

BOROUGH OF WEST CAPE MAY

CAPE MAY COUNTY

NEW JERSEY

AUDIT REPORT

FOR THE YEAR ENDED

DECEMBER 31, 2012

Received

JUL 08 2013

Clerk's Office

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BOROUGH OF WEST CAPE MAY

PART I

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS - REGULATORY BASIS

FOR THE YEAR ENDED

DECEMBER 31, 2012



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of Borough's Commission
Borough of West 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 Borough of West Cape May, as of December 31, 2012 and 2011, the related statement of operations and changes in fund balance - regulatory basis for the year 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, 2012, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of West 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 Borough of Cape May as of December 31, 2012 and 2011, or changes in financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2012 and 2011, 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, 2012 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of West 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 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 28, 2013 on our consideration of the Borough of West 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 Borough of West 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 28, 2013

**EXHIBIT - A
CURRENT FUND**

BOROUGH OF WEST CAPE MAY
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

<u>Assets</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
Regular Fund:			
Cash:			
Treasurer	A-4	\$ 867,833.18	\$ 1,067,192.44
		<u>867,833.18</u>	<u>1,067,192.44</u>
Other Receivables:			
Due from State of New Jersey		388.95	138.95
		<u>388.95</u>	<u>138.95</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-7	166,277.13	170,621.95
Tax Title Liens Receivable	A-8	132,518.29	116,097.17
Property Acquired for Taxes at Assessed Valuation		230,782.00	230,782.00
Revenue Accounts Receivable	A-9	967.53	-
Interfunds:			
Due from Grant Fund		9,829.00	10,862.16
Due from General Capital Fund		76.04	1,775.70
Due from Utility Operating Fund		81,227.02	105,007.47
Due from Trust		16,803.80	-
		<u>638,480.81</u>	<u>635,146.45</u>
Deferred Charges:			
Special Emergency Authorization: 5 Years (40A:4-55)		6,000.00	8,000.00
		<u>6,000.00</u>	<u>8,000.00</u>
		<u>1,512,702.94</u>	<u>1,710,477.84</u>
Federal and State Grant Fund:			
Grant Receivables	A-11	298,685.69	116,932.82
		<u>298,685.69</u>	<u>116,932.82</u>
		<u>\$ 1,811,388.63</u>	<u>\$ 1,827,410.66</u>

BOROUGH OF WEST CAPE MAY
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-10	\$ 279,969.47	\$ 244,626.97
Reserve for Encumbrances	A-3	9,747.98	4,042.68
Prepaid Taxes		51,019.40	69,300.44
Tax Overpayments		6,931.09	17,666.60
County Tax Payable		2,478.68	-
Local School Taxes Payable		-	6,860.53
Regional School Taxes Payable		-	13,177.28
Payroll Taxes payable		-	6,976.88
Reserve for Tax Map		4.78	4.78
Reserve for Storm Sewer Emergency		8,176.00	8,176.00
Reserve for Tax Sale Premiums		17,000.00	17,000.00
Due to Escrow Trust		732.00	700.00
Due to POAA Trust		261.00	235.00
Due to Trust - Liquor License		-	60,000.00
Due to Water & Sewer Utility Capital Fund		-	191,669.50
Due to Unemployment Trust		534.73	534.73
		<u>376,855.13</u>	<u>640,971.39</u>
Reserve for Receivables and Other Assets		638,480.81	635,146.45
Fund Balance	A-1	<u>497,367.00</u>	<u>434,360.00</u>
		<u>1,512,702.94</u>	<u>1,710,477.84</u>
Federal and State Grant Fund:			
Unappropriated Reserves	A-12	19,461.03	18,921.40
Appropriated Reserves	A-13	267,571.56	85,325.16
Due to Current Fund		9,829.00	10,862.16
Amount Due to HUD		1,824.10	1,824.10
		<u>298,685.69</u>	<u>116,932.82</u>
		<u>\$ 1,811,388.63</u>	<u>\$ 1,827,410.66</u>

BOROUGH OF WEST CAPE MAY
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS

	<u>Ref.</u>	<u>Year 2012</u>	<u>Year 2011</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$	253,000.00	\$ 253,000.00
Miscellaneous Revenue Anticipated		396,236.78	216,233.67
Receipts from Delinquent Taxes		176,530.45	190,111.29
Receipts from Current Taxes		4,990,085.79	5,069,821.30
Non-Budget Revenue		60,003.85	50,913.00
Other Credits to Income:			
Interfund Returned		9,785.51	-
Tax Over Paymnets Cancelled		7,927.23	-
Cancellation of Accounts Payable		-	8,506.69
Unexpended Balance of Appropriation Reserves		220,979.20	185,375.42
Total Income		<u>6,114,548.81</u>	<u>5,973,961.37</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Appropriations Within "CAP"			
Operations:			
Salaries and Wages		380,690.00	373,550.00
Other Expenses		862,989.00	844,720.00
Deferred Charges & Statutory Expenditures		82,545.00	76,992.00
Appropriations Excluded from "CAP"			
Operations:			
Other Expenses		614,426.53	420,230.40
Capital Improvements		5,500.00	5,500.00
Municipal Debt Service		168,613.80	168,056.53
Deferred Charges & Statutory Expenditures		2,000.00	7,000.00
County Taxes		1,145,148.38	1,083,576.20
County Added and Omitted Taxes		2,478.68	3,175.76
Local District School Tax		874,357.54	902,422.00
Regional High School Tax		1,659,792.88	1,743,873.11
Prior Year Revenue Refunded		-	4,100.00
Grant Balances Cancelled, Net		-	10,238.92
Interfund Created		-	49,653.36
Total Expenditures		<u>5,798,541.81</u>	<u>5,693,088.28</u>

BOROUGH OF WEST CAPE MAY
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS

	<u>Ref.</u>	<u>Year 2012</u>	<u>Year 2011</u>
Excess In Revenue		\$ <u>316,007.00</u>	\$ <u>280,873.09</u>
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by			
Statute Deferred Charges to Budget of			
Succeeding Year		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
Statutory Excess to Fund Balance		316,007.00	280,873.09
Fund Balance January 1	A	<u>434,360.00</u>	<u>406,486.91</u>
		750,367.00	687,360.00
Decreased by:			
Utilization as Anticipated Revenue		<u>253,000.00</u>	<u>253,000.00</u>
Fund Balance December 31	A	<u>\$ <u>497,367.00</u></u>	<u>\$ <u>434,360.00</u></u>

BOROUGH OF WEST CAPE MAY
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	N.J.S. 40A:4-87		
Surplus Anticipated		\$ 253,000.00	\$ -	\$ 253,000.00	\$ -
		253,000.00		253,000.00	-
Miscellaneous Revenues:					
Licenses:					
Other		27,000.00	-	29,870.00	2,870.00
Fines and Costs:					
Municipal Court		19,000.00	-	14,933.78	(4,066.22)
Interest and Costs on Taxes		35,000.00	-	40,598.15	5,598.15
Consolidated Municipal Property Tax Relief:					
Energy Receipts Tax (P.L. 1997, Ch. 162 & 167)		89,303.00	-	89,303.00	-
Special Items:					
Public & Private Revenues Offset with Appropriations:					
Clean Communities Grant		-	4,117.13	4,117.13	-
Recycling Tonnage Grant		3,146.40	-	3,146.40	-
DOT Bike Path - 2012		-	180,000.00	180,000.00	-
Other Special Items:					
Cape May City Lease		34,271.00	-	34,268.32	(2.68)
Total Miscellaneous Revenues	A-1	207,720.40	184,117.13	396,236.78	4,399.25

BOROUGH OF WEST CAPE MAY
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	N.J.S. 40A:4-87		
Receipts from Delinquent Taxes	A-1:A-2	\$ 170,000.00	\$ -	\$ 176,530.45	\$ 6,530.45
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes		1,553,948.58	-	1,632,954.86	79,006.28
Total Amount to be Raised by Taxes for Support of Municipal Budget		1,553,948.58	-	1,632,954.86	79,006.28
Budget Totals		2,184,668.98	184,117.13	2,458,722.09	89,935.98
Non-Budget Revenues		-	-	60,003.85	60,003.85
		\$ 2,184,668.98	\$ 184,117.13	\$ 2,518,725.94	\$ 149,939.83

BOROUGH OF WEST CAPE MAY
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS

Analysis of Realized RevenuesAllocation of Current Tax Collections:

Revenues from Collections	\$ 4,990,085.79
Allocated to:	
School, County and Other Taxes	<u>3,608,766.51</u>
Balance for Support of Municipal Budget Appropriations	1,381,319.28
Add: Appropriation	
"Reserve for Uncollected Taxes"	<u>251,635.58</u>
Amount for Support of Municipal	
Budget Appropriations	<u>\$ 1,632,954.86</u>

Receipts from Delinquent Taxes:

Delinquent Tax Collections	\$ 161,262.10
Tax Title Lien Collections	<u>15,268.35</u>
	<u>\$ 176,530.45</u>

Analysis of Non-Budget Revenues:

