

**CITY OF CAPE MAY
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2017**

CITY OF CAPE MAY
TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page No.</u>
	<u>PART I</u>	
	Independent Auditor's Report	1 - 3
	<u>CURRENT FUND</u>	
A	Comparative Balance Sheet - Regulatory Basis	4 - 5
A - 1	Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis	6 - 7
A - 2	Statement of Revenues - Regulatory Basis	8 - 10
A - 3	Statement of Expenditures - Regulatory Basis	11 - 16
	<u>TRUST FUND</u>	
B	Comparative Balance Sheet - Regulatory Basis	17 - 18
	<u>GENERAL CAPITAL FUND</u>	
C	Comparative Balance Sheet - Regulatory Basis	19
C - 1	Statement of Fund Balance - Regulatory Basis	20
	<u>WATER AND SEWER UTILITY FUND</u>	
D	Comparative Balance Sheet - Regulatory Basis	21 - 22
D - 1	Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis	23
D - 2	Statement of Capital Fund Balance - Regulatory Basis	24
D - 3	Statement of Revenues - Regulatory Basis	25
D - 4	Statement of Expenditures - Regulatory Basis	26
	<u>BEACH UTILITY FUND</u>	
E	Comparative Balance Sheet - Regulatory Basis	27 - 28
E - 1	Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis	29
E - 2	Statement of Capital Fund Balance - Regulatory Basis	30
E - 3	Statement of Revenues - Regulatory Basis	31
E - 4	Statement of Expenditures - Regulatory Basis	32
	<u>TOURISM UTILITY FUND</u>	
F	Comparative Balance Sheet - Regulatory Basis	33
F - 1	Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis	34
F - 3	Statement of Revenues - Regulatory Basis	35
F - 4	Statement of Expenditures - Regulatory Basis	36

CITY OF CAPE MAY
TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page No.</u>
<u>GENERAL FIXED ASSET ACCOUNT GROUP</u>		
G	Comparative Balance Sheet - Regatory Basis	37
	NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS	38 - 65
<u>SUPPLEMENTARY INFORMATION</u>		
	Independent Auditor's Report - <i>Government Auditing Standards</i>	66 - 67
	Schedule of Findings and Responses	68
<u>CURRENT FUND</u>		
A - 4	Schedule of Cash - Treasurer	69 - 70
A - 5	Schedule of Cash - Collector	71
A - 6	Schedule of Taxes Receivable and Analysis of Property Tax Levy	72
A - 7	Schedule of Tax Title Liens	73
A - 8	Schedule of Revenue Accounts Receivable	74
A - 9	Schedule of Appropriation Reserves - Prior Year	75 - 76
A - 10a	Schedule of Local District School Tax	77
A - 10b	Schedule of Regional District School Tax	78
A - 11	Schedule of Federal and State Grants Receivable	79
A - 12	Schedule of Appropriated Reserves for Federal and State Grants	80 - 81
A - 13	Schedule of Reserves for Federal and State Grants - Unappropriated	82
<u>TRUST FUND</u>		
B - 1	Schedule of Animal Control Cash - Treasurer	83
B - 2	Schedule of Other Trust Cash - Treasurer	84
B - 3	Schedule of Reserve for Animal Control Expenditures	85
B - 4	Trust - Statement of Due to Current Fund	86
B - 5	Trust - Statement of Due to (from) State of New Jersey	86

CITY OF CAPE MAY
TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page No.</u>
<u>GENERAL CAPITAL FUND</u>		
C - 2	Schedule of Cash - Treasurer	87
C - 3	Analysis of Cash	88
C - 4	Schedule of Capital Improvement Fund	89
C - 5	Schedule of Deferred Charges to Future Taxation - Funded	90
C - 6	Schedule of Deferred Charges to Future Taxation - Unfunded	91
C - 7	Schedule of Improvement Authorizations	92
C - 8a	Schedule of General Serial Bonds	93
C - 8b	Schedule of Green Trust Loans Payable	94
C - 8c	Schedule of Capital Notes Payable	N/A
C - 8c	Schedule of Environmental Infrastructure Trust Loans Payable	95
C - 9	Schedule of Bond Anticipation Notes	96
C - 10	Schedule of Bonds and Notes Authorized But Not Issued	97
<u>WATER AND SEWER UTILITY FUND</u>		
D - 5	Schedule of Cash - Treasurer	98
D - 6	Analysis of Cash	99
D - 7	Schedule of Cash - Collector	N/A
D - 8	Schedule of Consumer Accounts Receivable	100
D - 9	Schedule of Water and Sewer Utility Liens	100
D - 10	Schedule of Appropriation Reserves - Prior Year	101
D - 11	Schedule of Accrued Interest on Bonds, Loans and Notes and Analysis of Balance	102
D - 12	Schedule of Improvement Authorizations	103
D - 13	Schedule of Serial Bonds	104
D - 13a	Schedule of Water and Sewer Loans	105 - 111
D - 14	Schedule of Bond Anticipation Notes	112
D - 15	Schedule of Bonds and Notes Authorized But Not Issued	113
<u>BEACH UTILITY FUND</u>		
E - 5	Schedule of Cash - Treasurer	114
E - 6	Analysis of Cash	115
E - 7	Schedule of Consumer Accounts Receivable	N/A
E - 8	Schedule of Beach Utility Liens	N/A
E - 9	Schedule of Capital Improvement Fund	N/A
E - 10	Schedule of Appropriation Reserves - Prior Year	116
E - 11	Schedule of Accrued Interest on Bonds, Loans and Notes and Analysis of Balance	117
E - 12	Schedule of Improvement Authorizations	118
E - 13	Schedule of Serial Bonds	119
E - 14	Schedule of Bond Anticipation Notes	120
E - 15	Schedule of Bonds and Notes Authorized But Not Issued	121

CITY OF CAPE MAY
TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page No.</u>
<u>TOURISM UTILITY FUND</u>		
F - 5	Schedule of Cash - Treasurer	122
F - 6	Analysis of Cash	N/A
F - 7	Schedule of Consumer Accounts Receivable	N/A
F - 8	Schedule of Tourism Utility Liens	N/A
F - 9	Schedule of Appropriation Reserves - Prior Year	123
<u>PART II</u>		
	General Comments	124 - 127
	Audit Findings and Recommendations	128

CITY OF CAPE MAY
PART I
REPORT ON AUDIT OF
FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED
DECEMBER 31, 2017



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

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, 2017 and 2016, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2017 and 2016, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Note 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 \$290,139.95 and \$257,689.40 for 2017 and 2016 respectively were not audited and, therefore, we express no opinion on the LOSAP program.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2017 and 2016, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2017 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

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

The supplemental information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, 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 1, 2018 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 1, 2018

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**EXHIBIT - A
CURRENT FUND**

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

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Regular Fund:		
Cash:		
Treasurer	\$ 9,270,119.94	6,488,359.58
Petty Cash and Change Funds	950.00	950.00
Total Cash	<u>9,271,069.94</u>	<u>6,489,309.58</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	314,118.19	174,346.09
Tax Title and Other Liens	8,194.99	7,609.78
Property Acquired for Taxes - at Assessed Valuation	83,316.00	83,316.00
Revenue Accounts Receivable	5,325.83	5,637.97
Due from State:		
Chapter 20 P.L. 1971	12,130.31	6,126.80
Interfund Receivable:		
TTL Premium	2.84	2.84
Animal Control	1,201.01	489.89
Utility Operating	645.25	645.25
Federal and State Grant Funds	438,182.36	269,027.60
Total Receivables and Other Assets	<u>863,116.78</u>	<u>547,202.22</u>
Total Regular Fund	<u>10,134,186.72</u>	<u>7,036,511.80</u>
Federal and State Grant Fund:		
Cash	450,286.89	175,826.06
Federal and State Grants Receivable	3,141,568.03	2,699,846.46
Revolving Loan Receivable	600,000.00	600,000.00
Total Federal and State Grant Fund	<u>4,191,854.92</u>	<u>3,475,672.52</u>
Total Current Fund	<u>\$ 14,326,041.64</u>	<u>10,512,184.32</u>

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2017</u>	<u>2016</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 1,386,116.71	1,323,573.18
Reserve for Encumbrances/Accounts Payable	571,543.58	565,424.99
Prepaid Taxes	2,424,055.21	567,646.94
Overpaid Taxes	3,984.34	-
County Added Tax Payable	52,794.30	18,776.96
Local School Tax Payable (Overpaid)	-	(14,842.24)
Regional School Tax (Overpaid)	(0.07)	(0.07)
Due to State:		
Marriage Licenses	525.00	500.00
DCA Training Fees	15,158.00	4,708.00
Interfund Payable:		
Trusts Other	357.75	357.75
Other:		
Payroll Taxes Payable	30,201.13	26,690.83
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	133,806.76	136,213.37
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
	4,732,772.08	2,743,279.08
Reserve for Receivables and Other Assets	850,986.47	541,075.42
Fund Balance	4,550,428.17	3,752,157.30
Total Regular Fund	10,134,186.72	7,036,511.80
Federal and State Grant Fund:		
Unappropriated Reserves	28,256.32	31,707.89
Appropriated Reserves	3,092,624.88	2,574,765.49
Reserve for Encumbrances/Accounts Payable	32,791.36	171.54
Due to Current Fund	438,182.36	269,027.60
Reserve for Revolving Loans Receivable	600,000.00	600,000.00
Total Federal and State Grant Fund	4,191,854.92	3,475,672.52
Total Current Fund	\$ 14,326,041.64	10,512,184.32

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

	2017	2016
Revenue and Other Income Realized		
Fund Balance	\$ 2,300,000.00	2,184,000.00
Miscellaneous Revenue Anticipated	7,090,176.25	7,946,496.44
Receipts from Delinquent Taxes	174,346.09	261,684.86
Receipts from Current Taxes	24,706,266.43	23,248,504.65
Non Budget Revenue	117,313.34	158,697.19
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	1,075,560.15	755,157.91
Interfund Returned	-	2,255.97
Prior Year Accounts Payable Cancelled	10,046.57	-
Total Income	35,473,708.83	34,556,797.02
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	6,005,928.00	5,888,099.00
Other Expenses	5,191,821.00	5,085,236.00
Deferred Charges & Statutory Expenditures	1,618,430.00	1,574,763.00
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	764,772.00	749,776.00
Other Expenses	831,620.97	1,880,639.59
Capital Improvements	322,000.00	372,000.00
Debt Service	2,639,327.91	2,564,705.70
Deferred Charges	-	-
Local District School Tax	1,841,677.70	1,753,077.28
Regional District School Tax	5,449,880.00	5,511,008.43
County Tax	7,487,320.20	6,962,758.25
County Share of Added Tax	52,794.30	18,776.96
Interfund Created	169,865.88	1,243.75
Refund of Prior Year's Revenue	-	3,024.68
Prior Year Accounts Payable	-	143,137.57
Total Expenditures	32,375,437.96	32,508,246.21
Excess/(Deficit) in Revenue	3,098,270.87	2,048,550.81

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

	2017	2016
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	3,098,270.87	2,048,550.81
Fund Balance January 1	3,752,157.30	3,887,606.49
	6,850,428.17	5,936,157.30
Decreased by:		
Utilization as Anticipated Revenue	2,300,000.00	2,184,000.00
Fund Balance December 31	\$ 4,550,428.17	3,752,157.30

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

	Budget	Anticipated N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	\$ 2,300,000.00		2,300,000.00	-
Total Fund Balance Anticipated	<u>2,300,000.00</u>	<u>-</u>	<u>2,300,000.00</u>	<u>-</u>
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Alcoholic Beverages	55,000.00		55,940.00	940.00
Other	310,000.00		324,190.80	14,190.80
Fees and Permits	175,000.00		201,350.70	26,350.70
Fines and Costs:				
Municipal Court	220,000.00		204,354.77	(15,645.23)
Interest and Costs on Taxes	64,000.00		53,360.35	(10,639.65)
Interest Earned on Investments	3,000.00		6,409.42	3,409.42
Parking Meters	1,015,000.00		1,149,497.83	134,497.83
Hotel Room Tax	1,050,000.00		1,238,778.67	188,778.67
Lease and Rent Contracts	450,000.00		453,606.82	3,606.82
T.V. Cable Receipts	37,000.00		41,763.47	4,763.47
Victorian Towers - In Lieu of Taxes	165,000.00		203,528.23	38,528.23
Emergency Medical Services	310,000.00		335,506.52	25,506.52
Total Section A: Local Revenues	<u>3,854,000.00</u>	<u>-</u>	<u>4,268,287.58</u>	<u>414,287.58</u>
Section B: State Aid Without Offsetting Appropriations				
Energy Receipts Tax	337,632.00		337,632.00	-
Total Section B: State Aid Without Offsetting Appropriations	<u>337,632.00</u>	<u>-</u>	<u>337,632.00</u>	<u>-</u>
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	471,000.00		799,849.70	328,849.70
Total Section C: Uniform Construction Code Fees	<u>471,000.00</u>	<u>-</u>	<u>799,849.70</u>	<u>328,849.70</u>
Section D: Interlocal Municipal Service Agreements				
Interlocal Agreement with West Cape May (Police Protection)	476,697.00		476,698.00	1.00
Interlocal Agreement with Cape May Point (Police Protection)	288,075.00		288,075.00	-
Total Section D: Interlocal Municipal Service Agreements	<u>764,772.00</u>	<u>-</u>	<u>764,773.00</u>	<u>1.00</u>

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

	Anticipated		Excess or
	Budget	N.J.S. 40A:4-87	(Deficit)
	Realized		
Section F: Special Items - Public and Private Programs			
Off-Set with Appropriations			
Bureau of Housing Inspection	15,141.00		-
Estate of Edward D. Ross - 2016 Educational	15,096.85		-
2016 Emergency Management-EMAA Grant		9,400.00	-
Clean Communities		18,943.63	-
NJDCA-Intensive Level Survey-FY 2017		24,999.00	-
ANJEC-2017 Open Space Stewardship		1,500.00	-
NJ Transportation Trust - FY 2017		158,000.00	-
Cops in Shops		1,800.00	-
Small Cities Grant - Housing Rehab	175,000.00		-
Small Cities Grant - ADA Compliance Grant	270,000.00		-
Body Armor Grant	2,023.77		-
Recycling Tonnage	25,542.47	2,187.25	-
Total Section F: Special Items - Public and Private Programs	502,804.09	216,829.88	-
Section G: Other Special Items			
Water & Sewer Utility Contribution to Street Improvements	50,000.00		-
Reserve to Pay Debt Service	150,000.00		-
Total Section G: Other Special Items	200,000.00	-	-
Total Miscellaneous Revenues:	6,130,208.09	216,829.88	743,138.28
Receipts from Delinquent Taxes	177,025.00		(2,678.91)
Amount to be Raised by Taxes for Support of Municipal Budget	9,565,980.17		859,800.93
Local Tax for Municipal Purposes	9,565,980.17	-	859,800.93
Total Amount to be Raised by Taxes for Support of Municipal Budget	18,173,213.26	216,829.88	1,600,260.30
Budget Totals			
Non- Budget Revenues:			
Other Non- Budget Revenues:			
		117,313.34	117,313.34
	\$	18,173,213.26	1,717,573.64
		20,107,616.78	1,717,573.64

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

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

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections 24,706,266.43

Less: Reserve for Tax Appeals Pending -

Net Revenue from Collections 24,706,266.43

Allocated to:

School, County and Other Taxes 15,291,256.50

Balance for Support of Municipal Budget Appropriations 9,415,009.93

Increased by:

Appropriation "Reserved for Uncollected Taxes" 1,010,771.17

Amount for Support of Municipal Budget Appropriations 10,425,781.10

Receipts from Delinquent Taxes:

