
- Lease of Space on the Canning House Lane Water Tower for the installation and operation Of cellular communications antenna and other related equipment
- Lease of City-owned Property Located at 100 Beach Avenue
- Above Ground Storage Tank Replacement

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

Collection of Interest on Delinquent Taxes and Assessments

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

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

BE IT RESOLVED by the 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 2016.

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

Delinquent Taxes and Tax Title Liens

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:

<u>Year</u>	<u>Number</u>
2016	1
2015	1
2014	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:

<u>Type</u>	<u>Number Mailed</u>
Payments of 2016 and 2017 Taxes	10
Delinquent Taxes	10
Payment of Water and Sewer Rents	10
Delinquent Water and Sewer Rents	10
Total	<u>40</u>

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

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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.

Year	Tax Levy	Currently	
		Cash Collections	Percentage of Collections
2016 \$	23,425,778.08	23,248,504.65	99.24%
2015	24,290,570.08	24,026,178.64	98.91%
2014	24,180,807.47	23,873,271.73	98.73%
2013	23,424,098.58	23,156,312.90	98.86%
2012	23,133,162.00	22,802,192.10	98.57%

Comparative Schedule of Tax Rate Information

	2016	2015	2014	2013	2012
Tax Rate \$	0.832	0.865	0.865	0.838	0.827
Apportionment of Tax Rate:					
Municipal	0.340	0.339	0.329	0.310	0.294
County	0.249	0.249	0.245	0.248	0.242
Local School	0.065	0.062	0.057	0.054	0.054
Regional School	0.178	0.215	0.234	0.226	0.237
Assessed Valuation	2,813,050,955	2,806,088,231	2,795,235,760	2,797,672,630	2,797,157,881

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
2016 \$	7,609.78	174,346.09	181,955.87	0.78%
2015	7,059.00	261,684.86	268,743.86	1.11%
2014	6,489.37	307,620.12	314,109.49	1.34%
2013	5,916.74	255,676.67	261,593.41	1.13%
2012	80,232.68	311,974.83	392,207.51	1.79%

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

June 23, 2017

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