Miscellaneous Revenue Not Anticipated:	
Zoning Approvals	\$ 6,250.00
Interest on Investments	1,015.51
Alcohol License	2,500.00
Planning Board Fees	1,250.00
Campground and Trailer Park Fees	10,840.00
Street Openings	2,745.00
Senior & Vet Admin Fee	275.00
Comcast Franchise Fee	9,019.68
Wedding Fees	6,783.00
Copies	183.49
BAN Premium	1,101.00
Miscellaneous	<u>18,041.17</u>
	<u>\$ 60,003.85</u>

**BOROUGH OF WEST CAPE MAY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations			Expended		Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
DEPARTMENT OF PUBLIC AFFAIRS AND SAFETY:						
Director's Office						
Salaries and Wages	\$ 11,950.00	\$ 12,150.00	\$ 12,082.43	\$ -	\$ 67.57	\$ -
Other Expenses	2,000.00	2,000.00	140.00	-	1,860.00	-
Fire						
Other Expenses:						
Miscellaneous Other Expenses	23,000.00	23,000.00	22,798.15	200.00	1.85	-
Aid to Volunteer Fire Company	43,300.00	43,300.00	42,739.66	282.95	277.39	-
Police						
Salaries and Wages	100.00	100.00	-	-	100.00	-
Other Expenses	100.00	100.00	47.50	-	52.50	-
Municipal Prosecutor						
Salaries and Wages	6,650.00	6,650.00	6,630.00	-	20.00	-
Emergency Management Services						
Salaries and Wages	2,200.00	2,200.00	2,086.95	-	113.05	-
Other Expenses	1,000.00	1,000.00	795.13	-	204.87	-
Board of Health						
Other Expenses	500.00	500.00	190.00	-	310.00	-
Emergency Medical Services - Contractual	68,000.00	68,000.00	34,647.41	-	33,352.59	-
Fire Safety Division						
Salaries and Wages	100.00	100.00	-	-	100.00	-
Other Expenses	100.00	100.00	-	-	100.00	-
Celebration of Public Events, Anniversary, Holidays						
Other Expenses	1,500.00	1,500.00	-	-	1,500.00	-
Public Employee Awards Program (NJS A 40A:9-18) (NJS A 40A:5-31)	200.00	200.00	-	-	200.00	-
Dog Regulation						
Other Expenses	8,500.00	8,500.00	7,324.40	150.00	1,025.60	-
Municipal Court						
Salaries and Wages	74,500.00	74,500.00	72,653.66	-	1,846.34	-
Other Expenses	6,000.00	6,000.00	5,982.06	-	17.94	-
Public Defender						
Salaries and Wages	4,000.00	4,000.00	3,959.65	-	40.35	-

**BOROUGH OF WEST CAPE MAY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expended		Balance Canceled
	Budget	Budget After Modification		Encumbered	Reserved	
DEPARTMENT OF REVENUE AND FINANCE:						
Director's Office						
Salaries and Wages	\$ 16,700.00	\$ 16,700.00	\$ 16,476.04	\$ -	\$ 223.96	\$ -
Other Expenses	10,000.00	10,000.00	4,620.24	-	5,379.76	-
Financial Administration						
Salaries and Wages	25,100.00	25,100.00	18,128.98	-	6,971.02	-
Other Expenses:						
Annual Audit	23,000.00	23,000.00	22,500.00	-	500.00	-
Miscellaneous Other Expenses	7,000.00	7,000.00	3,093.35	163.20	3,743.45	-
Borough Clerk						
Salaries and Wages	65,400.00	65,400.00	62,376.59	-	3,023.41	-
Other Expenses	12,000.00	12,000.00	7,212.25	2,892.00	1,895.75	-
Elections						
Other Expenses	9,000.00	9,000.00	3,570.51	-	5,429.49	-
Assessment of Taxes						
Salaries and Wages	10,650.00	10,650.00	10,495.23	-	154.77	-
Other Expenses	1,000.00	1,000.00	544.79	339.84	115.37	-
Collection of Taxes						
Salaries and Wages	29,400.00	29,400.00	29,400.00	-	-	-
Other Expenses	2,000.00	2,000.00	957.50	-	1,042.50	-
Liquidation of Tax Title Liens						
Other Expenses	200.00	200.00	-	-	200.00	-
Legal Services and Costs						
Other Expenses	150,000.00	150,000.00	34,186.08	33.50	115,780.42	-
Grant Coordinator - Contractual	15,000.00	12,500.00	-	-	12,500.00	-
Code Enforcement Officer						
Salaries and Wages	4,390.00	4,390.00	4,386.00	-	4.00	-
Other Expenses	100.00	100.00	-	-	100.00	-
Zoning Officer						
Salaries and Wages	7,550.00	7,550.00	7,450.43	-	99.57	-
Other Expenses	700.00	700.00	358.95	-	341.05	-
Municipal Land Use (N.J.S.A. 40:55 D-1)						
Planning and Zoning Board						
Salaries and Wages	7,200.00	7,200.00	7,172.40	-	27.60	-
Other Expenses	7,500.00	7,500.00	656.00	-	6,844.00	-

**BOROUGH OF WEST CAPE MAY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Budget After Modification	Paid or Charged	Expended		Balance Canceled
	Budget				Encumbered	Reserved	
DEPARTMENT OF REVENUE AND FINANCE:							
Historic Preservation Insurance	\$ 1,000.00	\$	1,000.00	-	\$	1,000.00	\$ -
General Liability	20,640.00		20,640.00	20,330.46		309.54	
Workers Compensation Insurance	55,808.00		55,808.00	53,246.54		2,561.46	
Employee Group Health	97,741.00		97,741.00	97,741.00		-	
Construction Code Enforcement							
Other Expenses	10,500.00		10,500.00	-		10,500.00	
DEPARTMENT OF PUBLIC WORKS, PARKS AND PUBLIC PROPERTY:							
Director's Office							
Salaries and Wages	12,200.00		12,200.00	12,082.43		117.57	
Other Expenses	2,000.00		2,000.00	1,504.85		495.15	
Public Building and Grounds							
Other Expenses	30,000.00		30,000.00	26,436.35	1,328.20	2,235.45	
Engineering							
Other Expenses	1,000.00		1,000.00	-		1,000.00	
Road Repairs and Maintenance							
Salaries and Wages	71,400.00		71,400.00	71,400.00		-	
Other Expenses	11,000.00		11,000.00	5,392.27	200.00	5,407.73	
Garbage and Trash Removal							
Other Expenses	115,000.00		115,000.00	103,354.59	2,264.20	9,381.21	
Recycling							
Salaries and Wages	31,000.00		31,000.00	25,958.22		5,041.78	
Other Expenses	8,000.00		10,300.00	7,989.71	105.25	2,205.04	
Parks and Playgrounds							
Other Expenses	500.00		500.00	-		500.00	
Recreation							
Other Expenses	300.00		300.00	-		300.00	
Shade Tree Commission							
Other Expenses	500.00		500.00	-		500.00	
Environmental Commission							
Other Expenses	500.00		500.00	-		500.00	

**BOROUGH OF WEST CAPE MAY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Expended		Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	
UNCLASSIFIED:					
General Office Operations	\$ 21,000.00	\$ 21,000.00	\$ 16,029.05	\$ 606.37	\$ 4,364.58
Other Expenses					
UTILITY EXPENSES AND BULK PURCHASES:					
Electric	42,000.00	42,000.00	31,630.36	-	10,369.64
Street Lighting	25,000.00	25,000.00	23,131.94	-	1,868.06
Telephone	10,000.00	10,000.00	8,501.30	709.86	788.84
Fuel Oil & Gasoline	12,000.00	12,000.00	5,413.78	482.76	6,103.46
Postage	7,000.00	7,000.00	3,563.45	-	3,436.55
TOTAL OPERATIONS WITHIN "CAPS"	1,243,679.00	1,243,679.00	959,368.64	9,758.13	274,552.23
Contingent					
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	1,243,679.00	1,243,679.00	959,368.64	9,758.13	274,552.23
Detail:					
Salaries and Wages	380,490.00	380,690.00	362,739.01	-	17,950.99
Other Expenses	863,189.00	862,989.00	596,629.63	9,758.13	256,601.24
STATUTORY EXPENDITURES:					
Contributions to:					
Public Employees' Retirement System	47,045.00	47,045.00	47,045.00	-	-
Social Security System (O.A.S.I.)	31,000.00	31,000.00	28,713.09	-	2,286.91
Unemployment Compensation Insurance	3,000.00	3,000.00	2,042.45	-	957.55
DCRP	1,500.00	1,500.00	1,500.00	-	-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES WITHIN "CAPS"	82,545.00	82,545.00	79,300.54	-	3,244.46
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	1,326,224.00	1,326,224.00	1,038,669.18	9,758.13	277,796.69