Delinquent Tax Collection 174,346.09

Total Receipts from Delinquent Taxes 174,346.09

Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Accident Report	824.40
Clerk's office	5,892.65
Copy Machine	254.98
GIS	17,785.00
Parking Fees	9,600.00
Sale of Municipal Assets	7,801.46
Restitution	70.00
PILOTS	12,751.50
NSF Fees	620.00
Shade Tree	5,937.50
Dog Excess Revenue	711.12
Marriage Ceremony/Fees	12,875.00
JIF	2,400.00
2% Admin Fee	825.00
Cape May Pt - Court	10,146.49
Miscellaneous	28,818.24

Total Miscellaneous Revenue Not Anticipated: 117,313.34

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
General Administration						
Salaries and Wages	220,850.00	220,850.00	148,480.71		72,369.29	-
Other Expenses	107,460.00	107,460.00	62,248.65	1,937.92	43,273.43	-
Mayor and Council						
Salaries and Wages	46,275.00	46,275.00	42,418.29		3,856.71	-
Other Expenses	5,275.00	5,275.00	3,832.55	375.00	1,067.45	-
City Clerk						
Salaries and Wages	165,000.00	165,000.00	135,765.91		29,234.09	-
Other Expenses	17,530.00	17,530.00	13,605.92	51.40	3,872.68	-
Financial Administration						
Salaries and Wages	132,675.00	132,675.00	128,998.00		3,677.00	-
Other Expenses	14,250.00	15,250.00	12,940.44	200.00	2,109.56	-
Audit Services						
Other Expenses	28,000.00	28,000.00	22,500.00		5,500.00	-
Assessment of Taxes						
Salaries and Wages	75,000.00	75,000.00	72,946.39		2,053.61	-
Other Expenses	15,150.00	15,150.00	10,616.07	630.00	3,903.93	-
Collection of Taxes						
Salaries and Wages	74,800.00	74,800.00	59,941.09		14,858.91	-
Other Expenses	9,000.00	9,000.00	8,340.72		659.28	-
Legal Services						
Other Expenses						
Miscellaneous Other Expenses	400,000.00	400,000.00	216,445.04	790.00	182,764.96	-
Engineering & Planning Services						
Other Expenses	25,000.00	29,000.00	20,750.11	1,200.00	7,049.89	-
Economic Development						
Other Expenses	15,000.00	15,000.00	5,000.00		10,000.00	-
Emergency Medical Services - Collection						
Contractual Expenses	18,000.00	18,000.00	14,674.34		3,325.66	-
INSURANCE						
General Liability						
Workers Compensation	319,750.00	253,750.00	150,959.30	29,100.00	73,690.70	-
Employee Group Health	364,000.00	364,000.00	333,602.23		30,397.77	-
Employee Group Health Waiver	2,082,240.00	2,082,240.00	1,856,241.95	117,339.14	108,658.91	-
Salaries and Wages	55,000.00	55,000.00			55,000.00	-

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

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
LAND USE ADMINISTRATION						
Planning Board						
Salaries and Wages	2,500.00	2,500.00			2,500.00	-
Other Expenses	24,550.00	36,550.00	24,066.37	2,150.00	10,333.63	-
Zoning Board of Adjustment						
Salaries and Wages	2,500.00	2,500.00			2,500.00	-
Other Expenses	16,950.00	16,950.00	9,158.48	1,309.47	6,482.05	-
PUBLIC SAFETY						
Fire						
Salaries and Wages	1,380,400.00	1,395,400.00	1,372,575.39		22,824.61	-
Other Expenses	73,126.00	73,126.00	47,474.62	17,682.10	7,969.28	-
Aid to Volunteer Fire Company						
Other Expenses	37,500.00	37,500.00	37,500.00		-	-
Police						
Salaries and Wages	1,931,478.00	1,931,478.00	1,856,430.32		75,047.68	-
Other Expenses	161,035.00	161,035.00	109,953.36	14,207.88	36,873.76	-
Emergency Management Services						
Salaries and Wages	5,750.00	5,750.00	5,000.06		749.94	-
Other Expenses	6,100.00	6,100.00	853.09	2,643.02	2,603.89	-
Parking and Traffic Maintenance						
Salaries and Wages	98,500.00	98,500.00	88,971.62		9,528.38	-
Other Expenses	54,000.00	54,000.00	29,399.44	13,986.45	10,614.11	-
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	178,000.00	178,000.00	155,027.35		22,972.65	-
Other Expenses	24,105.00	24,105.00	15,238.92	2,521.83	6,344.25	-
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	512,000.00	512,000.00	447,566.94		64,433.06	-
Other Expenses	219,375.00	219,375.00	145,433.73	21,949.51	51,991.76	-
Sanitary Landfill Contractual						
Other Expenses	27,000.00	27,000.00	14,308.15	3,109.97	9,581.88	-
Recycling						
Salaries and Wages	38,000.00	38,000.00	30,978.64		7,021.36	-
Other Expenses	251,845.00	251,845.00	202,072.61	17,810.35	31,962.04	-

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

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Public Buildings and Grounds						
Salaries and Wages	581,800.00	581,800.00	466,353.54		115,446.46	-
Other Expenses	363,490.00	385,490.00	358,916.41	22,871.96	3,701.63	-
Shade Tree Commission						
Salaries and Wages	500.00	500.00	90.00		410.00	-
Other Expenses	38,800.00	38,800.00	35,517.12	1,080.00	2,202.88	-
Property Maintenance Enforcement						
Other Expenses	2,500.00	2,500.00			2,500.00	-
HEALTH AND HUMAN SERVICES						
Environmental Commission						
Salaries and Wages	1,800.00	1,800.00	990.00		810.00	-
Other Expenses	4,450.00	4,450.00	300.00		4,150.00	-
PARKS AND RECREATION FUNCTIONS						
Civic Affairs						
Salaries and Wages	138,000.00	138,000.00	113,707.68		24,292.32	-
Other Expenses	63,400.00	63,400.00	49,362.27	2,420.82	11,616.91	-
Historic Preservation Commission						
Salaries and Wages	12,600.00	12,600.00	12,427.20		172.80	-
Other Expenses	19,400.00	19,400.00	8,837.68	680.00	9,882.32	-
Grants Coordinator						
Other Expenses	25,000.00	27,000.00	24,993.00		2,007.00	-
UNIFORM CONSTRUCTION CODE						
State Uniform Construction Code						
Construction Official						
Salaries and Wages	335,000.00	335,000.00	305,070.37		29,929.63	-
Other Expenses	20,240.00	20,240.00	17,014.56	513.65	2,711.79	-
UNCLASSIFIED						
Celebration of Public Events - Anniversary or Holiday						
UTILITY EXPENSES AND BULK PURCHASES						
General Office Operations						
Street Lighting	129,500.00	129,500.00	117,363.60	8,178.50	3,957.90	-
Gas Lighting	135,000.00	135,000.00	118,431.38	2,791.21	13,777.41	-
Gas Lighting	34,500.00	34,500.00	25,759.09	279.00	8,461.91	-
Gas Lighting - Parts	12,000.00	12,000.00	9,017.19		2,982.81	-
TOTAL OPERATIONS WITHIN "CAPS"	11,206,749.00	11,196,749.00	9,623,525.45	288,360.18	1,284,863.37	-

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

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
Contingent	1,000.00	1,000.00			1,000.00
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	11,207,749.00	11,197,749.00	9,623,525.45	288,360.18	1,285,863.37
Detail:					
Salaries and Wages	5,990,928.00	6,005,928.00	5,443,739.50	-	562,188.50
Other Expenses	5,216,821.00	5,191,821.00	4,179,785.95	288,360.18	723,674.87
DEFERRED CHARGES AND STATUTORY EXPENDITURES:					
Deferred Charges:					
None	-	-	-	-	-
Statutory Expenditures:					
Contributions to:					
Public Employees' Retirement System	429,025.00	431,025.00	430,793.22		231.78
Social Security System (O.A.S.I.)	330,000.00	330,000.00	311,261.11		18,738.89
Police and Firemen's Retirement System	762,405.00	770,405.00	770,299.94		105.06
Unemployment Compensation Insurance	22,000.00	22,000.00	22,000.00		-
Defined Contribution Retirement Program	10,000.00	10,000.00	1,847.39		8,152.61
Reserve for Retirement Trust	55,000.00	55,000.00	55,000.00		-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	1,608,430.00	1,618,430.00	1,591,201.66	-	27,228.34
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	12,816,179.00	12,816,179.00	11,214,727.11	288,360.18	1,313,091.71
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	476,697.00	476,697.00	476,697.00		-
Contractual - Cape May Point - Salaries & Wages	288,075.00	288,075.00	288,075.00		-
Rental of Borough Property - West Cape May	38,962.00	38,962.00	38,962.00		-
TOTAL OPERATIONS - EXCLUDED FROM "CAPS"	825,734.00	825,734.00	803,734.00	-	22,000.00

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

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

	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	-	-	-
Matching Funds for Grants	25,000.00	25,000.00		25,000.00		
Bureau of Housing Inspection	15,141.00	15,141.00	15,141.00			
Estate of Edward D. Ross - 2016 Educational	15,096.85	15,096.85	15,096.85			
NJDCA-Intensive Level Survey-FY 2017		24,999.00	24,999.00			
2016 Emergency Management-EMAA Grant		9,400.00	9,400.00			
ANJEC - 2017 Open Space Stewardship		1,500.00	1,500.00			
Clean Communities		18,943.63	18,943.63			
NJ Department of Transportation - Pennsylvania Ave		158,000.00	158,000.00			
Small Cities Grant - Housing Rehab	175,000.00	175,000.00	175,000.00			
Small Cities Grant - Housing Rehab - Match	26,025.00	26,025.00		26,025.00		
Small Cities Grant - ADA Compliance Grant	270,000.00	270,000.00	270,000.00			
Body Armor Grant	2,023.77	4,211.02	4,211.02			
Recycling Tonnage	25,542.47	25,542.47	25,542.47			
	<u>553,829.09</u>	<u>770,658.97</u>	<u>719,633.97</u>	<u>51,025.00</u>		
Total Public and Private Programs Off-Set by Revenues						
	1,379,563.09	1,596,392.97	1,523,367.97	-	73,025.00	-
Total Operations - Excluded from "CAPS" Detail:						
Salaries and Wages	764,772.00	764,772.00	764,772.00			
Other Expenses	614,791.09	831,620.97	758,595.97		73,025.00	
(C) Capital Improvements						
Capital Improvement Fund	100,000.00	100,000.00	100,000.00			
Reserve for Open Space Acquisitions	222,000.00	222,000.00	222,000.00			
	<u>322,000.00</u>	<u>322,000.00</u>	<u>322,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Improvements						
	1,813,000.00	1,813,000.00	1,812,345.73			654.27
(D) Debt Service						
Payment of Bond Principal	75,000.00	75,000.00	75,000.00			
Payment of Bond Anticipation Notes and Capital Notes	578,000.00	578,000.00	576,177.63			1,822.37
Interest on Bonds	132,000.00	132,000.00	131,134.72			865.28
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	24,483.83			2,016.17
	<u>2,644,700.00</u>	<u>2,644,700.00</u>	<u>2,639,327.91</u>	<u>-</u>	<u>-</u>	<u>5,372.09</u>
Total Debt Service						

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

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
(E) Deferred Charges					
None	-	-	-	-	-
Total Deferred Charges	-	-	-	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	4,346,263.09	4,563,092.97	4,484,695.88	73,025.00	5,372.09
SUBTOTAL GENERAL APPROPRIATIONS	17,162,442.09	17,379,271.97	15,699,422.99	288,360.18	5,372.09
(M) Reserve for Uncollected Taxes	1,010,771.17	1,010,771.17	1,010,771.17		-
TOTAL GENERAL APPROPRIATIONS	\$ 18,173,213.26	18,390,043.14	16,710,194.16	288,360.18	5,372.09
Budget		18,173,213.26			
Appropriations by 40A-4-87		216,829.88			
		<u>18,390,043.14</u>			
Reserve for Uncollected Taxes			1,010,771.17		
Federal and State Grants			719,633.97		
Rental of Borough Property - West Cape May Disbursements			38,962.00		
			14,940,827.02		
			<u>16,710,194.16</u>		
				Cancelled	5,372.09
				Overexpended	-
					<u>5,372.09</u>

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

EXHIBIT - B
TRUST FUND

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

	2017	2016
<u>Assets</u>		
<u>Animal Control Fund</u>		
Cash and Investments	\$ 3,541.20	2,516.93
	3,541.20	2,516.93
<u>Length of Service Award Program (LOSAP) (unaudited)</u>		
Investments		
Mutual Funds	290,139.95	257,689.43
	290,139.95	257,689.43
<u>Other Funds</u>		
Cash and Investments	3,139,241.00	2,920,484.04
Due from Current	357.75	357.75
	3,139,598.75	2,920,841.79
	\$ 3,433,279.90	3,181,048.15

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

	2017	2016
<u>Liabilities, Reserves and Fund Balance</u>		
<u>Animal Control Fund</u>		
Reserve for Animal Control Expenditures	\$ 2,328.19	2,022.84
Due to Current Fund	1,201.01	489.89
Due to State of New Jersey	12.00	4.20
	3,541.20	2,516.93
<u>Length of Service Award Program (LOSAP) (unaudited)</u>		
Net Assets Available for Benefits	290,139.95	257,689.43
	290,139.95	257,689.43
<u>Other Funds</u>		
Reserve for:		
Due to Current Fund	2.84	2.84
Unemployment Compensation	25,254.44	15,942.38
Retirement Fund	90,147.31	104,376.31
Parking Offense Adjudication Act	15,620.19	16,484.95
Street Openings	132,306.89	116,991.94
Tax Lien Premiums	8,970.26	8,964.87
Parking Escrow	56,730.94	56,696.94
Lifeguard Pension	595,558.54	564,628.51
Police Forfeiture	1,589.75	1,588.80
COAH	876,230.48	744,923.36
Fire Safety	14,264.64	9,758.14
Neighborhood Revitalization	140,743.74	140,659.37
Security Deposits	26,227.91	30,612.18
DARE	528.64	528.36
Small Cities Block Grant	736,856.64	735,833.07
Public Assistance	3,519.44	3,517.33
Performance Bond	387,369.67	333,246.71
Police Off-Duty	21,843.27	29,697.78
Flexible Spending	270.81	1,203.81
Fishermen's Memorial	4,881.69	4,503.89
Dellas Field	680.66	680.25
	3,139,598.75	2,920,841.79
	\$ 3,433,279.90	3,181,048.15

EXHIBIT - C
GENERAL CAPITAL FUND

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

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Cash	\$ 2,143,968.09	3,882,318.98
Deferred Charges to Future Taxation -		
Funded	15,195,622.09	17,047,092.18
Unfunded	31,127,872.66	29,574,287.66
State Grant Receivable	348,066.77	348,066.77
NJEIT Loans Receivable	35,670.53	35,670.53
	<u>48,851,200.14</u>	<u>50,887,436.12</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	1,098,113.32	1,094,386.24
Bond Anticipation Notes Payable	8,350,000.00	6,575,000.00
Serial Bonds Payable	14,962,379.72	16,774,725.45
Green Trust Loan Payable	148,547.43	165,507.65
Environmental Infrastructure Trust Loans Payable	84,694.94	106,859.08
Improvement Authorizations:		
Funded	1,038,498.34	1,183,743.29
Unfunded	20,130,158.15	22,100,073.33
Reserve to Pay Bonds or Notes	595,382.19	745,382.19
Reserve for Open Space	2,164,569.00	1,942,569.00
Reserves Other	26,575.60	26,575.60
Capital Improvement Fund	14,301.00	16.00
Fund Balance	237,980.45	172,598.29
	<u>\$ 48,851,200.14</u>	<u>50,887,436.12</u>

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

2016	22,999,287.66
2017	22,777,872.66

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

	<u>2017</u>	<u>2016</u>
Beginning Balance January 1	\$ 172,598.29	474,745.76
Increased by:		
Premiums on sale of Bonds & Notes	65,382.16	72,852.53
Decreased by:		
Appropriated to Finance Improvement Authorizations	-	375,000.00
Ending Balance December 31	<u>\$ 237,980.45</u>	<u>172,598.29</u>

EXHIBIT - D
WATER AND SEWER UTILITY FUND

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

	2017	2016
<u>ASSETS</u>		
Operating Fund:		
Cash	\$ 1,675,032.33	1,639,367.65
	1,675,032.33	1,639,367.65
Receivables and Other Assets with Full Reserves:		
Consumer Accounts Receivable	22,255.66	17,984.70
Interfunds:		
Due from Utility Capital	6,275.00	-
	28,530.66	17,984.70
Total Operating Fund	1,703,562.99	1,657,352.35
Capital Fund:		
Cash	922,627.28	1,370,059.91
Loans Receivable	52,126.47	52,126.47
Fixed Capital	18,975,433.85	18,975,433.85
Fixed Capital - Authorized and Uncompleted	25,151,155.99	24,382,155.99
Total Capital Fund	45,101,343.59	44,779,776.22
	\$ 46,804,906.58	46,437,128.57

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

	2017	2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Appropriation Reserves	\$ 440,965.26	244,534.24
Reserve for Encumbrances	79,786.43	82,008.57
Overpaid Rents	41,551.14	-
Sales Tax Payable	190.71	190.71
Accrued Interest on Bonds and Notes	149,699.13	159,966.93
Reserve for Sewer Treatment Plant	809.71	809.71
Interfunds:		
Due to Current Fund	645.25	645.25
	713,647.63	488,155.41
Reserve for Receivables	22,255.66	17,984.70
Fund Balance	967,659.70	1,151,212.24
 Total Operating Fund	 1,703,562.99	 1,657,352.35
Capital Fund:		
Encumbrances Payable	1,090,114.45	1,940,818.82
Bond Anticipation Notes Payable	2,650,000.00	1,800,000.00
Serial Bonds Payable	4,712,702.30	5,571,886.24
Loans Payable	7,042,564.38	7,272,322.64
Improvement Authorizations:		
Funded	269,158.29	262,715.79
Unfunded	2,465,810.17	2,592,515.96
Due to Utility Operating	6,275.00	-
Reserve for Amortization	23,953,961.93	22,865,019.73
Deferred Reserve for Amortization	1,789,655.23	1,789,655.23
Reserve for Debt Service	650,817.60	255,307.60
Capital Improvement Fund	130,000.00	110,000.00
Fund Balance	340,284.24	319,534.21
 Total Capital Fund	 45,101,343.59	 44,779,776.22
	\$ 46,804,906.58	46,437,128.57

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

2016	4,688,536.00
2017	4,607,536.00

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

	<u>2017</u>	<u>2016</u>
Revenue and Other Income Realized		
Fund Balance Utilized	\$ 675,000.00	625,000.00
Water and Sewer Rents	6,192,150.18	6,163,441.64
Reserve to Pay Bonds and Notes	119,490.00	-
Miscellaneous	62,546.56	73,844.06
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	202,732.30	281,352.63
Total Income	<u>7,251,919.04</u>	<u>7,143,638.33</u>
Expenditures		
Operations:		
Salaries and Wages	800,625.00	853,450.00
Other Expenses	4,204,470.00	4,038,520.00
Capital Improvements	70,000.00	70,000.00
Debt Service	1,589,300.17	1,579,163.53
Deferred Charges and Statutory Expenditures	95,802.00	95,900.00
Refund of Prior Year Revenue	274.41	409.20
Total Expenditures	<u>6,760,471.58</u>	<u>6,637,442.73</u>
Excess in Revenue	<u>491,447.46</u>	<u>506,195.60</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>491,447.46</u>	<u>506,195.60</u>
Fund Balance January 1	<u>1,151,212.24</u>	<u>1,270,016.64</u>
	1,642,659.70	1,776,212.24
Decreased by:		
Utilization as Anticipated Revenue	<u>675,000.00</u>	<u>625,000.00</u>
Fund Balance December 31	<u>\$ 967,659.70</u>	<u>1,151,212.24</u>

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

	2017	2016
Beginning Balance January 1	\$ 319,534.21	299,589.79
Increased by:		
Premiums on Sale of Bonds & Notes	20,750.03	19,944.42
Decreased by:		
None	-	-
Ending Balance December 31	\$ 340,284.24	319,534.21

**WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Anticipated Budget	Realized	Excess or (Deficit)
Surplus Anticipated	\$ 675,000.00	675,000.00	-
Anticipated Revenue:			
Water and Sewer Rents	6,137,950.00	6,192,150.18	54,200.18
Miscellaneous	73,000.00	62,546.56	(10,453.44)
Reserve to Pay Bond and Notes	119,490.00	119,490.00	-
	<u>\$ 7,005,440.00</u>	<u>7,049,186.74</u>	<u>43,746.74</u>

Analysis of Realized Revenue:

Water and Sewer Rents		
Accounts Receivable	6,192,150.18	
Total Water & Sewer Rents		<u>6,192,150.18</u>
Miscellaneous Revenue		
Interest on Investments	1,793.15	
Penalties and Interest	6,120.99	
Sewer Connection Fees	4,531.00	
Meter Installations	31,932.00	
Reconnection Fees	375.00	
Special Reading Charge	9,050.00	
Shut Off Notice Fee	3,550.00	
Disconnection Fees	250.00	
WCM Interlocal	1,317.00	
Miscellaneous	3,627.42	
Total Miscellaneous		<u>62,546.56</u>

**WATER AND SEWER UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Operations:						
Salaries and Wages	\$ 900,625.00	900,625.00	703,324.20		97,300.80	100,000.00
Other Expenses	4,254,470.00	4,254,470.00	3,795,011.51	79,786.43	329,672.06	50,000.00
	<u>5,155,095.00</u>	<u>5,155,095.00</u>	<u>4,498,335.71</u>	<u>79,786.43</u>	<u>426,972.86</u>	<u>150,000.00</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	1,090,000.00	1,090,000.00	1,089,309.75			690.25
Interest on Bonds	558,543.00	558,543.00	463,990.42			94,552.58
Interest on Notes	36,000.00	36,000.00	36,000.00			-
	<u>1,684,543.00</u>	<u>1,684,543.00</u>	<u>1,589,300.17</u>	<u>-</u>	<u>-</u>	<u>95,242.83</u>
Deferred Charges and Statutory Expenditures:						
PERS	15,000.00	15,000.00	14,000.00		1,000.00	
Social Security System (O.A.S.I.)	68,902.00	68,902.00	55,909.60		12,992.40	
Unemployment Compensation Insurance	3,900.00	3,900.00	3,900.00		-	
Retirement Trust	8,000.00	8,000.00	8,000.00		-	
	<u>95,802.00</u>	<u>95,802.00</u>	<u>81,809.60</u>	<u>-</u>	<u>13,992.40</u>	<u>-</u>
	<u>\$ 7,005,440.00</u>	<u>7,005,440.00</u>	<u>6,239,445.48</u>	<u>79,786.43</u>	<u>440,965.26</u>	<u>245,242.83</u>
		Cash Disbursed	\$ 6,315,069.05			
		Reimbursements	(59,080.77)			
		Accrued Interest	(16,542.80)			
			<u>6,239,445.48</u>			

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

EXHIBIT - E
BEACH UTILITY FUND

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

	2017	2016
<u>ASSETS</u>		
Operating Fund:		
Cash	\$ 1,348,466.01	1,258,566.00
	1,348,466.01	1,258,566.00
Total Operating Fund	1,348,466.01	1,258,566.00
Capital Fund:		
Cash	604,894.74	677,403.22
Fixed Capital - Authorized and Uncompleted	5,096,900.00	4,685,900.00
	5,701,794.74	5,363,303.22
Total Capital Fund	5,701,794.74	5,363,303.22
	\$ 7,050,260.75	6,621,869.22

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

	2017	2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Appropriation Reserves	\$ 153,289.53	204,599.29
Encumbrances Payable	14,983.57	29,898.56
Accrued Interest on Bonds and Notes	25,391.67	25,700.00
	193,664.77	260,197.85
Fund Balance	1,154,801.24	998,368.15
Total Operating Fund	1,348,466.01	1,258,566.00
Capital Fund:		
Encumbrances Payable	122,228.40	159,480.00
Bond Anticipation Notes Payable	325,000.00	200,000.00
General Serial Bonds Payable	1,630,000.00	1,885,000.00
Reserve for Amortization	1,545,000.00	1,290,000.00
Improvement Authorizations		
Funded	245,026.98	284,084.02
Unfunded	1,191,093.64	1,003,838.29
Capital Improvement Fund	529,000.00	429,000.00
Fund Balance	114,445.72	111,900.91
Total Capital Fund	5,701,794.74	5,363,303.22
	\$ 7,050,260.75	6,621,869.22

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

2016	1,310,900.00
2017	1,596,900.00

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

	<u>2017</u>	<u>2016</u>
Revenue and Other Income Realized		
Fund Balance Utilized	\$ 214,125.00	214,125.00
Beach Fees	2,409,700.00	2,450,289.00
Miscellaneous Revenue	2,844.39	1,472.93
Other Credits to Income:		
Unexpended Balance of Appropriation		
Reserves	200,944.25	119,913.88
Total Income	<u>2,827,613.64</u>	<u>2,785,800.81</u>
Expenditures		
Operations:		
Salaries and Wages	1,464,425.00	1,441,425.00
Other Expenses	533,150.00	527,350.00
Capital Improvements	100,000.00	100,000.00
Debt Service	186,480.55	183,820.14
Deferred Charges and Statutory Expenditures	173,000.00	160,500.00
Refund of Prior Year's Revenue		-
Total Expenditures	<u>2,457,055.55</u>	<u>2,413,095.14</u>
Excess/(Deficit) in Revenue	<u>370,558.09</u>	<u>372,705.67</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>370,558.09</u>	<u>372,705.67</u>
Fund Balance January 1	<u>998,368.15</u>	<u>839,787.48</u>
	1,368,926.24	1,212,493.15
Decreased by:		
Utilization as Anticipated Revenue	<u>214,125.00</u>	<u>214,125.00</u>
Fund Balance December 31	<u>\$ 1,154,801.24</u>	<u>998,368.15</u>

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

	<u>2017</u>	<u>2016</u>
Beginning Balance January 1	\$ 111,900.91	109,685.34
Increased by:		
Premiums on sale of Bonds & Notes	2,544.81	2,215.57
Decreased by:		
None	-	-
Ending Balance December 31	<u>\$ 114,445.72</u>	<u>111,900.91</u>

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

	Anticipated Budget	Realized	Excess or (Deficit)
Surplus Anticipated	\$ 214,125.00	214,125.00	-
Anticipated Revenue:			
Beach Fees	2,244,750.00	2,409,700.00	164,950.00
Miscellaneous	700.00	2,844.39	2,144.39
	\$ 2,459,575.00	2,626,669.39	167,094.39
Analysis of Realized Revenue:			
Beach Fees			
Collections	2,409,700.00		
Total Beach Fees		2,409,700.00	
Miscellaneous Revenue			
Miscellaneous	1,483.00		
Interest on Investments	1,361.39		
Total Miscellaneous		2,844.39	

**BEACH UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Operations:						
Salaries and Wages	\$ 1,464,425.00	1,464,425.00	1,408,704.26		55,720.74	
Other Expenses	533,150.00	533,150.00	450,346.27	14,983.57	67,820.16	
	<u>1,997,575.00</u>	<u>1,997,575.00</u>	<u>1,859,050.53</u>	<u>14,983.57</u>	<u>123,540.90</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	130,000.00	130,000.00	130,000.00		-	-
Interest on Bonds	53,000.00	53,000.00	51,012.50		-	1,987.50
Interest on Notes	6,000.00	6,000.00	5,468.05		-	531.95
	<u>189,000.00</u>	<u>189,000.00</u>	<u>186,480.55</u>	<u>-</u>	<u>-</u>	<u>2,519.45</u>
Deferred Charges and Statutory Expenditures:						
Lifeguard Pension	40,000.00	40,000.00	40,000.00		-	
Unemployment	20,000.00	20,000.00	20,000.00		-	
Social Security System	113,000.00	113,000.00	83,251.37		29,748.63	
	<u>173,000.00</u>	<u>173,000.00</u>	<u>143,251.37</u>	<u>-</u>	<u>29,748.63</u>	<u>-</u>
	<u>\$ 2,459,575.00</u>	<u>2,459,575.00</u>	<u>2,288,782.45</u>	<u>14,983.57</u>	<u>153,289.53</u>	<u>2,519.45</u>

Cash Disbursed	\$ 2,289,090.78
Accrued Interest	(308.33)
	<u>\$ 2,288,782.45</u>

EXHIBIT - F
TOURISM UTILITY FUND

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

	2017	2016
<u>ASSETS</u>		
Operating Fund:		
Cash	\$ 830,015.24	643,521.64
Change Fund	500.00	1,000.00
	830,515.24	644,521.64
Total Operating Fund	830,515.24	644,521.64
	830,515.24	644,521.64
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Appropriation Reserves	106,561.51	127,235.55
Encumbrances Payable	23,362.84	12,171.38
Sales Tax Payable	630.89	630.89
Due to Security Deposit	33,817.50	25,217.50
	164,372.74	165,255.32
Fund Balance	666,142.50	479,266.32
Total Operating Fund	830,515.24	644,521.64
	\$ 830,515.24	644,521.64

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

	<u>2017</u>	<u>2016</u>
Revenue and Other Income Realized		
Fund Balance Utilized	\$ 100,000.00	75,000.00
Tourism Fees	1,241,252.45	1,236,514.26
Other Credits to Income:		
Miscellaneous Revenue not Anticipated	22,364.80	1,612.32
Unexpended Balance of Appropriation Reserves	112,258.93	43,150.48
Total Income	<u>1,475,876.18</u>	<u>1,356,277.06</u>
Expenditures		
Operations:		
Salaries and Wages	401,000.00	374,000.00
Other Expenses	788,000.00	781,100.00
Total Expenditures	<u>1,189,000.00</u>	<u>1,155,100.00</u>
Excess/(Deficit) in Revenue	<u>286,876.18</u>	<u>201,177.06</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>286,876.18</u>	<u>201,177.06</u>
Fund Balance January 1	<u>479,266.32</u>	<u>353,089.26</u>
Decreased by:	766,142.50	554,266.32
Utilization as Anticipated Revenue	<u>100,000.00</u>	<u>75,000.00</u>
Fund Balance December 31	<u>\$ 666,142.50</u>	<u>479,266.32</u>

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

	Anticipated Budget	Realized	Excess or (Deficit)
Anticipated Revenue:			
Surplus Anticipated	\$ 100,000.00	100,000.00	-
Tourism Fees & Events	525,000.00	550,071.94	25,071.94
Hotel Room Tax	225,000.00	315,605.99	90,605.99
Lease and Rent Contracts	274,000.00	309,184.52	35,184.52
Mercantile License Fee	65,000.00	66,390.00	1,390.00
Miscellaneous	-	22,364.80	22,364.80
	<u>\$ 1,189,000.00</u>	<u>1,363,617.25</u>	<u>174,617.25</u>

Analysis of Realized Revenue:

Tourism Fees Collections	550,071.94
	<u>550,071.94</u>
Miscellaneous Miscellaneous Interest	22,040.74 324.06
	<u>22,364.80</u>

EXHIBIT - G
GENERAL FIXED ASSET ACCOUNT GROUP

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

	<u>2017</u>	<u>2016</u>
<u>General Fixed Assets</u>		
Land, Buildings and Improvements	\$ 26,775,258.12	26,775,258.12
Machinery and Equipment	10,944,732.54	10,111,523.50
	<u>37,719,990.66</u>	<u>36,886,781.62</u>
<u>Investment in General Fixed Assets</u>		
Investment in General Fixed Assets	37,719,990.66	36,886,781.62
	<u>\$ 37,719,990.66</u>	<u>36,886,781.62</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 AND 2016
(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.