**BOROUGH OF WEST CAPE MAY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expended		Balance Canceled
	Budget	Budget After Modification		Encumbered	Reserved	
OPERATIONS EXCLUDED FROM "CAPS"						
OTHER OPERATIONS						
Insurance						
Employee Group Health	\$ 5,859.00	\$ 5,859.00	\$ 5,696.37	\$ (10.15)	\$ 172.78	\$
TOTAL OTHER OPERATIONS EXCLUDED FROM "CAPS"	<u>5,859.00</u>	<u>5,859.00</u>	<u>5,696.37</u>	<u>(10.15)</u>	<u>172.78</u>	<u>-</u>
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS						
Cape May County Interlocal Service Agreement- Police Contractual	419,304.00	419,304.00	419,304.00	-	-	-
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES:						
Matching Funds for Grants	2,000.00	2,000.00	-	-	2,000.00	-
Clean Communities Grant		4,117.13	4,117.13	-	-	-
Recycling Tonnage Grant	3,146.40	3,146.40	3,146.40	-	-	-
DOT Bike Path - 2012		180,000.00	180,000.00	-	-	-
TOTAL PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES	<u>5,146.40</u>	<u>189,263.53</u>	<u>187,263.53</u>	<u>-</u>	<u>2,000.00</u>	<u>-</u>
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	<u>430,309.40</u>	<u>614,426.53</u>	<u>612,263.90</u>	<u>(10.15)</u>	<u>2,172.78</u>	<u>-</u>
Detail:						
Salaries and Wages	-	-	-	-	-	-
Other Expenses	430,309.40	614,426.53	612,263.90	(10.15)	2,172.78	-

**BOROUGH OF WEST CAPE MAY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expended		Balance Canceled
	Budget	Budget After Modification		Encumbered	Reserved	
CAPITAL IMPROVEMENTS:						
Capital Improvement Fund	\$ 5,500.00	\$ 5,500.00	\$ 5,500.00	\$ -	\$ -	\$ -
TOTAL CAPITAL IMPROVEMENTS	5,500.00	5,500.00	5,500.00	-	-	-
MUNICIPAL DEBT SERVICE:						
Payment of Bond Anticipation Notes and Capital Notes	165,000.00	165,000.00	165,000.00	-	-	-
Interest on Notes	4,000.00	4,000.00	3,613.80	-	-	386.20
TOTAL DEBT SERVICE	169,000.00	169,000.00	168,613.80	-	-	386.20
DEFERRED CHARGES EXCLUDED FROM "CAPS":						
Special Emergency Authorization - 5 Years	2,000.00	2,000.00	2,000.00	-	-	-
TOTAL DEFERRED CHARGES EXCLUDED FROM "CAPS"	2,000.00	2,000.00	2,000.00	-	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	606,809.40	790,926.53	788,377.70	(10.15)	2,172.78	386.20
SUBTOTAL GENERAL APPROPRIATIONS	1,933,033.40	2,117,150.53	1,827,046.88	9,747.98	279,969.47	386.20
Reserve for Uncollected Taxes	251,635.58	251,635.58	251,635.58	-	-	-
TOTAL GENERAL APPROPRIATIONS	\$ 2,184,668.98	\$ 2,368,786.11	\$ 2,078,682.46	\$ 9,747.98	\$ 279,969.47	\$ 386.20
Adopted Budget	\$ 2,184,668.98	\$ 2,184,668.98	\$ 187,263.53	A Federal and State Grants		
Added by 40A:4-87	184,117.13	184,117.13	251,635.58	A-2 Reserve for Uncollected Taxes		
Special Emergency	-	-	2,000.00	A Deferred Charges Due to General Capital		
		<u>2,368,786.11</u>		1,637,783.35	A-4 Cash Disbursed	
				<u>2,078,682.46</u>		

**EXHIBIT - B
TRUST FUND**

BOROUGH OF WEST CAPE MAY
TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

<u>Assets</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
<u>Animal Control Fund</u>			
Cash and Investments	B-1	\$ 2,672.81	\$ 1,922.81
		<u>2,672.81</u>	<u>1,922.81</u>
<u>Other Funds</u>			
Cash and Investments	B-2	1,077,349.69	330,387.02
Due from Current Fund:			
Unemployment Compensation		534.73	534.73
Other Trust Accounts		3,232.00	-
POAA Trust		261.00	235.00
Engineering Escrow		-	800.00
Liquor License Fund		-	60,000.00
		<u>1,081,377.42</u>	<u>391,956.75</u>
		<u>\$ 1,084,050.23</u>	<u>\$ 393,879.56</u>

BOROUGH OF WEST CAPE MAY
TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
<u>Animal Control Fund</u>			
Reserve for Animal Control Expenditures	B-3	\$ 1,452.60	\$ 1,920.81
Due to State of New Jersey	B-4	2.00	2.00
Due to Current Fund		1,218.21	-
		<u>2,672.81</u>	<u>1,922.81</u>
<u>Other Funds</u>			
Due to Current - Liquor		2,500.00	-
Due to Current - Shade Tree		-	100.00
Due to Current Fund - Engineering Escrow		16,803.80	-
Due to General Capital		40,000.00	-
Reserve for Unemployment Compensation		534.73	534.73
Reserve for Site Plan Escrow		66,417.08	54,486.08
Reserve for TTL Redemption		107,982.64	57,517.20
Reserve for POAA Trust		267.00	241.00
Reserve for COAH		132,935.07	115,770.75
Reserve for Public Assistance		6,062.27	6,062.27
Reserve for Liquor License		615,330.50	60,000.00
Reserve for Other Trust Accounts		92,544.33	97,244.72
		<u>1,081,377.42</u>	<u>391,956.75</u>
		<u>\$ 1,084,050.23</u>	<u>\$ 393,879.56</u>

EXHIBIT - C
GENERAL CAPITAL FUND

BOROUGH OF WEST CAPE MAY
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

<u>Assets</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Cash and Investments	C-2,C-3	\$ 95,338.80	\$ 103,273.46
Due from Trust Other - COAH		40,000.00	-
Deferred Charges to Future Taxation:			
Unfunded	C-6	367,202.00	332,202.00
		<u>\$ 502,540.80</u>	<u>\$ 435,475.46</u>
 <u>Liabilities, Reserves and Fund Balance</u>			
Bond Anticipation Notes Payable	C-9	\$ 165,000.00	\$ 330,000.00
Due to Current Fund		76.04	1,775.70
Improvement Authorizations:			
Funded	C-7	68,502.92	13,851.99
Unfunded	C-7	236,824.17	63,210.10
Reserve for Capital Projects		535.28	535.28
Capital Improvement Fund	C-4	31,400.00	25,900.00
Fund Balance	C-1	202.39	202.39
		<u>\$ 502,540.80</u>	<u>\$ 435,475.46</u>

There were Bonds and Notes Authorized But Not Issued at December 31, 2012 in the amount of \$202,202.00 and at December 31, 2011 in the amount of \$2,202.00. (Exhibit C - 10)

BOROUGH OF WEST CAPE MAY
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

Balance December 31, 2011	<u>Ref.</u> C	\$	202.39
Increased By:			
None		\$	-
		_____	-
			<u>202.39</u>
Decreased By:			
None		-	
		_____	-
Balance December 31, 2012	C	\$	<u><u>202.39</u></u>

EXHIBIT - D
WATER & SEWER UTILITY FUND

BOROUGH OF WEST CAPE MAY
WATER & SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

<u>Assets</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Operating Fund:			
Cash and Investments	D-5	\$ 3,408,397.87	\$ 927,890.97
Receivables With Full Reserves:			
Rents Receivable	D-7	54,457.86	47,438.26
Deferred Charge:			
Overexpenditure of Appropriation	D	25,691.53	19,677.28
Total Operating Fund		<u>3,488,547.26</u>	<u>995,006.51</u>
Capital Fund:			
USDA Grant Receivable	D-6	330,548.00	330,548.00
Fixed Capital:			
Completed	D	5,012,475.00	5,012,475.00
Authorized and Uncompleted	D	3,233,000.00	3,233,000.00
Due from Current Fund	A	-	191,669.50
Due from Water & Sewer Operating Fund	D	2,943,155.81	617,088.81
Total Capital Fund		<u>11,519,178.81</u>	<u>9,384,781.31</u>
		<u>\$ 15,007,726.07</u>	<u>\$ 10,379,787.82</u>

BOROUGH OF WEST CAPE MAY
WATER & SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Operating Fund:			
Appropriation Reserves	D-4	\$ 103,712.34	\$ 25,426.76
Encumbrances Payable	D-4	47,133.03	7,921.00
Overpayments	D-5	13,180.16	12,308.48
Accrued Interest on Bonds and Notes	D-11	30,197.00	23,796.56
Overpayments Due to Lien holders	D	3,989.20	3,989.20
Due to Water & Sewer Capital Fund	D	2,943,155.81	617,088.81
Due to Current Fund	A	81,227.02	105,007.47
		<u>3,222,594.56</u>	<u>795,538.28</u>
Reserve for Receivables	D	54,457.86	47,438.26
Fund Balance	D-1	211,494.84	152,029.97
Total Operating Fund		<u>3,488,547.26</u>	<u>995,006.51</u>
Capital Fund:			
USDA Bonds Payable	D-13	1,607,262.84	1,631,136.15
Bond Anticipation Notes Payable	D-14	2,965,000.00	730,000.00
Encumbrance Payable	D	36,687.81	36,687.81
Improvement Authorizations:			
Funded	D-12	-	-
Unfunded	D-12	2,994,737.00	3,160,339.50
Reserve for Amortization	D	3,658,412.16	3,569,538.85
Deferred Reserve for Amortization	D	9,000.00	9,000.00
Reserve for Debt Service	D	137,854.00	137,854.00
Capital Improvement Fund	D-10	110,000.00	110,000.00
Fund Balance	D-2	225.00	225.00
		<u>11,519,178.81</u>	<u>9,384,781.31</u>
Total Capital Fund		<u>11,519,178.81</u>	<u>9,384,781.31</u>
		<u>\$ 15,007,726.07</u>	<u>\$ 10,379,787.82</u>