{This space intentionally left blank}

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(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 February 1, April 28, August 8 and October 26.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(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. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the City's financial reporting.

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2017 and 2016 statutory budgets included a reserve for uncollected taxes in the amount of \$1,010,771.17 and \$1,047,360.01. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2017 and 2016 statutory budgets was \$2,300,000.00. 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 2017 and 2016 statutory budgets was \$675,000.00 and \$625,000.00. The amount of fund balance budgeted to balance the beach utility budget in 2017 and 2016 statutory budgets was \$214,125.00. The amount of fund balance budgeted to balance to tourism utility budget in 2017 and 2016 was \$100,000.00 and \$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 2017 and 2016 calendar years:

<u>Budget Category</u>	<u>2017</u>	<u>2016</u>
<u>Current Fund:</u>		
Engineering & Planning Services		
Other Expenses		12,000.00
Insurance		
General Liability	(66,000.00)	(75,000.00)
Employee Group Health		(48,000.00)
Planning Board		
Other Expenses	12,000.00	
Fire		
Salaries and Wages	15,000.00	35,000.00
Public Buildings and Grounds		
Other Expenses	22,000.00	
Reserve for Retirement Trust		35,000.00
Construction Official		
Salaries and Wages		15,000.00
<u>Water/Sewer Utility Fund:</u>	None	None
Operations		
Salaries and Wages		
Retirement Trust		
<u>Tourism Utility Fund:</u>	None	None
Operations		
Salaries and Wages		
Other Expenses		
<u>Beach Utility Fund:</u>	None	
Operations		
Public Buildings		(10,000.00)
Engineering & Planning		10,000.00

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(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 2017 and 2016, the following budget insertions were approved:

<u>Budget Category</u>	<u>2017</u>	<u>2016</u>
Clean Communities Program	\$ 18,943.63	22,298.09
Bulletproof Vest		2,397.00
Body Armor	2,187.25	
NJ Transportation Trust		179,000.00
NJDOT - 2016 Bikeway Expansion Project		250,000.00
NJDOT - Pennsylvania Ave	158,000.00	
NJDEP - HPO		24,999.00
NJDEP - Circuit Rider		20,065.00
USHUD - CDBG - Lafayette Street Park		1,177,000.00
ANJEC - 2017 Open Space Stewardship	1,500.00	
Estate of Edward D. Ross		84,000.00
Electric Vehicle Charging Grant Program		10,000.00
NJDCA-Intensive Level Survey-FY 2017	24,999.00	
Emergency Management - EMAA Grant	9,400.00	7,000.00
Cops in Shops	1,800.00	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. There were no Emergency or Special Emergency appropriations in 2017.

NOTE 3: INVESTMENTS

As of December 31, 2017 and 2016, 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.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or funds that may pass to the municipality relative to the happening of a future condition. As of December 31, 2017, \$ of the City's bank balance of \$20,112,147.96 was exposed to custodial credit risk. As of December 31, 2017, \$3,197,216.12 of the City's bank balance of \$20,112,147.96 was exposed to custodial credit risk. As of December 31, 2016, \$3,215,195.72 of the City's bank balance of \$19,460,653.57 was exposed to custodial credit risk.

NOTE 5: FIXED ASSETS

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

	Balance 12/31/2015	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>

	Balance 12/31/2016	Additions	Retirements/ Adjustments	Balance 12/31/2017
Land, Building and Improvements	\$ 26,775,258.12			26,775,258.12
Equipment and Machinery	10,111,523.50	864,911.79	(31,702.75)	10,944,732.54
	<u>36,886,781.62</u>	<u>864,911.79</u>	<u>(31,702.75)</u>	<u>37,719,990.66</u>

{This space intentionally left blank}

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 6: SHORT-TERM OBLIGATIONS

	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>

	Balance 12/31/16	Issued	Retired	Balance 12/31/17
Bond Anticipation				
Notes payable:				
General	\$ 6,575,000.00	8,350,000.00	6,575,000.00	8,350,000.00
Water and Sewer Utility	1,800,000.00	2,650,000.00	1,800,000.00	2,650,000.00
Beach Utility	200,000.00	325,000.00	200,000.00	325,000.00
	<u>\$ 8,575,000.00</u>	<u>11,325,000.00</u>	<u>8,575,000.00</u>	<u>11,325,000.00</u>

The note was issued on July 14, 2017 and is due and payable on July 13, 2018 with interest at 2.000%. As of December 31, 2017, the City has authorized but not issued bonds in the amount of \$22,777,872.66, \$4,607,536.00, \$1,596,900.00 in the General Capital Fund, Water and Sewer Utility Capital Fund and Beach Utility Capital Fund respectively.

{This space intentionally left blank}

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 7: LONG TERM DEBT

Long-term debt as of December 31, 2017 and 2016 consisted of the following:

	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	<u>26,783,545.18</u>	-	<u>2,676,933.49</u>	<u>24,106,611.69</u>	<u>2,801,529.67</u>
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	<u>1,334,645.91</u>		<u>16,779.16</u>	<u>1,317,866.75</u>	-
Total long-term liabilities	<u>\$ 35,928,739.64</u>	-	<u>2,959,571.83</u>	<u>32,969,167.81</u>	<u>3,070,412.29</u>
	Balance 12/31/16	Issued	Retired	Balance 12/31/17	Amounts Due Within One Year
Bonds payable:					
General	\$ 16,774,725.45		1,812,345.73	14,962,379.72	1,937,463.01
Water Sewer Utility	5,571,886.24		859,183.94	4,712,702.30	744,142.64
Beach Utility	1,760,000.00		130,000.00	1,630,000.00	140,000.00
Total	<u>24,106,611.69</u>	-	<u>2,801,529.67</u>	<u>21,305,082.02</u>	<u>2,821,605.65</u>
Other liabilities:					
Loans Payable:					
General	272,366.73		39,124.36	233,242.37	39,067.09
Water Sewer Utility	7,272,322.64		229,758.26	7,042,564.38	233,055.16
Compensated					
Absences Payable	<u>1,317,866.75</u>	<u>13,510.93</u>		<u>1,331,377.68</u>	
Total long-term liabilities	<u>\$ 32,969,167.81</u>	<u>13,510.93</u>	<u>3,070,412.29</u>	<u>29,912,266.45</u>	<u>3,093,727.90</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(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, 2017 is \$337,379.72.

\$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, 2017 is \$1,300,000.00.

\$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, 2017 is \$8,590,000.00.

\$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, 2017 is \$4,735,000.00.

\$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, 2017 is \$148,547.43.

\$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, 2017 is \$19,600.00.

\$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, 2017 is \$14,125.16.

\$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, 2017 is \$21,569.78.

\$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, 2017 is \$29,400.00.

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, 2017 is \$306,227.30.

\$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, 2017 is \$36,475.00.

\$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, 2017 is \$540,000.00.

\$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, 2017 is \$1,710,000.00.

\$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, 2017 is \$2,120,000.00.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(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, 2017 is \$50,000.00.

\$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, 2017 is \$33,283.03.

\$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, 2017 is \$20,400.00.

\$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, 2017 is \$14,701.70.

\$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, 2017 is \$22,450.19.

\$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, 2017 is \$30,600.00.

\$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, 2017 is \$1,056,520.50.

\$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, 2017 is \$1,825,063.94.

\$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, 2017 is \$1,158,603.81.

\$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, 2017 is \$1,297,636.26.

\$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, 2017 is \$1,533,304.95.

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, 2017 is \$1,630,000.00.

{This space intentionally left blank}

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(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
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	1,480,000.00	280,950.00
2023-2027	6,745,000.00	665,050.00
	<u>\$ 14,962,379.72</u>	<u>2,572,484.35</u>

Year Ending December 31,	Utility Capital Fund		Beach Utility Capital Fund	
	Principal	Interest	Principal	Interest
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	527,920.00	65,248.00	180,000.00	30,300.00
2023-2027	1,530,000.00	96,450.00	830,000.00	64,500.00
	<u>\$ 4,712,702.30</u>	<u>629,231.57</u>	<u>1,630,000.00</u>	<u>264,000.00</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
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	18,734.63	1,451.37	149,973.12	256,302.88
2023-2027	58,493.71	2,064.29	850,415.42	1,180,964.58
2028-2032			1,046,045.89	985,334.11
2033-2037			1,286,991.51	744,388.49
2038-2042			993,725.78	492,836.29
2043-2047			1,051,628.84	301,659.58
2048-2052			801,608.36	107,682.20
2053-2055			149,173.62	7,445.19
	<u>\$ 233,242.37</u>	<u>18,851.19</u>	<u>7,042,564.38</u>	<u>5,168,552.28</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

As of December 31, 2017 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 \$707,312.35 and to the water and sewer utility budget was \$499,990.42.

<u>Summary of Municipal Debt</u>	<u>Year 2017</u>	<u>Year 2016</u>	<u>Year 2015</u>
<u>Issued:</u>			
General - Bonds and Notes	\$ 23,545,622.09	\$ 23,622,092.18	22,513,752.63
Water/Sewer Utility - Bonds and Notes	14,405,266.68	14,644,208.88	14,495,341.10
Beach Utility - Bonds and Notes	1,955,000.00	1,960,000.00	2,085,000.00
Total Issued	<u>39,905,888.77</u>	<u>40,226,301.06</u>	<u>39,094,093.73</u>
<u>Authorized but not issued:</u>			
General - Bonds and Notes	22,777,872.66	22,999,287.66	23,678,441.00
Water/Sewer Utility - Bonds and Notes	4,607,536.00	4,688,536.00	4,688,536.00
Beach Utility - Bonds and Notes	1,596,900.00	1,310,900.00	1,010,900.00
Total Authorized But Not Issued	<u>28,982,308.66</u>	<u>28,998,723.66</u>	<u>29,377,877.00</u>
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 68,888,197.43</u>	<u>69,225,024.72</u>	<u>68,471,970.73</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 1.639%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District Debt	\$ 3,897,026.74	3,897,026.74	-
Water and Sewer Utility Debt	19,012,802.68	19,012,802.68	-
Beach Utility	3,551,900.00	3,551,900.00	-
General Debt	46,323,494.75	595,382.19	45,728,112.56
	<u>\$ 72,785,224.17</u>	<u>27,057,111.61</u>	<u>45,728,112.56</u>

Net Debt \$45,728,112.56 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$2,790,669,652.00 = 1.639%.

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$	97,673,438
Net Debt		45,728,113
Remaining Borrowing Power	<u>\$</u>	<u>51,945,325</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 8: FUND BALANCES APPROPRIATED

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

		<u>2018</u>	<u>2017</u>
Current Fund	\$	2,820,000.00	2,300,000.00
Water/Sewer Utility		732,314.00	675,000.00
Beach Utility		274,475.00	214,125.00
Tourism Utility		125,000.00	100,000.00

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>12/31/2017</u>	<u>12/31/2016</u>
Balance of Tax	\$	909,852.30	\$ 887,298.76
Deferred		909,852.30	902,141.00
Tax Payable	\$	-	(14,842.24)

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>12/31/2017</u>	<u>12/31/2016</u>
Balance of Tax	\$	2,950,876.43	\$ 2,499,003.43
Deferred		2,950,876.50	2,499,003.50
Tax Payable	\$	(0.07)	(0.07)

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 12/31/17</u>	<u>Balance 12/31/16</u>
Prepaid Taxes	<u>\$ 2,424,055.21</u>	<u>567,646.94</u>
Cash Liability for Taxes Collected in Advance	<u>\$ 2,424,055.21</u>	<u>567,646.94</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(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 six 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.

{This space intentionally left blank}

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(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 7.20% through June 30, 2017 and 7.38% 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 13.37% of covered payroll. The City's contributions to PERS for the years ended December 31, 2017, 2016, and 2015 were \$444,793.22, \$393,179.00 and \$389,100.00.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The City's contributions to PFRS for the years ended December 31, 2017, 2016, and 2015 were \$768,500.86, \$733,383.00 and \$743,774.00.

The total payroll for the year ended December 31, 2017, 2016 and 2015 was \$8,120,425.96, \$8,113,586.92 and \$7,939,780.39. Payroll covered by PFRS was \$2,940,114.00, \$2,918,891.00 and \$3,025,179.00. Payroll covered by PERS was \$2,942,734.00, \$3,144,692.00 and \$3,155,162.00.

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, 2017 was \$595,558.54. Currently there are ten individuals receiving benefits. The benefits paid by the trust for the year ended December 31, 2017, 2016 and 2015 were \$48,146.00, \$39,036.00 and \$23,851.00.

Significant Legislation

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

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

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of 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.

{This space intentionally left blank}

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(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.

{This space intentionally left blank}

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(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, 2017:

Public Employees' Retirement System

The Municipality has a liability of \$10,690,353.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the Municipality's proportion would be 0.04592391220%, which would be a decrease of 2.70% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Municipality would have recognized pension expense of \$834,759.00. At December 31, 2017, 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	\$ 251,721	
Changes of assumptions	2,153,738	(2,145,842)
Changes in proportion	501,626	(360,343)
Net difference between projected and actual earnings on pension plan investments	72,794	
Total	<u>\$ 2,979,879</u>	<u>(2,506,185)</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>		
2018	\$	376,859
2019		547,519
2020		325,224
2021		(434,806)
2022		(341,102)
Total	<u>\$</u>	<u>473,694</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	2.25%
Salary increases:	
Through 2026	1.65% - 4.15% (based on age)
Thereafter	2.65% - 5.15% (based on age)
Investment rate of return:	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality 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, 2016 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 (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

{This space intentionally left blank}

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, 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 40% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 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 5.00%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.00%) or 1-percentage point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Municipality's proportionate share of the net pension liability	\$ 12,825,843	10,690,353	\$ 8,913,530

Pension plan fiduciary net position.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

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 \$13,757,734.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the Municipality's proportion would be 0.08911565550%, which would be a decrease of 4.70% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Municipality would have recognized pension expense of \$1,245,040.00. At December 31, 2017, the Municipality would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 89,252	(80,746)
Changes of assumptions	1,696,482	(2,253,115)
Changes in proportion	717,841	(954,855)
Net difference between projected and actual earnings on pension plan investments	262,530	
Total	<u>\$ 2,766,105</u>	<u>(3,288,716)</u>

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

Year ended June 30,		
2018	\$	275,932
2019		715,232
2020		(22,631)
2021		(1,025,240)
2022		(465,905)
Total	<u>\$</u>	<u>(522,611)</u>

{This space intentionally left blank}

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	2.25%
Salary increases:	
Through 2026	2.10% - 8.98% (based on age)
Thereafter	3.10% - 9.98% (based on age)
Investment rate of return:	7.00%

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 three 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 three 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, 2016 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 (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

{This space intentionally left blank}

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, 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 40% 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2017, 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 (5.14%)	Current Discount Rate (6.14%)	1% Increase (7.14%)
District's proportionate share of the net pension liability	\$ 17,750,893	13,757,734	10,477,880

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

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, 2017 State special funding situation net pension liability amount of \$1,729,193,507.00 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, 2017 State special funding situation pension expense of \$211,519,420.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2017. 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 0.08911565550% for 2017. The net pension liability amount allocated to the Municipality was \$1,540,982.00. For the fiscal year ending June 30, 2017 State special funding situation pension expense of \$188,497.00 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.

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>

{This space intentionally left blank}

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

Plan Coverage The City currently has 8 union groups, UAW Local 2327 Cape May Lieutenant Lifeguards, UAW Local 2327 Cape May Lifeguards, UAW Local 2327 Upper 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.

Non Affiliated Employees - Individuals who retired with at least 25 years of service (or 27 years of service to the City for employees hired on or after January 1, 2010) 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, 2017 and 2016 were \$830,853.49 and \$671,192.85 respectively, which equaled the required contribution for the year.

{This space intentionally left blank}

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

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, 2017, the City estimates this liability to approximate \$1,331,377.68 based on 2017 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, 2017 and 2016 the City did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

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

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

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, 2017, 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	\$ 1,201.01	
Federal and State Grant Funds	438,182.36	
Trusts Other	2.84	357.75
Utility Operating	645.25	
Grant Fund:		
Current Fund		438,182.36
Other Trusts:		
Current Fund	357.75	2.84
Animal Control Fund:		
Current Fund		1,201.01
Utility Operating:		
Current Fund		645.25
Utility Capital	6,275.00	
Utility Capital:		
Utility Operating		6,275.00
	\$ <u>446,664.21</u>	<u>446,664.21</u>

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

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.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

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 1, 2018, the date which the financial statements were available to be issued. The following events were identified:

The matter of Police Captain Robert Sheehan v. City of Cape May was settled in February 2018. The settlement was paid by the City through a 2018 budget appropriation and their insurance carrier.

Subsequent to December 31, the City of Cape May authorized additional Bonds and Notes as follows:

<u>Purpose</u>	<u>Date</u>	<u>Amount</u>
General Capital:		
Bonds and Notes:		
Preliminary expenses for the construction of a new safety building	Introduced: February 20, 2018 Adopted: March 20, 2018	\$ 300,000.00
Various Capital Improvements	Introduced: May 1, 2018 Adopted: **	\$ 1,615,000.00
Various Improvements to the Beach Utility	Introduced: May 1, 2018 Adopted: **	\$ 393,000.00
Various Improvements to the Water/Sewer Utility	Introduced: May 1, 2018 Adopted: **	\$ 1,019,000.00
		\$ 3,327,000.00
**: As of the date of this report, ordinance has not been adopted.		

{This space intentionally left blank}

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

SUPPLEMENTARY INFORMATION



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

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, 2017, 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 1, 2018, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City 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 1, 2018

**CITY OF CAPE MAY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING DECEMBER 31, 2017**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified Opinion issued on the Financial Statements – Regulatory Basis.**

Internal control over financial reporting:

- 1) Material Weakness identified? **No**
- 2) Significant Deficiencies? **None Reported**

Non-Compliance material to Financial Statements – Regulatory Basis noted? **No**

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

In accordance with Government Auditing Standards, our audit disclosed the following findings relating to the financial statements – regulatory basis that are required to be reported. The finding is listed in the Findings and Recommendations. We have also issued a Management Letter.

MANAGEMENT RESPONSES

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

Finding #2017-1: To comply with State Statute N.J.S. 40A:5-7, City personnel will advertise the 2017 audit synopsis within 30 days of receipt of the audit.

STATUS OF PRIOR YEAR FINDINGS

NONE

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	Current Fund	Grant Fund
Balance December 31, 2016	\$ 6,488,359.58	175,826.06
Increased by Receipts:		
Tax Collector	26,753,547.72	
Revenue Accounts Receivable	6,278,219.93	
Miscellaneous Revenue	116,596.22	
Due from State - Seniors and Veterans	41,250.00	
Due from Tourism Operating	85,087.00	
Due from Flex Spending	10,713.00	
Due from Grant Fund	274,460.83	443,615.59
Due from General Capital	1,365.00	
Due to SCBG Econ Loan	583.33	
Due to COAH	134,463.75	
Due from Street Opening Trust	15,750.00	
Due to P.O.A.A. Trust	2,810.00	
Elections	7,600.00	
Due from Performance Bond	85,827.60	
Due from Pd Outside Employment	26,760.00	
Payroll & Payroll Taxes Payable	9,583,621.01	
Reserve for Escrow Trust	117,969.64	
Federal and State Unappropriated Reserves		39,255.67
Federal and State Receivables		235,205.16
Due to the State of New Jersey:		
DCA Training Fees	32,061.00	
Marriage Licenses	4,300.00	
	43,572,986.03	718,076.42
	50,061,345.61	893,902.48

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	Current Fund	Grant Fund
Decreased by Disbursements:		
Current Year Appropriation	14,940,827.02	
Prior Year Appropriations	495,840.59	
County Taxes	7,506,097.16	
Local District School Taxes	1,826,835.46	
Regional School Taxes	5,449,880.00	
Accounts Payable	24,367.46	
Tax Overpayments	6,435.75	
Due from Flex Spending	10,713.00	
Due from General Capital	1,365.00	
Due from Street Opening Trust	15,750.00	
Due to P.O.A.A. Trust	2,810.00	
Due from Grant Fund	443,615.59	274,460.83
Due to SCBG Econ Loan	583.33	
Due to COAH	134,463.75	
Due to Tourism Operating	85,087.00	
Due to Pd Outside Employment	26,760.00	
Reserve for Escrow Trust	120,376.25	
Payroll & Payroll Taxes Payable	9,580,110.71	
Due to Performance Bond	85,827.60	
Elections	7,600.00	
Federal and State Disbursements		169,154.76
Due to the State of New Jersey:		
DCA Training Fees	21,605.00	
Marriage Licenses	4,275.00	
	40,791,225.67	443,615.59
Balance December 31, 2017	\$ 9,270,119.94	450,286.89

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

Balance December 31, 2016		\$	-
Increased by Receipts:			
Prepaid Taxes	2,424,055.21		
Taxes Receivable	24,276,132.16		
Revenue Accounts Receivable	53,360.35		
			26,753,547.72
			26,753,547.72
Payments to Treasurer			26,753,547.72
Balance December 31, 2017		\$	-

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

Year	Balance Dec. 31, 2016	Current Year Levy	Added Taxes	Collections by Cash		Adjustments	Transferred To Tax Title Lien	Arrears	Balance Dec. 31, 2017
				2016	2017				
Arrears \$	-								
2016	174,346.09			174,346.09					-
	174,346.09								-
2017	-	25,052,128.54	1,789.80	567,646.94	24,138,619.49	32,948.51	585.21		314,118.19
\$	174,346.09	25,052,128.54	1,789.80	567,646.94	24,312,965.58	32,948.51	585.21		314,118.19

Cash Receipts
 24,276,132.16
 Senior Citizens and Veterans
 47,253.51
 Overpayments Applied (Created)
 (10,420.09)
24,312,965.58

Analysis of Current Year Tax Levy

Tax Yield:	
General Property Tax	25,052,128.54
Added Taxes (54:4-63.1 et. Seq.)	1,789.80
	<u>25,053,918.34</u>
Tax Levy:	
General County Taxes	6,255,153.00
County Library Taxes	945,728.59
County Open Space Taxes	286,438.61
County Health Taxes	-
County Added and Omitted Taxes	52,794.30
Total County Taxes	<u>7,540,114.50</u>
Local School District Tax	1,849,389.00
Additional Local School District Tax	-
Regional School District Tax	5,901,753.00
Local Tax for Municipal Purposes	9,565,980.17
Add: Additional Tax Levied	196,681.67
	<u>9,762,661.84</u>
	<u>25,053,918.34</u>

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

Balance December 31, 2016		\$	7,609.78
Increased by:			
Transfers from Taxes Receivable	585.21		
			585.21
			8,194.99
Decreased by:			
None	-		
			-
Balance December 31, 2017		\$	8,194.99

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2016	Accrued in 2017	Collected by			Balance Dec. 31, 2017
			Collector	Treasurer	Other	
Licenses:						
Alcoholic Beverages	\$ -	55,940.00		55,940.00		-
Other	-	324,190.80		324,190.80		-
Fees and Permits	-	201,350.70		201,350.70		-
Fines and Costs:						
Municipal Court	5,637.97	204,042.63		204,354.77		5,325.83
Interest and Costs on Taxes	-	53,360.35	53,360.35			-
Interest Earned on Investments	-	6,409.42		6,409.42		-
Parking Meters	-	1,149,497.83		1,149,497.83		-
Hotel Room Tax	-	1,238,778.67		1,238,778.67		-
Lease and Rental Contracts	-	453,606.82		453,606.82		-
TV Cable Receipts	-	41,763.47		41,763.47		-
Victorian Towers - In Lieu of Taxes	-	203,528.23		203,528.23		-
Emergency Medical Services	-	335,506.52		335,506.52		-
Energy Receipts Tax	-	337,632.00		337,632.00		-
Uniform Construction Code Fees	-	799,849.70		799,849.70		-
Interlocal Services Agreement -						
West Cape May - Police Protection	-	476,698.00		476,698.00		-
Cape May Point - Police Protection	-	288,075.00		288,075.00		-
Utility Street Improvements	-	50,000.00		50,000.00		-
Reserve to Pay Debt Service	-	150,000.00		150,000.00		-
Miscellaneous Revenue Not Anticipated	-	117,313.34		117,313.34		-
	<u>\$ 5,637.97</u>	<u>6,487,543.48</u>	<u>53,360.35</u>	<u>6,434,495.27</u>	<u>-</u>	<u>5,325.83</u>

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
OPERATIONS WITHIN "CAPS" GENERAL GOVERNMENT:					
General Administration	\$ 32,845.87	30,845.87	12,831.24	18,014.63	-
Other Expenses					
Financial Administration	2,510.11	2,510.11	2,192.00	318.11	-
Other Expenses					
Assessment of Taxes	4,472.71	4,472.71	1,900.41	2,572.30	-
Collection of Taxes					
Other Expenses	643.35	643.35	143.88	499.47	-
Legal Services					
Other Expenses					
Miscellaneous Other Expenses	242,100.80	236,100.80	12,551.31	223,549.49	-
Engineering & Planning Services	9,526.68	9,526.68	5,585.86	3,940.82	-
Other Expenses					
Emergency Medical Services - Collection	4,349.66	4,349.66	1,683.13	2,666.53	-
Contractual Expenses					
INSURANCE					
General Liability	63,658.00	63,658.00	27,600.00	36,058.00	-
Employee Group Health	376,712.98	376,712.98	240,864.26	135,848.72	-
LAND USE ADMINISTRATION					
Planning Board					
Other Expenses	3,585.64	9,585.64	8,474.19	1,111.45	-
Zoning Board of Adjustment					
Other Expenses	4,509.50	4,509.50	1,904.10	2,605.40	-
PUBLIC SAFETY					
Fire					
Other Expenses	9,575.64	9,575.64	6,885.03	2,690.61	-
Police					
Other Expenses	45,359.13	45,359.13	34,128.19	11,230.94	-
Emergency Management Services					
Other Expenses	794.51	794.51	100.00	694.51	-
Parking and Traffic Maintenance					
Other Expenses	19,903.68	19,903.68	6,228.65	13,675.03	-
Municipal Court					
Other Expenses	7,698.19	7,698.19	474.11	7,224.08	-

See Accompanying Auditor's Report

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
PUBLIC WORKS FUNCTION					
Road Repair and Maintenance	51,544.76	51,544.76	22,904.42	28,640.34	-
Other Expenses					
Sanitary Landfill - Contractual	10,886.93	10,886.93	5,568.46	5,318.47	-
Other Expenses					
Recycling	47,147.32	47,147.32	21,759.13	25,388.19	-
Other Expenses					
Public Buildings and Grounds	51,181.99	51,181.99	33,990.56	17,191.43	-
Other Expenses					
Shade Tree Commission	3,220.00	5,220.00	4,695.00	525.00	-
Other Expenses					
PARKS AND RECREATION					
Civic Affairs					
Other Expenses	10,684.08	10,684.08	2,693.08	7,991.00	-
Historic Preservation Commission					
Other Expenses	11,051.03	11,051.03	1,258.66	9,792.37	-
Grants Coordinator					
Other Expenses	905.00	905.00	630.00	275.00	-
UNIFORM CONSTRUCTION CODE					
State Uniform Construction Code					
Construction Official					
Other Expenses	1,876.62	1,876.62	770.35	1,106.27	-
UTILITY EXPENSES AND BULK PURCHASES					
General Office Operations	15,851.60	15,851.60	8,396.37	7,455.23	-
Street Lighting	15,911.94	15,911.94	13,453.16	2,458.78	-
Gas Lighting	9,194.17	9,194.17	2,523.04	6,671.13	-
OPERATIONS EXCLUDED FROM "CAPS"					
Length of Service Award Program - Fire	22,000.00	22,000.00	13,880.00	8,120.00	-
All Other Accounts - No Change	491,926.85	491,926.85		491,926.85	-
	<u>\$ 1,571,628.74</u>	<u>1,571,628.74</u>	<u>496,068.59</u>	<u>1,075,560.15</u>	<u>-</u>

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

Balance December 31, 2016			
School Tax Payable	\$	(14,842.24)	
School Tax Deferred		<u>902,141.00</u>	
			\$ 887,298.76
Increased by:			
Levy - School Year July 1, 2017 to June 30, 2018			<u>1,849,389.00</u>
			2,736,687.76
Decreased by:			
Payments			<u>1,826,835.46</u>
Balance December 31, 2017			
School Tax Payable		-	
School Tax Deferred		<u>909,852.30</u>	
			<u>909,852.30</u>
Current Year Liability for Local School District School Tax:			
Tax Paid			1,826,835.46
Tax Payable Ending			<u>-</u>
			1,826,835.46
Less: Deferred			
Less: Tax Payable Beginning			<u>(14,842.24)</u>
Amount charged to Current Year Operations			<u>\$ 1,841,677.70</u>

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

Balance December 31, 2016			
School Tax Payable	\$	(0.07)	
School Tax Deferred		<u>2,499,003.50</u>	
			\$ 2,499,003.43
Increased by:			
Levy - School Year July 1, 2017 to June 30, 2018			<u>5,901,753.00</u>
			8,400,756.43
Decreased by:			
Payments			<u>5,449,880.00</u>
Balance December 31, 2017			
School Tax Payable		(0.07)	
School Tax Deferred		<u>2,950,876.50</u>	
			<u>2,950,876.43</u>
Current Year Liability for Regional School District School Tax:			
Tax Paid			5,449,880.00
Tax Payable Ending			<u>(0.07)</u>
			5,449,879.93
Less: Deferred			
Less: Tax Payable Beginning			<u>(0.07)</u>
Amount charged to Current Year Operations			<u>\$ 5,449,880.00</u>