There were Bonds and Notes Authorized But Not Issued at December 31, 2012 in the amount of \$5,800.00 and at December 31, 2011 in the amount of \$2,305,800.00. (Exhibit D - 15)

BOROUGH OF WEST CAPE MAY
WATER & SEWER UTILITY FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGES IN OPERATING FUND BALANCE - REGULATORY BASIS

	Ref.	Year 2012	Year 2011
Revenue and Other Income Realized			
Fund Balance Utilized	D-3	\$ 37,900.00	\$ 37,500.00
Water & Sewer Rents	D-3	908,267.65	890,773.73
Miscellaneous	D-3	21,581.38	23,485.02
Other Credits to Income:			
Unexpended Balance of Appropriation			
Reserves	D-9	30,609.84	13,485.81
Total Income		998,358.87	965,244.56
Expenditures:			
Operations:			
Salaries and Wages	D-4	85,000.00	90,000.00
Other Expenses	D-4	640,000.00	625,000.00
Debt Service	D-4	175,008.25	170,613.23
Deferred Charges and Statutory Expenditures	D-4	7,000.00	7,000.00
Total Expenditures		907,008.25	892,613.23
Excess in Revenue		91,350.62	72,631.33
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by			
Statute Deferred Charges to Budgets of			
Succeeding Years		6,014.25	-
Fund Balance January 1	D	152,029.97	116,898.64
		249,394.84	189,529.97
Decreased By:			
Utilization as Anticipated Revenue		37,900.00	37,500.00
Balance December 31	D	\$ 211,494.84	\$ 152,029.97

BOROUGH OF WEST CAPE MAY
WATER & SEWER UTILITY CAPITAL FUND
STATEMENT OF CAPITAL FUND BALANCE

Balance December 31, 2011	<u>Ref.</u> D		\$ 225.00
Increased By:			
None		\$ -	
		<hr/>	<hr/>
			225.00
Decreased By:			
None		\$ -	
		<hr/>	<hr/>
			-
Balance December 31, 2012	D		\$ <u>225.00</u>

BOROUGH OF WEST CAPE MAY
WATER & SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS

	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Operating Fund Balance Anticipated	\$ 37,900.00	\$ 37,900.00	\$ -
Anticipated Revenue:			
Water Rents	450,000.00	450,000.00	-
Sewer Rents	400,000.00	400,000.00	-
Additional Rents	-	58,267.65	58,267.65
Miscellaneous	16,000.00	21,581.38	5,581.38
	<u>866,000.00</u>	<u>929,849.03</u>	<u>63,849.03</u>
Special Items:			
Reserve to Pay Bonds & Notes			-
Total Revenue	<u>\$ 866,000.00</u>	<u>\$ 929,849.03</u>	<u>\$ 63,849.03</u>

Analysis of Realized Revenue:

Water & Sewer Rents		
Consumer Accounts Receivable	\$ 908,267.65	
Total Water & Sewer Rents		<u>\$ 908,267.65</u>
Miscellaneous Revenue		
Miscellaneous	21,581.38	
Total Miscellaneous		<u>\$ 21,581.38</u>

**BOROUGH OF WEST CAPE MAY
WATER & SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Expended		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations:					
Salaries and Wages	\$ 85,000.00	\$ 85,000.00	\$ 76,310.83	\$ 8,689.17	\$ -
Other Expenses	640,000.00	640,000.00	545,356.56	94,643.44	-
	<u>725,000.00</u>	<u>725,000.00</u>	<u>621,667.39</u>	<u>103,332.61</u>	
Capital Improvements:					
None	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Debt Service:					
Payment of Bond Anticipation Notes	65,000.00	65,000.00	65,000.00	-	(6,014.25)
Interest on Notes	8,400.00	8,400.00	14,414.25	-	2,906.00
USDA Principal & Interest	98,500.00	98,500.00	95,594.00	-	(3,108.25)
	<u>171,900.00</u>	<u>171,900.00</u>	<u>175,008.25</u>	<u>-</u>	
Deferred Charges and Statutory Expenditures:					
Social Security System (O.A.S.I.)	7,000.00	7,000.00	6,620.27	379.73	-
	<u>7,000.00</u>	<u>7,000.00</u>	<u>6,620.27</u>	<u>379.73</u>	
	<u>903,900.00</u>	<u>903,900.00</u>	<u>803,295.91</u>	<u>103,712.34</u>	<u>(3,108.25)</u>
Ref.	D				D
		Disbursed	\$ 646,154.63	Overexpenditure	\$ (6,014.25)
		Accrued Interest on Debt	110,008.25	Balance	2,906.00
		Encumbrances Payable	47,133.03	Cancelled	(3,108.25)
			<u>\$ 803,295.91</u>		<u>\$ (3,108.25)</u>

EXHIBIT - E
GENERAL FIXED ASSETS ACCOUNT GROUP

BOROUGH OF WEST CAPE MAY
GENERAL FIXED ASSET ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

<u>Assets</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
General Fixed Assets:			
Land Improvements	\$	341,726.00	\$ 357,226.00
Buildings		1,537,918.00	1,537,918.00
Machinery and Equipment		1,107,784.00	1,082,534.00
Total General Fixed Assets	\$	<u>2,987,428.00</u>	<u>\$ 2,977,678.00</u>
 Investment in General Fixed Assets	 \$	 <u>2,987,428.00</u>	 <u>\$ 2,977,678.00</u>

BOROUGH OF WEST CAPE MAY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements – regulatory basis have been prepared on the regulatory basis established by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. This basis of accounting differs from Accounting Principles Generally Accepted in the United States of America (GAAP). The more significant of the Borough's accounting policies are described below.

Description of Financial Reporting Entity

The Borough of West Cape May is an offshore community located in the County of Cape May, State of New Jersey. The population according to the 2010 census is 1,024.

The Borough is incorporated and operates under a Mayor and Commission form of government. The Mayor is the chief executive officer of the Borough and is appointed by the Borough Commission.

Basis of Presentation, Fund Accounting

The financial statements – regulatory basis of the Borough of West Cape May contain all funds and account groups in accordance with the "Requirements of Audit" as promulgated by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough of West Cape May accounts for its financial transactions through the following separate funds which differ from the funds required by GAAP.

Current Fund

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

Trust Funds

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

General Capital Funds

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

Water and Sewer Utility Operating and Capital Funds

The Water and Sewer Utility Operating and Capital Funds account for the operations and acquisition of capital facilities of the municipally owned water and sewer utility.

BOROUGH OF WEST CAPE MAY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

The Borough of West Cape May must adopt an annual budget in accordance with N.J.S.A. 40A:4 et al. State statutes require the governing body to introduce and approve the annual municipal budget no later than February 10th of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the municipality. The public hearing must not be held less than twenty-eight days after the date of introduction. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with N.J.S.A. 40A:4-9.

An extension of the statutory due dates for introduction, approval and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services.

Budgets are adopted on the same basis of accounting utilized for the preparation of the Borough's financial statements – regulatory basis.

Cash and Investments

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank approved by the State Department of Banking and Insurance and organized under laws of the United States or the State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey municipal units.

The cash management plan adopted by the Borough of West Cape May requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

Public funds are defined as the funds of any governmental unit. Public depositories include banks (both state and federal), savings and loan institutions and savings banks, the deposits of which are federally insured. All public depositories pledge collateral, having a market value of five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories in the collateral pool, is available to pay the full amount of their deposits to the governmental units.

Generally, the Borough considers all investments that mature in one year or less to be cash equivalents.

All certificates of deposit are recorded as cash regardless of date of maturity.

Interfunds

Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to Fund Balance. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

BOROUGH OF WEST CAPE MAY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
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(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories of Supplies

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

General Fixed Assets

Property and Equipment purchased by the Current and General Capital Funds are recorded as expenditures at the time of purchase.

Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, differs in certain respects from GAAP. The following is a brief description of the provisions of the Directive. Fixed Assets used in governmental operations ("general fixed assets") are accounted for in the General Fixed Assets Account Group. Public Domain ("Infrastructure") 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. The Borough has adopted a capitalization threshold of \$2,000.

All fixed assets are valued at historical cost or estimated historical cost, if actual historical cost is not available.

No depreciation on general fixed assets is recorded in the financial statements – regulatory basis.

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.

Utility Fixed Assets

Property and equipment purchased by a utility fund are recorded in the utility capital fund at cost and are adjusted for disposition or abandonment. The amounts shown do not represent replacement cost or current value. Contributions in aid of construction are not capitalized. The Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the cost of acquisition of property, equipment and improvements. GAAP does not require the establishment of a Reserve for Amortization of Fixed Capital, but GAAP does require the recognition of depreciation of property by the utility fund.

Foreclosed Property

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

Deferred Charges

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

BOROUGH OF WEST CAPE MAY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appropriation Reserves

Appropriation Reserves covering unexpended appropriation balance are automatically created at year end 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 fiscal year. Lapsed appropriation reserves are recorded as income. Appropriation Reserves are not established under GAAP.

Liens Sold for Other Governmental Units

Liens sold on behalf of other governmental units are not recorded on the records of the tax collector until such liens are collected. Upon their collection, such liens are recorded as a liability due to the other governmental unit net of costs of the sale. The related costs of sale are recognized as revenue when received.

Fund Balance

Fund Balances included in the Current Fund and Utility Operating Funds represent amounts available for anticipation as revenue in future years' budgets, with certain restrictions.

Revenues

Revenues are recorded as received in cash except for certain amounts that are due from other governmental units. Revenue from Federal and State grants is realized as revenue when anticipated as such in the Borough's budget. Other amounts that are due the Borough which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP generally requires that grant revenue be recognized when actual expenditures financed by the grant are made.

Property Tax Revenues

Property tax revenues are collected in quarterly installments due February 1st, May 1st, August 1st, and November 1st. Property taxes unpaid on April 1st of the year following their final due date are subject to tax sale in accordance with statutes. The amount of tax levied includes not only the amount required in support of the Borough's Annual Budget, but also the amounts required in support of the entities that follow. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. GAAP requires such revenues to be recognized when they are available and measurable reduced by an allowance for doubtful accounts.

BOROUGH OF WEST CAPE MAY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

School Taxes

The Borough is responsible for levying, collecting and remitting school taxes for the Borough of West Cape May School District. Fund balance is charged for the full amount required to be raised from taxation to operate the local school district from July 1 through June 30, increased by the amount deferred at December 31, 2012, and decreased by the amount deferred at December 31, 2011. GAAP would require the recording of a deferred revenue. The following schedule illustrates school taxes payable and school taxes deferred at December 31st for the last two years.

<u>Category</u>	<u>2012</u>	<u>2011</u>
School Tax Payable - Local School	\$ -	\$ 6,860.53
School Tax Payable - Regional School	-	13,177.28
School Tax Deferred - Local School	429,308.96	445,048.50
School Tax Deferred - Regional School	801,259.16	858,530.59
	<u>\$ 1,230,568.12</u>	<u>\$ 1,323,616.90</u>

County Taxes

The Borough is responsible for levying, collecting and remitting county taxes for the County of Cape May. Fund balance is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10th of the current year. In addition, the County share of added and omitted taxes certified to the County Board of Taxation by October 10th of the current year is due to be paid to the County by February 15th of the following year.

Reserve for Uncollected Taxes

The inclusion of the "Reserve for Uncollected Taxes" appropriation in the Borough's Annual Budget protects the Borough from taxes not paid currently. The minimum amount of the reserve, determined by the percentage of collections experienced in the preceding year, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations. A reserve for uncollected taxes is not established under GAAP.

Expenditures

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 system. Outstanding encumbrances at December 31st are recorded as a cash liability. Appropriations for principal payments on outstanding General Capital and Utility Capital Fund bonds and notes are provided on the cash basis; interest on General Capital Fund indebtedness is on the cash basis, whereas interest on Utility Fund indebtedness is on the accrual basis. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

BOROUGH OF WEST CAPE MAY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements Not Yet Effective

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61 "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The purpose of the statement is to amend the criteria for reporting and including component units with the primary government. This statement, which is effective for fiscal periods beginning after June 15, 2012, is not anticipated to have any effect on the Borough's financial reporting.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65 "Items Previously Reported as Assets and Liabilities". This statement, which clarifies the reporting requirements related to deferred assets and liabilities, is effective for fiscal periods beginning after December 15, 2012, is not anticipated to have any effect on the Borough's financial reporting.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 66 "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62". This statement, which resolves conflicts between Statements No. 10 and No. 54 provides more flexibility in fund classifications for risk based activities, is effective for fiscal periods beginning after December 15, 2012, is not anticipated to have any effect on the Borough's financial reporting.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67 "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25". This statement, which is effective for fiscal periods beginning after June 15, 2013, will not have any effect on the Borough's financial reporting.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27". This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the Borough's financial reporting.

In January 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 69 "Government Combinations and Disposals of Government Operations". This statement, which is effective for fiscal periods beginning after December 15, 2013, will not have any effect on the Borough's financial reporting.

In April 2013, the Governmental Accounting Standards Board (GASB) issued Statement No.70 "Accounting and Financial Reporting for Non-exchange Financial Guarantees". This statement, which is effective for fiscal periods beginning after June 15, 2013, will not have any effect on the Borough's financial reporting.

Compensated Absences and Post – Employment Benefits

Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a "pay as you go" basis. Likewise, no accrual is made for post-employment benefits, if any, which are also funded on a "pay as you go" basis. GAAP requires that the amount that would normally be liquidated with expendable financial resources be recorded as expenditure in the operating funds and the remaining obligations be recorded as long-term obligations.

BOROUGH OF WEST CAPE MAY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 2: LONG-TERM DEBT

Summary of Municipal Debt:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Issued</u>			
General:			
Bonds and Notes	\$ 165,000.00	\$ 330,000.00	\$ 492,248.00
Water & Sewer Utility:			
Bonds, Notes and Loans	4,572,262.84	2,361,136.15	2,473,055.74
Total Issued	<u>4,737,262.84</u>	<u>2,691,136.15</u>	<u>2,965,303.74</u>
Less:			
Funds Temporarily Held to Pay			
Bonds and Notes:			
Water & Sewer Utility:	137,854.00	137,854.00	137,854.00
Net Debt Issued	<u>4,599,408.84</u>	<u>2,553,282.15</u>	<u>2,827,449.74</u>
<u>Authorized but</u>			
<u>not Issued</u>			
Bonds and Notes:			
General	202,202.00	2,202.00	2,202.00
Water & Sewer Utility	5,800.00	2,305,800.00	800.00
Total Authorized but			
not Issued	<u>208,002.00</u>	<u>2,308,002.00</u>	<u>3,002.00</u>
Net Bonds, Notes and Loans			
Issued, and			
Authorized but not			
Issued	<u>\$ 4,807,410.84</u>	<u>\$ 4,861,284.15</u>	<u>\$ 2,830,451.74</u>

Summary of Statutory Debt Condition – Annual Debt Statement:

The summarized statement of debt condition that follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .077%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Debt	\$ 832,557.30	\$ 832,557.30	\$ -
Water & Sewer Utility Debt	4,578,062.84	4,578,062.84	-
Other Bonds and Notes	<u>367,202.00</u>	<u>-</u>	<u>367,202.00</u>
	<u>\$ 5,777,822.14</u>	<u>\$ 5,410,620.14</u>	<u>\$ 367,202.00</u>

Net debt \$367,202.00 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$478,019,480. = .077%.

BOROUGH OF WEST CAPE MAY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 2: LONG-TERM DEBT (Continued)

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

3-1/2% of Equalized Valuation Basis	\$	16,730,681.80
Net Debt		<u>367,202.00</u>
Remaining Borrowing Power	\$	<u><u>16,363,479.80</u></u>

Calculation of "Self-Liquidating Purpose", Water & Sewer Utility Per N.J.S.A. 40A:2-45:

Cash Receipts from Fees, Rents or Other Charges for the Year		\$	998,358.87
Deductions:			
Operating & Maintenance Costs	\$	732,000.00	
Debt Service per Utility Funds		<u>168,994.00</u>	
Total Deductions			<u>900,994.00</u>
Excess/(Deficit) in Revenue		\$	<u><u>97,364.87</u></u>

The foregoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

General Capital Fund

At December 31, 2012, there were no bonds and loans payable in the General Capital Fund.

Water & Sewer Utility Fund

At December 31, 2012, bonds and loans payable in the Water & Sewer Utility Fund consisted of the following individual issues:

\$576,000.00 USDA Bonds dated October 29, 2004, due in semiannual installments through December 2044, bearing interest at 4.5%. The balance remaining as of December 31, 2012 is \$525,856.21.

\$293,200.00 FmHA Loan dated December 5, 1991, due in semiannual installments through December 2032, bearing interest at 5%. The balance remaining as of December 31, 2012 is \$192,201.37.

\$924,000.00 USDA Bonds dated January 22, 2009, due in semiannual installments through July 2049, bearing interest at 4.125%. The balance remaining as of December 31, 2012 is \$899,205.26.