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

<u>Purpose</u>	<u>Balance Dec. 31, 2016</u>	<u>Transferred From 2017 Revenues</u>	<u>Received</u>	<u>Canceled</u>	<u>Balance Dec. 31, 2017</u>
FEDERAL GRANTS:					
USHUD - CDBG - Lafayette Street Park	\$ 36,199.57		36,199.57		-
Small Cities Grant - Housing Rehab	-	175,000.00			175,000.00
Small Cities Grant - ADA Compliance Grant	-	270,000.00			270,000.00
Total Federal	36,199.57	445,000.00	36,199.57	-	445,000.00
STATE GRANTS:					
Smart Growth Planning	2,000.00				2,000.00
NJ Trans Trust - 2008	35,000.00				35,000.00
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
Clean Communities - 2017	-	18,943.63	18,943.63		-
NJDOT - 2015 Muni Aid CM Ave South Side	175,000.00		152,815.54		22,184.46
NJDOT - Bikeway Expansion Project	350,000.00				350,000.00
2016 NJDEP Historic Preservation Office-Circuit Rider	65.00				65.00
Bulletproof Vest Grant - 2015	1,626.48				1,626.48
Body Armor - 2017	-	2,187.25	2,187.25		-
Cops in Shops - 2017	-	1,800.00	1,462.32		337.68
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 Program	250,000.00				250,000.00
NJ Transportation Trust - FY 2016	179,000.00				179,000.00
NJ Transportation Trust - FY 2017	-	158,000.00			158,000.00
2016 Emergency Management-EMAA Grant	7,000.00		7,000.00		-
2017 Emergency Management-EMAA Grant	-	9,400.00			9,400.00
NJDCA-intensive Level Survey	-	24,999.00			24,999.00
ANJEC-2017 Open Space Stewardship	-	1,500.00	1,500.00		-
Total State	1,486,646.89	216,829.88	183,908.74	-	1,519,568.03
OTHER GRANTS:					
Estate of Edward Ross - 2016 Educational Purposes	-	15,096.85	15,096.85		-
County of Cape May Open Space-Lafayette Street Park	1,177,000.00				1,177,000.00
Total Other	1,177,000.00	15,096.85	15,096.85	-	1,177,000.00
\$	2,699,846.46	676,926.73	235,205.16	-	3,141,568.03

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

	Balance December 31, 2016		2017		Balance Dec. 31, 2017
	Appropriated	Reserve for Encumbrances	Appropriations	Disbursed	
FEDERAL GRANTS:					
USHUD - CDBG - Lafayette Street Park	\$ 15,266.29	171.54	175,000.00	7,305.00	15,437.83
Small Cities Grant - Housing Rehab	-	-	270,000.00		167,695.00
Small Cities Grant - ADA Compliance Grant	-	-			270,000.00
Total Federal	15,266.29	171.54	445,000.00	7,305.00	453,132.83
STATE GRANTS:					
Clean Communities - 2015	3,529.80			3,529.80	-
Clean Communities - 2016	22,298.09			20,590.15	151.58
Clean Communities - 2017	-		18,943.63		18,943.63
Solid Waste Management Grant - Prior	6,549.13				6,549.13
Solid Waste Management Grant - 2014	2,121.17				2,121.17
Recycling Tonnage	-		25,542.47	1,440.00	17,866.47
Special Legislative Grant - Convention Hall	14,412.00				14,412.00
Body Armor Grant	2,851.83				2,851.83
Body Armor Grant - 2015	2,352.27		2,023.77		4,376.04
Body Armor Grant - 2017	-		2,187.25		2,187.25
Bulletproof Vest Grant - 2016	2,397.50				2,397.50
Housing Inspections	26,031.00				26,031.00
Housing Inspections - 2015	20,934.00				20,934.00
Housing Inspections - 2016	16,658.00				31,799.00
Alcohol Education and Rehabilitation	1,555.88		15,141.00		1,555.88
NJLPS COPS in Shops - 2015	1,200.00				1,200.00
Sustainable Jersey Small Cities	1,117.00				1,117.00
DOT FY2013 Transportation Trust Fund	52,783.00				52,783.00
2014 Hazard Mitigation Grant -Energy Allocation	100,000.00				100,000.00
2015 Hazard Mitigation Grant -Energy Allocation	100,000.00				100,000.00
NJDOT - 2015 Muni Aid CM Ave South Side	40,034.46				40,034.46
Transportation Trust Fund - CM Ave Phase III	31,248.11				31,248.11
Cops in Shops - 2016	1,800.00				1,800.00
Cops in Shops - 2017	-		1,800.00		1,800.00
NJDOT - Bikeway Expansion Project	350,000.00				350,000.00
2016 NJDEP Historic Preservation Office-Circuit Rider	65.00				65.00
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 Program	250,000.00				250,000.00
NJ Transportation Trust - FY 2016	179,000.00			135,789.81	43,210.19
NJ Transportation Trust - FY 2017	-		158,000.00		158,000.00
2015 Emergency Management-EMAA Grant	7,000.00				7,000.00

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

	Balance December 31, 2016		2017	Disbursed	Encumbrances	Balance Dec. 31, 2017
	Appropriated	Reserve for Encumbrances				
2016 Emergency Management-EMAA Grant	-	-	9,400.00	-	-	9,400.00
NJDC-A-Intensive Level Survey	-	-	24,999.00	-	24,999.00	-
ANJEC-2017 Open Space Stewardship	-	-	1,500.00	-	-	1,500.00
Total State	<u>1,270,937.24</u>	<u>-</u>	<u>259,537.12</u>	<u>161,349.76</u>	<u>32,791.36</u>	<u>1,336,333.24</u>
OTHER GRANTS:						
Geraldine R. Dodge Foundation	2,413.04	-	-	500.00	-	1,913.04
Estate of Edward Ross	25,148.92	-	-	-	-	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
Estate of Edward Ross - 2016 Educational Purposes	-	-	15,096.85	-	-	15,096.85
County of Cape May Open Space-Lafayette St. Park	1,177,000.00	-	-	-	-	1,177,000.00
Total Other	<u>1,288,561.96</u>	<u>-</u>	<u>15,096.85</u>	<u>500.00</u>	<u>-</u>	<u>1,303,158.81</u>
\$	<u><u>2,574,765.49</u></u>	<u><u>171.54</u></u>	<u><u>719,633.97</u></u>	<u><u>169,154.76</u></u>	<u><u>32,791.36</u></u>	<u><u>3,092,624.88</u></u>

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

Purpose	Balance Dec. 31, 2016	Transferred To 2017 Appropriations	Received	Adjustments	Balance Dec. 31, 2017
FEDERAL GRANTS:					
None	-				-
Total Federal	-	-	-	-	-
STATE GRANTS:					
Housing Inspections	15,141.00	15,141.00	9,341.00		9,341.00
NJ Environmental Protection	2,346.90				2,346.90
Recycling Tonnage	12,196.22	25,542.47	29,914.67		16,568.42
Body Armor	2,023.77	2,023.77			-
Total State	<u>31,707.89</u>	<u>42,707.24</u>	<u>39,255.67</u>	<u>-</u>	<u>28,256.32</u>
\$	<u><u>31,707.89</u></u>	<u><u>42,707.24</u></u>	<u><u>39,255.67</u></u>	<u><u>-</u></u>	<u><u>28,256.32</u></u>

TRUST FUND
SCHEDULE OF ANIMAL CONTROL CASH - TREASURER

Balance December 31, 2016		\$	2,516.93
Increased By Receipts:			
Dog License Fees	1,220.40		
Late Fees	120.00		
State License Fees	269.40		
Interest Earned	2.07		
			<u>1,611.87</u>
			4,128.80
Decreased By Disbursements:			
Paid to State of NJ	261.60		
Due to Current Fund			
Dog Fund Expenditures	326.00		
			<u>587.60</u>
Balance December 31, 2017		\$	<u><u>3,541.20</u></u>

TRUST FUND
SCHEDULE OF OTHER TRUST CASH - TREASURER

Balance December 31, 2016		\$ 2,920,484.04
Increased By Receipts:		
Fire Safety	4,506.50	
Unemployment Contributions	45,902.75	
Retirement Contributions	63,027.04	
Lifeguard Pensions	79,254.56	
Tax Premiums	5.39	
Police Forfeiture Account	0.95	
POAA Receipts	2,818.54	
Parking Escrow	34.00	
Fishermen's Memorial Account	377.80	
Police Off-Duty Account	26,767.04	
Neighborhood Revitalization	84.37	
Security Deposits	15.73	
DARE Receipts	0.28	
SCBG Loan	1,023.57	
Public Assistance	2.11	
Performance Bond	86,015.06	
Street Opening	15,819.95	
Flexible Spending	10,713.00	
Dellias Field	0.41	
COAH	134,919.86	
	<hr/>	<hr/>
		471,288.91
		<hr/>
		3,391,772.95
Decreased By Disbursements:		
COAH	3,612.74	
Unemployment	36,590.69	
Police Off-Duty Account	34,621.55	
Lifeguard Pensions	48,324.53	
Retirement Fund	77,256.04	
POAA	3,683.30	
Security Deposits	4,400.00	
Street Opening	505.00	
Performance Bond	31,892.10	
Flexible Spending	11,646.00	
	<hr/>	<hr/>
		252,531.95
		<hr/>
Balance December 31, 2017		\$ <u><u>3,139,241.00</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance December 31, 2016		\$	2,022.84
Increased By:			
Dog Licenses Fees Collected	\$		1,220.40
Late Fees Collected			120.00
Interest Received			2.07
			1,342.47
			3,365.31
Decreased By:			
Animal Control Expenditures			326.00
Statutory Excess due to Current Fund			711.12
			1,037.12
Balance December 31, 2017		\$	2,328.19

License Fees Collected	<u>Year</u>	
	2015	1,098.44
	2016	1,229.75
		2,328.19
	\$	2,328.19

TRUST - OTHER FUND
STATEMENT OF DUE TO CURRENT FUND

Balance December 31, 2016	\$	489.89
Increased By:		
Statutory Excess due to Current Fund		<u>711.12</u>
		1,201.01
Decreased By:		
None		<u>-</u>
Balance December 31, 2017	\$	<u><u>1,201.01</u></u>

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

Balance December 31, 2016	\$	(4.20)
Increased by:		
Paid to State of New Jersey		<u>261.60</u>
		257.40
Decreased by:		
Licenses Issued in 2016		<u>269.40</u>
		269.40
Balance December 31, 2017	\$	<u><u>(12.00)</u></u>

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

Balance December 31, 2016		\$ 3,882,318.98
Increased by:		
Reserve for Open Space	222,000.00	
Capital Improvement Fund	100,000.00	
Due from Current Fund - BAN Paydown	75,000.00	
Bond Premium	65,382.16	
Bond Anticipation Notes	8,350,000.00	
	<hr/>	<u>8,812,382.16</u>
		12,694,701.14
Decreased by:		
Improvement Authorizations	3,825,733.05	
Bond Anticipation Notes	6,575,000.00	
Reserve for Payment of Bonds	150,000.00	
	<hr/>	<u>10,550,733.05</u>
Balance December 31, 2017		\$ <u><u>2,143,968.09</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance		Receipts		Disbursements		Transfers		Balance Dec. 31, 2017
	Dec. 31, 2016		Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 172,598.29		65,382.16						237,980.45
Capital Improvement Fund	16.00		100,000.00				85,715.00		14,301.00
Encumbrances Payable	1,094,386.24						1,094,386.24	1,098,113.32	1,098,113.32
Reserve for Payment of Bonds	745,382.19					150,000.00			595,382.19
Reserve for Open Space	1,942,569.00		222,000.00						2,164,569.00
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	61,332.52								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								48,346.80
104-2007 Washington Street Mall	(164,981.04)								(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	-								-
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	(63,606.78)								(63,606.78)
232-2011 Various Improvements	63,456.79				4,828.14		770.95	5,599.09	63,456.79
235-2011 ADA Improvements	1,586.84								1,586.84
252-2012 Various Improvements	25,646.16				36,185.50		2,083.81	67,394.31	54,771.16
263-2013 Acquisition of Open Space	(1,834,672.48)						3,500.00	4,005.00	(1,834,167.48)
269-2013 Various Improvements	348,937.30				8,300.25		6,935.90		333,701.15
270-2013 Various Improvements	(3,720.20)						7,000.00		(10,720.20)
279-2014 Various Improvements	391,213.80				45,510.23		23,800.00	39,039.00	384,742.57
283-2014 Pool Improvements	815,182.03				777,010.00		23,800.00	78,280.00	92,652.03
289-2015 Seawall Feasibility	23,194.23				73.50				23,120.73
292-2015 Various Improvements	(54,992.48)			350,000.00	459,039.50		79,784.71	274,927.31	31,110.62
302-2016 Various Improvements	33,000.00				132,480.44		158,068.30	264,303.79	6,755.05
306-2016 Various Improvements	(242,422.29)			1,500,000.00	1,903,177.61		329,686.86	360,837.74	(614,449.02)
311-2016 Improvements to Lafayette Street Park	999,400.00				459,127.88		119,000.00	85,715.00	880,400.00
315-2017 Various Improvements	-						367,482.79		(740,895.67)
	\$ 3,882,318.98		387,382.16	1,850,000.00	3,825,733.05	150,000.00	2,278,214.56	2,278,214.56	2,143,988.09

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

Balance December 31, 2016		\$	16.00
Increased by:			
Budget Appropriation	100,000.00		
			100,000.00
			100,016.00
Decreased by:			
Improvement Authorizations Funded	85,715.00		
			85,715.00
Balance December 31, 2017		\$	14,301.00

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

Balance December 31, 2016		\$ 17,047,092.18
Increased by:		
None	-	
		-
		17,047,092.18
Decreased by:		
Serial Bonds Paid	1,812,345.73	
Green Trust Loan Principal Paid	16,960.22	
NJEIT Bonds & Loans	22,164.14	
		1,851,470.09
Balance December 31, 2017		\$ <u>15,195,622.09</u>

**GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord #	Improvement Description	Ord. Date	Amount	Balance December 31, 2016		Other Funding	Authorizations		Balance December 31, 2017	
				Funded	Unfunded		Deferred Charges to Future Taxation	Paid or Charged	Funded	Unfunded
1122	Various Improvements	4/1/1991	392,450	\$	2,705.80			2,705.80		
1153	Bus/Train Station	6/22/1998	600,000		30,051.05			30,051.05		
1261	Property Acquisition	5/21/2002	475,000		2,890.28			2,890.28		
1264	Property Acquisition	6/18/2002	16,000,000		300,000.00			300,000.00		
1324	Property Acquisition	2/17/2004	1,100,000		15,973,897.98			15,973,897.98		
28-2005	Various Improvements	5/17/2005	2,050,000		61,332.52			61,332.52		
72-2006	Entrance Way Improvements	8/15/2006	280,000		3,735.25			3,735.25		
79-2006	Various Improvements	10/17/2006	1,500,000		1,070.94			1,070.94		
104-2007	Washington Street Mall	5/15/2007	3,500,000		48,346.80			48,346.80		
110-2007	Various Improvements	6/19/2007	1,200,000		18.96			18.96		
113-2007	Harborview Park	7/17/2007	102,109		515.85			515.85		
151-2008	Various Improvements	5/20/2008	1,400,000		694.80			694.80		
161-2008	Construction of a New Convention Hall	8/19/2008	10,500,000		1,129.80			1,129.80		
180-2009	Various Improvements	5/19/2009	1,000,000		1,342.50			1,342.50		
205-2010	Storm Water Collection	5/18/2010	275,000		475.16			475.16		
206-2010	Various Improvements	6/15/2010	1,500,000		46,618.35			46,618.35		
232-2011	Various Improvements	3/22/2011	1,500,000		11,393.22			11,393.22		
235-2011	ADA Improvements	6/8/2011	500,000		88,456.79			88,456.79		
252-2012	Various Improvements	5/15/2012	2,080,000		1,586.84			1,586.84		
263-2013	Acquisition of Open Space	3/19/2013	3,400,000		25,646.16			25,646.16		
269-2013	Various Improvements	5/21/2013	1,900,000		561,174.18			561,174.18		
270-2013	Storm Water Collection System	6/3/2013	275,000		348,937.30			348,937.30		
279-2014	Various Improvements	6/2/2014	1,900,000		7,529.80			7,529.80		
283-2014	Pool Improvements	9/2/2014	1,000,000		466,213.80			466,213.80		
289-2015	Seawall Feasibility	2/17/2015	500,000		740,182.03			740,182.03		
292-2015	Various Improvements	5/19/2015	1,499,675		208,194.23			208,194.23		
302-2016	Various Improvements	3/15/2016	375,000		369,698.52			369,698.52		
306-2016	Various Improvements	5/17/2016	3,000,000		33,000.00			33,000.00		
311-2016	Improvements to Lafayette Street Park	11/14/2016	1,500,000		2,447,577.71			2,447,577.71		
315-2017	Various Improvements		3,000,000		500,000.00	85,715.00	1,628,585.00	880,400.00	887,689.33	
					999,400.00			880,400.00		
					1,183,743.29	22,100,073.33	1,628,585.00	1,038,498.34	20,130,158.15	
					\$	\$	\$	\$	\$	