BOROUGH OF WEST CAPE MAY
NOTES TO FINANCIAL STATEMENTS –
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YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 2: LONG-TERM DEBT (Continued)

Changes in Long-Term Debt

The following schedule represents the changes in the Long-Term Debt:

	<u>Outstanding 12/31/11</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Outstanding 12/31/12</u>
General Capital Fund				
None	\$	\$	\$	\$
Utility Capital Fund:				
Loans Payable	1,631,136.15	-	23,873.31	1,607,262.84
Total Utility Capital Fund	<u>1,631,136.15</u>	<u>-</u>	<u>23,873.31</u>	<u>1,607,262.84</u>
Total All Funds	<u>\$ 1,631,136.15</u>	<u>\$ -</u>	<u>\$ 23,873.31</u>	<u>\$ 1,607,262.84</u>

Schedule of Annual Debt Service for Principal and Interest for Bonds Payable

Year Ending December 31	Utility Capital Fund		Year Ending December 31	Utility Capital Fund	
	Principal	Interest		Principal	Interest
2013	\$ 7,602.43	\$ 23,583.57	2013	\$ 6,426.84	\$ 10,597.16
2014	7,948.30	23,237.61	2014	6,752.20	10,271.80
2015	8,310.09	22,875.91	2015	7,094.02	9,929.98
2016	8,688.25	22,497.75	2016	7,453.16	9,570.84
2017	9,083.62	22,102.38	2017	7,830.47	9,193.53
2018-2022	52,005.92	103,922.18	2018-2022	45,515.56	39,604.44
2023-2027	64,970.32	90,961.68	2023-2027	58,263.79	26,856.21
2028-2032	81,158.68	74,771.32	2028-2032	58,157.63	10,537.16
2033-2037	101,383.68	54,546.32			
2038-2042	126,648.85	29,281.15		<u>\$ 197,493.67</u>	<u>\$ 126,561.12</u>
2043-2044	58,158.65	3,276.79			
	<u>\$ 525,958.79</u>	<u>\$ 471,056.66</u>			

BOROUGH OF WEST CAPE MAY
NOTES TO FINANCIAL STATEMENTS –
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(CONTINUED)

NOTE 2: LONG-TERM DEBT (Continued)

Schedule of Annual Debt Service for Principal and Interest for Bonds Payable (Continued)

Year Ending December 31	Utility Capital Fund	
	Principal	Interest
2013	\$ 10,920.36	\$ 36,463.64
2014	11,374.21	36,009.79
2015	11,846.92	35,537.08
2016	12,339.29	35,044.71
2017	12,852.11	34,531.89
2018-2022	72,730.58	164,189.42
2023-2027	89,153.52	147,766.47
2028-2032	109,284.96	127,635.10
2033-2037	133,962.02	102,957.98
2038-2042	164,211.39	72,708.61
2043-2047	201,291.23	35,628.77
2048-2049	59,131.27	2,252.34
	<u>\$ 889,097.86</u>	<u>\$ 830,725.80</u>

NOTE 3: COMPENSATED ABSENCES

The Borough 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. 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, 2012, the Borough estimates this liability to approximate \$43,467.10 based on 2012 pay rates and compensated absence balances. The balance at December 31, 2011, was \$38,113.14.

NOTE 4: TAXES COLLECTED IN ADVANCE

Taxes collected in advance include amounts set forth as cash liabilities in the financial statements as follows:

	Balance December 31, 2012	Balance December 31, 2011
Prepaid Taxes - Cash Liability	\$ 51,019.40	\$ 69,300.44

BOROUGH OF WEST CAPE MAY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 5: RETIREMENT PLANS

Plan Descriptions

All eligible employees participate in the Public Employees' Retirement System (PERS), which has been established by state statute and is 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 Public Employees Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 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 of New Jersey 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 or other state pension fund or local jurisdiction's pension fund.

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and expanded under the provisions of Chapter 89, P.L. 2008. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:3B. All benefits vest after eight to ten years of service, except for medical benefits, which vest after 25 years of service. Retirement benefits for age and service are available at age 60 and, under recently enacted legislation are generally determined to be 1/55 of final average salary for each year of service credit. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation, if other than the final three years). Members may seek early retirement after achieving 25 years service credit, or they may elect deferred retirement after achieving eight to ten years of service credit, in which case, benefits would begin the first day of the month after the member attains normal retirement age.

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP, employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer.

BOROUGH OF WEST CAPE MAY
NOTES TO FINANCIAL STATEMENTS –
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YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 5: RETIREMENT PLANS (Continued)

Significant Legislation

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

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

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

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

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to $\frac{1}{60}$ th from $\frac{1}{55}$ th, 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 $\frac{1}{7}$ th of the required amount, beginning in fiscal years 2012.

BOROUGH OF WEST CAPE MAY
NOTES TO FINANCIAL STATEMENTS –
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YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 5: RETIREMENT PLANS (Continued)

Significant Legislation (Continued)

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.

Funding Policy

The contribution policy for PERS is set by N.J.S.A. 43:15A, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

For the Public Employees' Retirement System, the Borough's contribution was \$47,045.00 for 2012 and \$42,442.00 for 2011.

Three Year Trend Information for PERS			
Funding Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/12	\$ 47,045.00	100%	\$ -
12/31/11	42,442.00	100%	-
12/31/10	37,395.00	100%	-

NOTE 6: CASH AND INVESTMENTS

Cash

Operating cash, in the form of checking, savings and money market savings accounts, is held in the Borough's name by several commercial banking institutions. At December 31, 2012, the carrying amount of the Borough's deposits was \$5,444,617.35 and the bank balance was \$5,521,569.03. Of the bank balance, \$263,830.82 was insured with Federal Deposit Insurance Corporation, \$5,238,630.45 was insured under the Governmental Unit Deposit Protection Act (GUDPA), and \$19,107.76 uninsured.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the Borough's bank accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the Borough would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. The Borough does not have a policy for custodial credit risk.

BOROUGH OF WEST CAPE MAY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 6: CASH AND INVESTMENTS (Continued)

Investments

Pursuant to the Enabling Act, the funds of the Borough may be invested in any direct obligations of, or obligations as to which the principal and interest thereof is guaranteed by, the United States of America or other obligations as the Borough may approve. It invests pooled monies from various State and non-State agencies in primarily short-term investments.

As of December 31, 2012, the Borough did not have any investments.

NOTE 7: PROPERTY TAXES

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value.

Upon the filing of certified adopted budgets by the municipality, the local and regional school districts, and the county, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof is set forth in N.J.S.A. 54:4 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes, due February 1 and May 1 of the succeeding fiscal year, are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500 of the delinquency and 18% per annum on any amount in excess of \$1,500. Pursuant to P.L. 1991, c. 75, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed 6% of the amount of the delinquency. The interest and penalties are the highest permitted under New Jersey Statutes. Delinquent taxes open for one year or more are annually included in the tax sale in accordance with New Jersey Statutes. The Borough held its tax sale on November 20, 2012.

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 of each year, the municipality must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before April 1 for review. Due to errors or delinquencies in notices sent to property owners, the April 1 deadline to file an appeal petition may be extended. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels the County Board of Taxation unsatisfactorily reviewed the petition, appeal may be made to the Tax Court of New Jersey for further hearing. Some Tax Court appeals may take several years prior to settlement and any losses in tax collection from prior years are charged to a reserve set aside for this purpose or directly charged to Fund Balance.

BOROUGH OF WEST CAPE MAY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 7: PROPERTY TAXES (Continued)

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

Comparative Schedule of Tax Rates

	2012	2011	2010
Tax Rate	\$ 1.149	\$ 1.170	\$ 0.991
Apportionment of Tax Rate:			
Municipal	0.346	0.337	0.283
County	0.256	0.242	0.202
Local and Regional School	0.547	0.591	0.506

Assessed Valuation

2012	\$ 450,318,466.00
2011	448,315,357.00
2010	515,688,263.00

Comparison of Tax Levies and Collections

Year	Tax Levy	Collections	Percentage of Collections
2012	\$ 5,185,304.03	\$ 4,990,085.79	96.24%
2011	5,260,643.59	5,069,821.30	96.37%
2010	5,119,938.16	4,902,010.04	95.74%

Delinquent Taxes and Tax Title Liens

Year	Tax Title Liens	Delinquent Taxes	Total Delinquent	Percentage of Tax Levy
2012	\$ 132,518.29	\$ 166,277.13	\$ 298,795.42	5.76%
2011	116,097.17	170,621.95	286,719.12	5.45%
2010	102,664.76	185,954.10	288,618.86	5.64%

Property Acquired by Tax Title Lien Redemption

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, was as follows:

Year	Amount
2012	\$ 230,782.00
2011	230,782.00
2010	230,782.00

BOROUGH OF WEST CAPE MAY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 8: ECONOMIC DEPENDENCY

The Borough of West Cape May is not economically dependent on any one funding agency within the Borough or the State of New Jersey.

NOTE 9: FUND BALANCES APPROPRIATED

The following schedule details the amount of fund balances available at the end of each year and the amounts utilized in the subsequent year's budgets.