See Accompanying Auditor's Report

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2017		Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
			Date	Amount					
Storm Drainage Bonds of 1981	1/23/1981	2,097,000	1/20/2018	107,463.01	5.000% \$	439,725.45		102,345.73	337,379.72
			1/20/2019	112,836.16					
			1/20/2020	117,080.55					
General Obligation Bonds of 2008	10/1/2008	6,340,000	10/1/2018	650,000.00	5.000%	1,950,000.00		650,000.00	1,300,000.00
			10/1/2019	650,000.00					
General Obligation Bonds of 2013	7/15/2013	10,700,000	7/15/2018	700,000.00	3.000%	9,190,000.00		600,000.00	8,590,000.00
			7/15/2019	750,000.00					
			7/15/2020	800,000.00					
			7/15/2021	850,000.00					
			7/15/2022	920,000.00					
			7/15/2023	920,000.00					
			7/15/2024	920,000.00					
			7/15/2025	920,000.00					
			7/15/2026	920,000.00					
7/15/2027	890,000.00								
General Obligation Bonds of 2014	6/17/2014	6,035,000	7/15/2018	480,000.00	3.000%	5,195,000.00		460,000.00	4,735,000.00
			7/15/2019	490,000.00					
			7/15/2020	500,000.00					
			7/15/2021	530,000.00					
			7/15/2022	560,000.00					
			7/15/2023	660,000.00					
			7/15/2024	700,000.00					
			7/15/2025	815,000.00					
					\$	<u>16,774,725.45</u>	<u>-</u>	<u>1,812,345.73</u>	<u>14,962,379.72</u>

See Accompanying Auditor's Report

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2017 Date	Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
Harborview Park	11/3/2005	324,621		2.000%	\$ 165,507.65		16,960.22	148,547.43
						-	16,960.22	148,547.43

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, 2017				Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
			Date	Amount							
Various Capital Improvements NJ-EIT	10/17/2001	61,250	8/1/2018	4,900.00	5.000%	\$	24,500.00		4,900.00	19,600.00	
			8/1/2019	4,900.00	5.000%						
			8/1/2020	4,900.00	4.750%						
Various Capital Improvements NJ-EIT	10/17/2001	63,933	2/1/2018	307.23	None		18,048.36		3,923.20	14,125.16	
			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							
Various Capital Improvements NJ-EIT	10/17/2001	115,970	2/1/2021	74.84							
			8/1/2021	3,226.09							
			2/1/2018	469.17	None		27,560.72		5,990.94	21,569.78	
			8/1/2018	5,281.17							
			2/1/2019	348.87							
			8/1/2019	5,160.87							
Various Capital Improvements NJ-EIT	10/17/2001	110,250	2/1/2020	228.57							
			8/1/2020	5,040.57							
			2/1/2021	114.28							
			8/1/2021	4,926.28							
			8/1/2018	7,350.00	5.000%		36,750.00		7,350.00	29,400.00	
			8/1/2019	7,350.00	5.000%						
		8/1/2020	7,350.00	4.750%							
		8/1/2021	7,350.00	4.750%							
						\$	106,859.08	-	22,164.14	84,694.94	

See Accompanying Auditor's Report

**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		Decreased	Balance Dec. 31, 2017
						Dec. 31, 2016	Increased		
Various Improvements	252-2012	7/18/2013	7/16/2016	7/14/2017	2.000%	\$ 1,175,000.00	1,125,000.00	1,175,000.00	-
			7/14/2017	7/13/2018	2.000%	-	-	-	1,125,000.00
Various Improvements	269-2013	5/21/2013	7/16/2016	7/14/2017	2.000%	1,400,000.00	1,375,000.00	1,400,000.00	-
			7/14/2017	7/13/2018	2.000%	-	-	-	1,375,000.00
Storm Water Collection System	270-2013	7/16/2015	7/16/2016	7/14/2017	2.000%	250,000.00	250,000.00	250,000.00	-
			7/14/2017	7/13/2018	2.000%	-	-	-	250,000.00
Various Improvements	279-2014	7/16/2015	7/16/2016	7/14/2017	2.000%	1,350,000.00	1,350,000.00	1,350,000.00	-
			7/14/2017	7/13/2018	2.000%	-	-	-	1,350,000.00
Pool Improvements	283-2014	7/16/2015	7/16/2016	7/14/2017	2.000%	950,000.00	950,000.00	950,000.00	-
			7/14/2017	7/13/2018	2.000%	-	-	-	950,000.00
Seawall Feasibility	289-2015	7/16/2015	7/16/2016	7/14/2017	2.000%	290,000.00	290,000.00	290,000.00	-
			7/14/2017	7/13/2018	2.000%	-	-	-	290,000.00
Various Improvements	292-2015	7/16/2016	7/14/2017	7/13/2018	2.000%	1,000,000.00	1,350,000.00	1,000,000.00	-
			7/14/2017	7/13/2018	2.000%	-	-	-	1,350,000.00
Various Improvements	306-2016	7/16/2016	7/14/2017	7/13/2018	2.000%	160,000.00	1,660,000.00	160,000.00	-
			7/14/2017	7/13/2018	2.000%	-	-	-	1,660,000.00
\$						<u>6,575,000.00</u>	<u>8,350,000.00</u>	<u>6,575,000.00</u>	<u>8,350,000.00</u>

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2016	2017 Authorizations	Debt Issued	Balance Dec. 31, 2017
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	2,395,846.66			2,395,846.66
269-2013	Various Improvements	-			-
270-2013	Storm Water Collection System	11,250.00			11,250.00
279-2014	Various Improvements	75,000.00			75,000.00
283-2014	Pool Improvements	(75,000.00)			(75,000.00)
289-2015	Seawall Feasibility	185,000.00			185,000.00
292-2015	Various Improvements	424,691.00		350,000.00	74,691.00
306-2016	Various Improvements	2,690,000.00		1,500,000.00	1,190,000.00
311-2016	Improvements to Lafayette Street Park	500,000.00			500,000.00
315-2017	Various Improvements	-	1,628,585.00		1,628,585.00
		<u>\$ 22,999,287.66</u>	<u>1,628,585.00</u>	<u>1,850,000.00</u>	<u>22,777,872.66</u>

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

	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance December 31, 2016	\$ 1,639,367.65	1,370,059.91
Increased by Receipts:		
Water and Sewer Rent Collected	6,233,701.32	
Reimbursements	59,080.77	
Capital Improvement Fund		20,000.00
Due from Utility Capital Fund	119,490.00	
Bond Anticipation Note		850,000.00
Bond Premium		20,750.03
Reserve for Debt Service		515,000.00
Miscellaneous Revenue	62,546.56	
	<u>6,474,818.65</u>	<u>1,405,750.03</u>
	8,114,186.30	2,775,809.94
Decreased by Disbursements:		
Current Appropriations	6,315,069.05	
Appropriation Reserves	123,810.51	
Refund Overpayments	274.41	
Improvement Authorizations		1,733,692.66
Due to Utility Operating Fund		119,490.00
	<u>6,439,153.97</u>	<u>1,853,182.66</u>
Balance December 31, 2017	\$ <u><u>1,675,032.33</u></u>	<u><u>922,627.28</u></u>

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

	Balance Dec. 31, 2016		Receipts		Disbursements		Transfers		Balance Dec. 31, 2017	
			Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To		
Fund Balance	\$	319,534.21							340,284.24	
Capital Improvement Fund		110,000.00	20,750.03						130,000.00	
Due from Utility Operating		-	20,000.00						6,275.00	
Reserve for Debt Service		255,307.60	515,000.00			119,490.00	119,490.00		650,817.60	
Reserve for Amortization		614,830.00							614,830.00	
NJEIT Loans Receivable		(37,126.47)							(37,126.47)	
Encumbrances Payable		1,940,818.82					1,940,818.82	1,090,114.45	1,090,114.45	
<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		98,907.16
207-2010 System Improvements		(14,541.87)								(14,541.87)
230-2011 System Improvements		123,422.34			106,748.30		9,515.33	119,139.63		126,298.34
250-2012 System Improvements		(280,472.39)			538,990.08		23,681.57	388,064.00		(455,080.04)
268-2013 System Improvements		(520,832.59)		100,000.00	381,397.94		19,212.06	400,610.00		(420,832.59)
281-2014 System Improvements		(563,265.40)		100,000.00	107,130.26		290,793.84	397,924.10		(463,265.40)
293-2015 System Improvements		(148,188.00)		150,000.00	64,335.25		213,729.65	69,590.65		(206,662.25)
298-2015 System Improvements		(96,600.00)			23,835.00		6,835.00	22,470.00		(44,800.00)
307-2016 System Improvements		(178,653.94)		500,000.00	483,289.83		532,622.00	539,453.94		(155,111.83)
316-2017 System Improvements		-			27,966.00					(27,966.00)
	\$	<u>1,370,059.91</u>	<u>555,750.03</u>	<u>850,000.00</u>	<u>1,733,692.66</u>	<u>119,490.00</u>	<u>3,156,698.27</u>	<u>3,156,698.27</u>		<u>922,627.28</u>

See Accompanying Auditor's Report

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

Balance December 31, 2016		\$	17,984.70
Increased by Receipts:			
Consumer Accounts Charges and Levies	6,196,421.14		
Overpayments Created	41,551.14		
	<hr/>		<hr/>
			6,237,972.28
			6,255,956.98
Decreased by Disbursements:			
Collections	6,233,701.32		
	<hr/>		<hr/>
			6,233,701.32
Balance December 31, 2017		\$	<u><u>22,255.66</u></u>

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

Balance December 31, 2016		\$	-
Increased by Receipts:			
None	-		
	<hr/>		<hr/>
			-
Decreased by Disbursements:			
None	-		
	<hr/>		<hr/>
			-
Balance December 31, 2017		\$	<u><u>-</u></u>

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
Operating:					
Salaries and Wages	\$ 68,499.22	68,499.22		68,499.22	-
Other Expenses	250,930.17	250,930.17	123,810.51	127,119.66	-
Deferred Charges and Statutory Expenditures:					
Social Security System (O.A.S.I.)	7,113.42	7,113.42		7,113.42	-
	<u>\$ 326,542.81</u>	<u>326,542.81</u>	<u>123,810.51</u>	<u>202,732.30</u>	<u>-</u>

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

Balance December 31, 2016		\$	159,966.93
Increased by:			
Budget Appropriations	149,699.13		
	149,699.13		149,699.13
			309,666.06
Decreased By:			
Payments of Debt Service Interest	159,966.93		
	159,966.93		159,966.93
Balance December 31, 2017		\$	149,699.13

Analysis of Accrued Interest December 31, 2017

Principal Outstanding December 31, 2017	Interest Rate	From	To	Days	Amount
306,227.30	5.00%	7/20/2017	12/31/2017	164	5,900.32
36,475.00	5.00%	12/24/2017	12/31/2017	7	32.24
540,000.00	Var.	10/1/2017	12/31/2017	91	9,000.00
1,710,000.00	Var.	7/15/2017	12/31/2017	169	25,139.58
1,825,063.94	4.50%	12/15/2017	12/31/2017	16	3,397.05
1,056,520.50	4.25%	12/15/2017	12/31/2017	16	12,420.39
1,158,603.81	3.75%	2/1/2017	12/31/2017	333	7,214.47
1,297,636.26	3.75%	2/1/2017	12/31/2017	333	8,080.21
50,000.00	Var.	10/15/2017	12/31/2017	77	937.50
20,400.00	5.00%	10/17/2017	12/31/2017	75	414.38
30,600.00	5.00%	10/17/2017	12/31/2017	75	621.56
2,120,000.00	3.00%	7/15/2017	12/31/2017	169	29,150.00
1,533,304.95	4.50%	7/18/2017	12/31/2017	166	27,516.43
2,650,000.00	2.00%	7/15/2017	12/31/2017	169	19,875.00
14,334,831.76					149,699.13

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

Ord #	Improvement Description	Ord. Date	Amount	Balance December 31, 2016		Authorizations		Paid or Charged	Balance December 31, 2017	
				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			(3,566.50)	98,907.16	200,000.00
207-2010	System Improvements	6/15/2010	1,000,000		35,458.13					35,458.13
230-2011	System Improvements	3/22/2011	1,350,000	123,422.34	350,000.00			(2,876.00)	126,298.34	350,000.00
250-2012	System Improvements	5/15/2012	1,263,000		282,527.61			174,607.65		107,919.96
268-2013	System Improvements	5/21/2013	1,050,000		29,167.41			-		29,167.41
281-2014	System Improvements	6/2/2014	1,150,000		86,734.60			-		86,734.60
293-2015	System Improvements	5/19/2015	994,000		445,812.00			208,474.25		237,337.75
298-2015	System Improvements	12/15/2015	500,000		463,400.00			8,200.00		455,200.00
307-2016	System Improvements	5/17/2016	1,200,000		621,346.06			476,457.89		144,888.17
316-2017	System Improvements	5/16/2017	769,000		-			27,966.00		741,034.00
				\$ 262,715.79	2,592,515.96			889,263.29	269,158.29	2,465,810.17

See Accompanying Auditor's Report

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
			Date	Amount					
System Improvements	1/20/1981	1,903,000	1/20/2018	97,517.64	5.000% \$	399,101.24		92,873.94	306,227.30
			1/20/2019	102,393.52					
			1/20/2020	106,316.14					
Improvement to Water Tower	6/24/1983	142,500	6/24/2018	6,625.00	5.000%	42,785.00		6,310.00	36,475.00
			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	10/1/2018	240,000.00	5.00%	930,000.00		390,000.00	540,000.00
			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	7/15/2018	180,000.00	3.00%	1,880,000.00		170,000.00	1,710,000.00
			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	7/15/2018	220,000.00	3.00%	2,320,000.00		200,000.00	2,120,000.00
			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%							
						\$ 5,571,886.24	-	859,183.94	4,712,702.30

See Accompanying Auditor's Report

**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, 2016	Increased	Decreased	Balance Dec. 31, 2017
			Date	Amount	Dec. 31, 2017	Amount					
Water Desalination USDA-FmHA	12/15/1998	2,500,000	2018	53,820.87	4,500%	1,876,542.23		51,478.29		1,825,063.94	
			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	8/1/2018	50,000.00	Var.	100,000.00		50,000.00		50,000.00	
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	2018	33,283.03	None	67,999.11		34,716.08		33,283.03	

See Accompanying Auditor's Report

**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, 2017			Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
			Date	Amount	Amount					
System Improvements NJ-EIT	10/17/2001	63,750	8/1/2018	5,100.00	5,000%	25,500.00		5,100.00	20,400.00	
			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	2018	3,919.33	None	18,785.03		4,083.33	14,701.70	
			2019	3,755.35						
			2020	3,591.36						
			2021	3,435.66						
System Improvements NJ-EIT	10/17/2001	114,750	8/1/2018	7,650.00	5,000%	38,250.00		7,650.00	30,600.00	
			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	2018	5,985.05	None	28,685.66		6,235.47	22,450.19	
			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	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
			Date	Amount					
System Improvements USDA	10/12/2007	1,200,000	4/12/18	8,880.94	4.250%	1,073,731.85		17,211.35	1,056,520.50
			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%					
		10/12/42	24,884.58	4.250%					
		4/12/43	25,413.38	4.250%					

See Accompanying Auditor's Report

**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, 2016	Increased	Decreased	Balance Dec. 31, 2017
			Date	Amount					
			10/12/43	25,953.41	4.250%				
			4/12/44	26,504.92	4.250%				
			10/12/44	27,068.15	4.250%				
			4/12/45	27,643.35	4.250%				
			10/12/45	28,230.77	4.250%				
			4/12/46	28,830.68	4.250%				
			10/12/46	29,443.33	4.250%				
			4/12/47	30,069.00	4.250%				
			10/12/47	29,366.38	4.250%				
System Improvements	10/27/2011	1,250,000	4/27/18	17,313.16	3.750%	1,175,285.54		16,681.73	1,158,603.81
USDA			4/27/19	17,968.49	3.750%				
			4/27/20	18,648.63	3.750%				
			4/27/21	19,354.50	3.750%				
			4/27/22	20,087.11	3.750%				
			4/27/23	20,847.43	3.750%				
			4/27/24	21,636.54	3.750%				
			4/27/25	22,455.52	3.750%				
			4/27/26	23,305.50	3.750%				
			4/27/27	24,187.64	3.750%				
			4/27/28	25,103.18	3.750%				
			4/27/29	26,053.38	3.750%				
			4/27/30	27,039.54	3.750%				
			4/27/31	28,063.03	3.750%				
			4/27/32	29,125.26	3.750%				
			4/27/33	30,227.69	3.750%				
			4/27/34	31,371.86	3.750%				
			4/27/35	32,559.33	3.750%				
			4/27/36	33,791.75	3.750%				
			4/27/37	35,070.82	3.750%				
			4/27/38	36,398.31	3.750%				
			4/27/39	37,776.04	3.750%				
			4/27/40	39,205.92	3.750%				

See Accompanying Auditor's Report

**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, 2017		Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
			Date	Amount					
	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%					
System Improvements			19,390.74	3.750%		1,316,319.80		18,683.54	1,297,636.26
USDA	10/27/2011	1,400,000	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	December 31, 2017				Dec. 31, 2016	Dec. 31, 2017
System Improvements USDA	7/18/2014	1,585,000						1,551,223.42	
	1/18/18		9,228.90	4.500%					17,918.47
	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		22,496.72	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%						
7/18/42		24,353.33	4.500%						
1/18/43		24,840.40	4.500%						

See Accompanying Auditor's Report

**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, 2016	Increased	Decreased	Balance Dec. 31, 2017
			Date	Amount					
	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%				
						<u>7,272,322.64</u>	<u>-</u>	<u>229,758.26</u>	<u>7,042,564.38</u>

See Accompanying Auditor's Report

**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, 2016	Increased	Decreased	Balance Dec. 31, 2017
System Improvements	268-2013	7/16/2016	7/16/2016 7/14/2017	7/14/2017 7/13/2018	2.000% 2.000%	300,000.00	400,000.00	300,000.00	400,000.00
System Improvements	281-2014	7/16/2016	7/16/2016 7/14/2017	7/14/2017 7/13/2018	2.000% 2.000%	500,000.00	600,000.00	500,000.00	600,000.00
System Improvements	207-2010	7/16/2016	7/16/2016 7/14/2017	7/14/2017 7/13/2018	2.000% 2.000%	50,000.00	50,000.00	50,000.00	50,000.00
System Improvements	250-2012	7/16/2016	7/16/2016 7/14/2017	7/14/2017 7/13/2018	2.000% 2.000%	150,000.00	150,000.00	150,000.00	150,000.00
System Improvements	293-2015	7/16/2016	7/16/2016 7/14/2017	7/14/2017 7/13/2018	2.000% 2.000%	400,000.00	550,000.00	400,000.00	550,000.00
System Improvements	307-2016	7/16/2016	7/16/2016 7/14/2017	7/14/2017 7/13/2018	2.000% 2.000%	400,000.00	900,000.00	400,000.00	900,000.00
						<u>\$ 1,800,000.00</u>	<u>2,650,000.00</u>	<u>1,800,000.00</u>	<u>2,650,000.00</u>

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

Ordinance Number	Description	Balance Dec. 31, 2016	2017 Authorizations	Debt Issued	Balance Dec. 31, 2017
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	50,000.00			50,000.00
230-2011	System Improvements	350,000.00			350,000.00
250-2012	System Improvements	563,000.00			563,000.00
268-2013	System Improvements	550,000.00		100,000.00	450,000.00
281-2014	System Improvements	650,000.00		100,000.00	550,000.00
293-2015	System Improvements	594,000.00		150,000.00	444,000.00
298-2015	System Improvements	500,000.00			500,000.00
307-2016	System Improvements	800,000.00		500,000.00	300,000.00
316-2017	System Improvements	-	769,000.00		769,000.00
		<u>\$ 4,688,536.00</u>	<u>769,000.00</u>	<u>850,000.00</u>	<u>4,607,536.00</u>

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

	Operating Fund	Capital Fund
Balance December 31, 2016	\$ 1,258,566.00	677,403.22
Increased by Receipts:		
Beach Rent Collected	2,409,700.00	
Miscellaneous Anticipated Revenue	2,844.39	
Bond Anticipation Notes		125,000.00
Bond Premium		2,544.81
Capital Improvement Fund		100,000.00
	2,412,544.39	227,544.81
Decreased by Disbursements:		
Current Appropriations	2,289,090.78	
Appropriation Reserves	33,553.60	
Improvement Authorizations		300,053.29
	2,322,644.38	300,053.29
Balance December 31, 2017	\$ 1,348,466.01	604,894.74

**BEACH UTILITY CAPITAL FUND
ANALYSIS OF CASH**

	Balance		Receipts		Disbursements		Transfers		Balance Dec. 31, 2017
	Dec. 31, 2016		Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 111,900.91		2,544.81						114,445.72
Capital Improvement Fund	429,000.00		100,000.00						529,000.00
Reserve for Amortization	174,000.00								174,000.00
Encumbrances Payable	159,480.00						159,480.00	122,228.40	122,228.40
<u>Improvement Authorizations:</u>									
Ord. Number									
29-2005 Various Utility Improvements	(87,531.41)								(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	3,715.64								3,715.64
178-2009 Various Beach Utility Improvements	(37,446.50)								(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				39,057.04				89,090.46
236-2011 Beach Replenishment	105,893.72					24,080.00		24,080.00	105,893.72
251-2012 Various Utility Improvements	(16,165.07)								(16,165.07)
267-2013 Various Beach Utility Improvements	(27,068.75)			25,000.00	6,847.00				(2,068.75)
280-2014 Various Beach Utility Improvements	21,602.14				4,932.35				14,755.14
294-2015 Various Beach Utility Improvements	(109,398.48)			100,000.00	135,400.00				(14,330.83)
310-2016 Various Beach Utility Improvements	(136,000.00)				113,816.90		98,148.40	135,400.00	(136,000.00)
314-2017 Various Beach Utility Improvements	-								(211,965.30)
	\$ 677,403.22		102,544.81	125,000.00	300,053.29	281,708.40	281,708.40	281,708.40	604,894.74

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
Operating:					
Salaries and Wages	\$ 88,744.68	88,744.68		88,744.68	-
Other Expenses	114,327.14	114,327.14	33,553.60	80,773.54	-
Deferred Charges and Statutory Expenditures:					
Social Security System	31,426.03	31,426.03		31,426.03	-
	<u>\$ 234,497.85</u>	<u>234,497.85</u>	<u>33,553.60</u>	<u>200,944.25</u>	<u>-</u>

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

Balance December 31, 2016		\$	25,700.00
Increased by:			
Budget Appropriations			25,391.67
			25,391.67
			51,091.67
Decreased By:			
Payments of Debt Service Interest			25,700.00
			25,700.00
Balance December 31, 2017		\$	25,391.67

Analysis of Accrued Interest December 31, 2017

Principal Outstanding December 31, 2017	Interest Rate	From	To	Days	Amount
1,630,000.00	3.00%	7/15/2017	12/31/2017	165	22,412.50
325,000.00	2.00%	7/15/2017	12/31/2017	165	2,979.17
1,955,000.00					25,391.67

**BEACH UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord #	Improvement Description	Ord. Date	Amount	Balance December 31, 2016		Authorizations		Paid or Charged	Balance December 31, 2017	
				Funded	Unfunded	Other Funding	Deferred Charges to Future Taxation		Funded	Unfunded
29-2005	Various Utility Improvements	5/17/2005	724,000	\$ 9,268.59					9,268.59	
63-2006	Various Utility Improvements	5/16/2006	510,000	818.12					818.12	
108-2007	Various Utility Improvements	6/19/2007	180,000	128.24					128.24	
150-2008	Various Utility Improvements	5/20/2008	630,000		3,715.64					3,715.64
178-2009	Various Beach Utility Improvements	5/19/2009	175,000							17,553.50
188-2009	ADA Phase II	9/15/2009	400,000	10,606.90					10,606.90	
208-2010	Various Utility Improvements	6/15/2010	215,000	35,720.26					35,720.26	
231-2011	Various Utility Improvements	3/22/2011	200,000	128,147.50				39,057.04	89,090.46	
236-2011	Beach Replenishment	7/5/2011	300,000	105,893.72					105,893.72	
251-2012	Various Utility Improvements	5/15/2012	300,000	133,834.93					133,834.93	
267-2013	Various Beach Utility Improvements	5/21/2013	475,000	347,931.25					347,931.25	
280-2014	Various Beach Utility Improvements	6/2/2014	165,000	86,602.14				6,847.00	79,755.14	
294-2015	Various Beach Utility Improvements	5/19/2015	198,100	88,701.52				4,932.35	83,769.17	
310-2016	Various Beach Utility Improvements	10/18/2016	300,000	164,000.00					164,000.00	
314-2017	Various Beach Utility Improvements	5/16/2017	411,000				411,000.00	211,985.30	199,034.70	
				\$ 284,084.02	1,003,838.29	-	411,000.00	262,801.69	245,026.98	1,191,093.64

Cash Disbursed	\$ 300,053.29
Encumbered	(37,251.60)
	<u>\$ 262,801.69</u>

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2017			Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
			Date	Amount						
Various Capital Improvements	7/15/2014	2,005,000	7/15/2018	140,000.00	3.00%	\$ 1,760,000.00	-	130,000.00	1,630,000.00	
			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%					
						\$ 1,760,000.00	-	130,000.00	1,630,000.00	

**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, 2016	Increased	Decreased	Balance Dec. 31, 2017
Beach Replenishment	236-2011	7/15/2016	7/15/2016 7/14/2017	7/14/2017 7/13/2018	2.000% 2.000%	50,000.00	50,000.00	50,000.00	- 50,000.00
Various Beach Utility Improvements	251-2012	7/15/2016	7/15/2016 7/14/2017	7/14/2017 7/13/2018	2.000% 2.000%	50,000.00	50,000.00	50,000.00	- 50,000.00
Various Beach Utility Improvements	267-2013	7/14/2017	7/14/2017	7/13/2018	2.000%	-	25,000.00	-	25,000.00
Various Beach Utility Improvements	280-2014	7/15/2016	7/15/2016 7/14/2017	7/14/2017 7/13/2018	2.000% 2.000%	100,000.00	100,000.00	100,000.00	- 100,000.00
Various Beach Utility Improvements	294-2015	7/14/2017	7/14/2017	7/13/2018	2.000%	-	100,000.00	-	100,000.00
						\$ 200,000.00	325,000.00	200,000.00	325,000.00

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

Ordinance Number	Balance Dec. 31, 2016	2017 Authorizations	Debt Issued	Balance Dec. 31, 2017
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		25,000.00	350,000.00
280-2014	65,000.00			65,000.00
294-2015	198,100.00		100,000.00	98,100.00
310-2016	300,000.00			300,000.00
314-2017	-	411,000.00		411,000.00
	<u>\$ 1,310,900.00</u>	<u>411,000.00</u>	<u>125,000.00</u>	<u>1,596,900.00</u>

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

		<u>Operating Fund</u>
Balance December 31, 2016	\$	643,521.64
Increased by Receipts:		
Tourism Fees		1,241,252.45
Reimbursements		3,534.00
Due to Security Deposit		17,600.00
Miscellaneous Revenue Not Anticipated		22,864.80
		<u>1,285,251.25</u>
		1,928,772.89
Decreased by Disbursements:		
Current Appropriations		1,062,609.65
Appropriation Reserves		27,148.00
Due to Security Deposit		9,000.00
		<u>1,098,757.65</u>
Balance December 31, 2017	\$	<u><u>830,015.24</u></u>

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
Operating:					
Salaries and Wages	\$ 8,782.98	8,782.98		8,782.98	-
Other Expenses	130,623.95	130,623.95	27,148.00	103,475.95	-
	<u>\$ 139,406.93</u>	<u>139,406.93</u>	<u>27,148.00</u>	<u>112,258.93</u>	<u>-</u>

CITY OF CAPE MAY
PART II
GENERAL COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED
DECEMBER 31, 2017

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:

- Lease of City-owned property known as "Broadway Pavilion"
- Lease of 702 Beach Avenue
- Lafayette Street Sanitary Sewer Extension
- Cape May Elementary School Pool and Locker Room Renovations
- Reconstruction of Missouri Avenue to Reading Avenue
- Reconstruction of Hughes Street
- Delaware Avenue Pump Station Emergency Generator
- Water Main Replacement on New York Avenue and Baltimore Avenue

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 2017.

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>
2017	1
2016	1
2015	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 2017 and 2018 Taxes	25
Delinquent Taxes	25
Payment of Water and Sewer Rents	25
Delinquent Water and Sewer Rents	10
Total	<u>85</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.

{This space intentionally left blank}

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
2017 \$	25,053,918.34	24,706,266.43	98.61%
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%

Comparative Schedule of Tax Rate Information

	2017	2016	2015	2014	2013
Tax Rate \$	0.884	0.832	0.865	0.865	0.838
Apportionment of Tax Rate:					
Municipal	0.340	0.340	0.339	0.329	0.310
County	0.268	0.249	0.249	0.245	0.248
Local School	0.066	0.065	0.062	0.057	0.054
Regional School	0.210	0.178	0.215	0.234	0.226
Assessed Valuation	2,814,237,746	2,813,050,955	2,806,088,231	2,795,235,760	2,797,672,630

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
2017 \$	8,194.99	314,118.19	322,313.18	1.29%
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%

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.

{This space intentionally left blank}

FINDINGS AND RECOMMENDATIONS

Finding #2017-1:

The City did not advertise the prior year audit synopsis in the official newspaper as required by State Statutes.

Criteria:

A synopsis of audit made by the registered municipal accountant must be advertised at least once in the official newspaper of the local unit within 30 days after receipt of the report of audit and recommendations in accordance with N.J.A. 40A:5-7.

Condition:

The City did not advertise the 2016 audit synopsis. City personnel was unaware of this requirement.

Cause:

The City did not submit the audit synopsis to the official newspaper for advertisement.

Effect:

The City did not comply with state statutes.

Recommendation:

The audit synopsis should be properly advertised within 30 days after receipt of the audit report in accordance with N.J.S. 40A:5-7.

Managements Response:

To comply with State Statute N.J.S. 40A:5-7, City personnel will advertise the 2017 audit synopsis within 30 days of receipt of the audit.

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 1, 2018

{THIS PAGE IS INTENTIONALLY LEFT BLANK}