	<u>Year</u>	<u>Balance December 31st</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percent Utilized</u>
Current Fund	2012	\$ 497,367.00	\$ 224,000.00	45.04%
	2011	434,360.00	253,000.00	58.25%
	2010	406,486.91	253,000.00	62.24%
	2009	552,913.01	255,000.00	46.12%
	2008	562,040.09	362,000.00	64.41%
Water & Sewer Utility	2012	211,494.84	61,191.53	28.93%
	2011	152,029.97	37,900.00	24.93%
	2010	116,898.64	37,500.00	32.08%
	2009	293.55	-	0.00%
	2008	293.55	-	0.00%

NOTE 10: RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY

Receivables and payables at December 31, 2012 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 107,935.86	\$ 1,527.73
Grant Fund		9,829.00
General Capital		76.04
Trust Funds - Other	4,027.73	19,303.80
Water & Sewer Operating		3,024,382.83
Water & Sewer Capital	2,943,155.81	
	<u>\$ 3,055,119.40</u>	<u>\$ 3,055,119.40</u>

The balances are primarily the result of a Bond Anticipation Note received in 2012 that had not yet been transferred to the Utility Capital Fund prior to year end.

BOROUGH OF WEST CAPE MAY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 11: BUDGETARY DATA

Annually, Borough Commission adopts the annual appropriation budgets for the Current Fund and the Capital Improvement Plan as well as for the Water and Sewer Utility Fund. Once approved, the Borough Commission may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Supplemental appropriations per N.J.S.A. 40A:4-46 and 54, Emergencies and Special Emergencies, become charges against the budget of the following year per N.J.S.A. 40A:4-47 except when financing is provided for by bonding ordinances.

Budget transfers between appropriation accounts are prohibited until the last two months of the year. The Borough Commission approves the transfers by resolution. Budgetary transfers during the year were not significant.

In 2012, the Borough approved Budget modifications per N.J.S.A 40:4-87 for NJ DOT Bike Path and Clean Communities in the amount of \$180,000.00 and \$4,117.13, respectively.

NOTE 12: FEDERAL AND STATE GRANTS

In the normal course of operations, the Borough receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

NOTE 13: GENERAL FIXED ASSETS

The following schedule is a summarization of the changes in General Fixed Assets for the year ended December 31, 2012:

	<u>Balance as of December 31, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of December 31, 2012</u>
Land & Improvements	\$ 357,226.00	\$	\$ 15,500.00	\$ 341,726.00
Buildings	1,537,918.00			1,537,918.00
Machinery & Equipment	1,082,534.00	27,206.29	1,956.29	1,107,784.00
Total	\$ <u>2,977,678.00</u>	\$ <u>27,206.29</u>	\$ <u>17,456.29</u>	\$ <u>2,987,428.00</u>

BOROUGH OF WEST CAPE MAY
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 14: POST-RETIREMENT HEALTH BENEFITS

The Borough participates in New Jersey State Health Benefits Program ("the SHBP"), which qualifies as a cost-sharing, multiple –employer plan in accordance with GASB Statement 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions" ("OPEB"). The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pension and Benefits.

Under the SHBP, retirees may continue the health benefits programs in which they are enrolled at the time of retirement, provided the retiree pays the costs of the benefits (at group rates) for themselves and their eligible dependents.

The SHBP is established under the authority of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. The required contribution rate is determined on an annual pay as you go basis. During 2012, the Borough provided post-employment health care benefits of \$5,091.24 to one (1) retired employee.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the SHBP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

NOTE 15: RISK MANAGEMENT

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

Property and Liability Insurance

The Borough maintains insurance coverage for property, liability and surety bonds through the Atlantic County JIF. During the year ended December 31, 2012 the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

NOTE 16: LITIGATION

The Borough is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Borough, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

NOTE 17: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred from December 31, 2012 through June 28, 2013, the date that the financial statements were available to issue for possible disclosure and recognition in the financial statements, and no items have come to the attention of the Borough that would require disclosure.

SUPPLEMENTARY INFORMATION

BOROUGH OF WEST CAPE MAY
CURRENT FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Current Fund</u>
	A	\$
Balance December 31, 2011		1,067,192.44
Increased By Receipts:		
Current Taxes	\$	4,906,785.35
Prior Taxes		161,262.10
Tax Title Lien Collections		15,268.35
Prepaid Taxes		51,019.40
Miscellaneous Revenue Anticipated		208,973.25
Miscellaneous Revenue Not Anticipated		60,003.85
Due to State - Marriage Licenses		75.00
Due to POAA		26.00
Due from Utility Capital		2,300,000.00
Due from Capital Fund		1,061,775.70
Due from Water & Sewer Utility Fund		105,007.47
Due to Grant Fund		6,050.29
Due from State - Senior Citizens & Vets		13,750.00
Due from Trust Other		16,803.80
		<u>8,906,800.56</u>
		9,973,993.00
Decreased By Disbursements:		
2012 Appropriations		1,637,783.35
2011 Appropriation Reserves		27,690.45
County Taxes		1,145,148.38
Local District School Tax		881,218.07
Regional School Tax		1,672,970.16
Payroll Payable		6,976.88
Tax Overpayments		2,808.28
Due to Water & Sewer Utility Fund		81,227.02
Due from Trust - Escrow		16,803.80
Due to Utility Capital Fund		2,491,669.50
Due to Grant Fund		5,017.13
Due to State - Marriage Licenses		75.00
Due From Trust Other		76,771.80
Due to Capital Fund		1,060,000.00
		<u>9,106,159.82</u>
Balance December 31, 2012	A	<u>\$ 867,833.18</u>

**BOROUGH OF WEST CAPE MAY
CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance Dec. 31, 2011	2012 Levy	Added Taxes	Collections		Adjustments	Transferred To Tax Title Liens	Balance Dec. 31, 2012
				2011	2012			
2011	\$ 170,621.95	\$ -	\$ -	\$ -	\$ 161,262.10	\$ 2,093.19	\$ 4,220.38	\$ 3,046.28
	170,621.95	-	-	-	161,262.10	2,093.19	4,220.38	3,046.28
2012		5,174,159.87	11,144.16	69,300.44	4,920,785.35	5,181.21	26,806.18	163,230.85
	\$ 170,621.95	\$ 5,174,159.87	\$ 11,144.16	\$ 69,300.44	\$ 5,082,047.45	\$ 7,274.40	\$ 31,026.56	\$ 166,277.13
Ref.	A							A

\$ 5,068,047.45 Cash Receipts
 14,000.00 Senior Citizens and Veterans
 - Overpayments Applied
\$ 5,082,047.45

Analysis of 2010 Property Tax Levy

Tax Yield:
 General Property Tax
 Added Taxes (54:4-63.1 et seq.)

\$ 5,174,159.87
 11,144.16
\$ 5,185,304.03

Tax Levy:

Local District School Tax:

Levy \$ 858,618.00
 Regional High School Tax
 County Taxes
 County Taxes Added and Omitted
 Local Tax for Municipal Purposes
 Add: Additional Tax Levied

858,618.00
 1,602,521.45
 1,145,148.38
 2,478.68
 1,553,948.58
22,588.94
\$ 1,576,537.52
\$ 5,185,304.03

BOROUGH OF WEST CAPE MAY
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

Balance December 31, 2011	<u>Ref.</u> A		\$	116,097.17
Increased By Receipts:				
Transfers from Taxes Receivable		\$		31,026.56
Interest and Costs Accrued by Sale November 20, 2012.				<u>662.91</u>
				<u>31,689.47</u>
				147,786.64
Decreased By Disbursements:				
Collections				<u>15,268.35</u>
				15,268.35
Balance December 31, 2012	A		\$	<u><u>132,518.29</u></u>

BOROUGH OF WEST CAPE MAY
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

<u>Miscellaneous Revenue Anticipated:</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2011</u>	<u>Accrued In 2012</u>	<u>Collected</u>	<u>Balance Dec. 31, 2012</u>
Licenses:					
Other		\$ -	\$ 29,870.00	\$ 29,870.00	\$ -
Municipal Court:					
Fines and Costs		-	15,901.31	14,933.78	967.53
Interest and Costs on Taxes		-	40,598.15	40,598.15	-
Energy Receipts Tax		-	89,303.00	89,303.00	-
Cape May City Interlocal					
Services Agreement - Lease		-	34,268.32	34,268.32	-
<u>Miscellaneous Revenue Not Anticipated:</u>					
Miscellaneous Non-Budget Revenue		-	60,003.85	60,003.85	-
TOTALS	<u>Ref.</u>	<u>\$ -</u>	<u>\$ 269,944.63</u>	<u>\$ 268,977.10</u>	<u>\$ 967.53</u>
		A		A-4	A
			Cash Received	\$ 268,977.10	
			Non-Cash Item	-	
				<u>\$ 268,977.10</u>	

**BOROUGH OF WEST CAPE MAY
CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2011	Balance After Transfers	Paid or Charged	Balance Lapsed
Department of Public Affairs & Safety:				
Director's Office				
Salaries & Wages	\$ 254.48	\$ 254.48	\$ -	\$ 254.48
Other Expenses	1,372.95	1,372.95	-	1,372.95
Fire				
Other Expenses:				
Miscellaneous Other Expenses	362.42	362.42	362.42	-
Aid to Volunteer Fire Company	187.95	187.95	187.95	-
Public Safety (Police)				
Salaries & Wages	100.00	100.00	-	100.00
Other Expenses	100.00	100.00	-	100.00
Municipal Prosecutor				
Salaries & Wages	792.74	792.74	-	792.74
Fire Safety Division				
Salaries & Wages	100.00	100.00	-	100.00
Other Expenses	100.00	100.00	-	100.00
Public Defender				
Salaries and Wages	17.99	17.99	-	17.99
Public Employee Awards Program (NJSA 40A:9-18) (NJSA 40A:5-31)				
Dog Regulation	200.00	200.00	-	200.00
Other Expenses	343.47	343.47	331.16	12.31
Emergency Management Services				
Salaries & Wages	105.47	105.47	-	105.47
Other Expenses	369.66	369.66	-	369.66
Board of Health				
Other Expenses	500.00	500.00	-	500.00
Emergency Medical Services-Contractual Celebration of Public Events, Anniversary, Holidays				
Other Expenses	22,014.13	22,014.13	11,549.19	10,464.94
	1,500.00	1,500.00	-	1,500.00

BOROUGH OF WEST CAPE MAY
CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2011	Balance After Transfers	Paid or Charged	Balance Lapsed
Department of Revenue and Finance:				
Director's Office				
Salaries & Wages	\$ 197.02	\$ 197.02	\$ -	\$ 197.02
Other Expenses	7,135.89	7,135.89	-	7,135.89
Financial Administration				
Salaries & Wages	6,826.50	6,826.50	-	6,826.50
Other Expenses:				
Miscellaneous	4,996.76	4,996.76	213.75	4,783.01
Other Expenses				
Borough Clerk				
Salaries and Wages	535.54	535.54	-	535.54
Other Expenses	2,196.97	2,196.97	21.08	2,175.89
Elections				
Other Expenses	7,795.53	7,795.53	-	7,795.53
Assessment of Taxes				
Salaries & Wages	110.56	110.56	-	110.56
Other Expenses	160.63	160.63	-	160.63
Collection of Taxes				
Salaries & Wages	195.87	195.87	-	195.87
Other Expenses	1,774.00	1,774.00	213.75	1,560.25
Liquidation of Tax Title Liens				
Other Expenses	200.00	200.00	-	200.00
Legal Services and Costs				
Other Expenses	66,909.31	66,909.31	9,300.00	57,609.31
Grant Coordinator - Contractual	17,414.50	17,414.50	-	17,414.50
Code Enforcement Officer				
Salaries & Wages	3,887.07	3,887.07	-	3,887.07
Other Expenses	100.00	100.00	-	100.00
Construction Code Enforcement				
Salaries and Wages	6,457.88	6,457.88	-	6,457.88
Zoning Officer				
Salaries & Wages	95.66	95.66	-	95.66
Other Expenses	650.00	650.00	-	650.00
Planning and Zoning				
Salaries & Wages	168.24	168.24	-	168.24
Other Expenses	7,102.08	7,102.08	-	7,102.08
Historic Preservation	1,000.00	1,000.00	-	1,000.00

BOROUGH OF WEST CAPE MAY
CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2011	Balance After Transfers	Paid or Charged	Balance Lapsed
Department of Public Works, Parks & Public Property:				
Director's Office	\$			
Salaries & Wages	5,145.58	\$ 5,145.58	-	5,145.58
Other Expenses	3,209.88	3,209.88	-	3,209.88
Public Building and Grounds				
Other Expenses	9,223.92	9,223.92	184.95	9,038.97
Engineering				
Other Expenses	1,000.00	1,000.00	-	1,000.00
Road Repairs and Maintenance				
Salaries and Wages	9,477.24	9,477.24	-	9,477.24
Other Expenses	2,570.27	2,570.27	264.00	2,306.27
Garbage and Trash Removal				
Other Expenses	2,089.27	2,089.27	1,855.84	233.43
Recycling				
Other Expenses	4,092.80	4,092.80	1,654.00	2,438.80
Shade Tree Commission				
Other Expenses	50.00	50.00	-	50.00
Parks and Playgrounds				
Other Expenses	500.00	500.00	-	500.00
Recreation				
Other Expenses	300.00	300.00	-	300.00
Environmental Commission				
Other Expenses	500.00	500.00	-	500.00
General Office Operations				
Other Expenses	3,917.21	3,917.21	1,231.77	2,685.44
Electric	6,333.33	6,333.33	-	6,333.33
Street Lighting	559.87	559.87	-	559.87
Telephone	693.19	693.19	-	693.19
Fuel Oil	2,704.14	2,704.14	-	2,704.14
Gasoline/Diesel Fuel	2,500.00	2,500.00	-	2,500.00
Postage				

BOROUGH OF WEST CAPE MAY
CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2011	Balance After Transfers	Paid or Charged	Balance Lapsed
Statutory Expenditures				
Defined Contribution Retirement Program	\$ 93.04	\$ 93.04	-	\$ 93.04
Social Security System (O.A.S.I.)	2,961.11	2,961.11	270.61	2,690.50
Unemployment Compensation Insurance	537.97	537.97	-	537.97
Municipal Court				
Salaries & Wages	2,545.85	2,545.85	-	2,545.85
Other Expenses	946.87	946.87	49.98	896.89
Insurance				
General Liability	5,384.36	5,384.36	-	5,384.36
Workers Compensation Insurance	15,002.48	15,002.48	-	15,002.48
Matching Funds for Grants	2,000.00	2,000.00	-	2,000.00
TOTALS	\$ 248,669.65	\$ 248,669.65	\$ 27,690.45	\$ 220,979.20
	A		A-4	A-1
Appropriation Reserves	\$ 244,626.97		-	
Encumbrances Payable	4,042.68		-	
	<u>248,669.65</u>			
Cash Disbursed - Appropriation Reserves	\$	\$ 27,690.45	-	
Accounts Payable	\$		<u>27,690.45</u>	

BOROUGH OF WEST CAPE MAY
FEDERAL AND STATE GRANT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

<u>Purpose</u>	<u>Balance Dec. 31, 2011</u>	<u>Anticipated Revenues</u>	<u>Received</u>	<u>Balance Dec. 31, 2012</u>
State:				
New Jersey Transportation Trust				
Fund Authority Act of 1984:				
Columbia Avenue	\$ 50,908.87	\$	\$	50,908.87
Fow Avenue	50,000.00			50,000.00
Second Avenue	16,023.95			16,023.95
Clean Communities	-	4,117.13	4,117.13	-
DOT Bike Path Grant - 2012	-	180,000.00		180,000.00
Tonnage Grant	-	3,146.40	1,393.53	1,752.87
Federal:				
None	-			-
TOTALS	\$ 116,932.82	\$ 187,263.53	\$ 5,510.66	\$ 298,685.69
	A			A

Ref.

**BOROUGH OF WEST CAPE MAY
FEDERAL AND STATE GRANT FUND
SCHEDULE OF RESERVES FOR FEDERAL AND STATE GRANTS - UNAPPROPRIATED**

<u>Purpose</u>	<u>Balance Dec. 31, 2011</u>	<u>Received</u>	<u>Anticipated Revenues</u>	<u>Balance Dec. 31, 2012</u>
State:				
Alcohol Education Rehabilitation	\$ -	\$ 539.63	-	\$ 539.63
Recycling Tonnage	1,571.40	-	-	1,571.40
Stormwater Management Grant	1,705.00	-	-	1,705.00
Federal:				
Small Cities Program - 2002	15,645.00	-	-	15,645.00
TOTALS	\$ 18,921.40	\$ 539.63	\$ -	\$ 19,461.03
	A			A

Ref.

**BOROUGH OF WEST CAPE MAY
FEDERAL AND STATE GRANT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS**

<u>Purpose</u>	Balance Dec. 31, 2011	Budget Appropriations	Expended	Balance Dec. 31, 2012
State:				
New Jersey Transportation Trust:				
Fund Authority Act of 1984:				
Columbia Avenue	\$ 41,163.22	-	-	\$ 41,163.22
Second Avenue	10,494.94	-	-	10,494.94
Clean Communities	439.36	4,117.13	4,117.13	439.36
Alcohol Education and Rehabilitation	4,185.44	-	900.00	3,285.44
Solid Waste Recycling	7,640.43	-	-	7,640.43
Recycling Tonnage	12,557.85	3,146.40	-	15,704.25
DOT Bike Path	-	180,000.00	-	180,000.00
Emergency Management Relief	2,576.25	-	-	2,576.25
Municipal Alliance - Local Share	2,039.90	-	-	2,039.90
Cape May County Recycling	268.32	-	-	268.32
Cape May County MUA	3,959.45	-	-	3,959.45
Federal:				
None	-	-	-	-
TOTALS	\$ 85,325.16	\$ 187,263.53	\$ 5,017.13	\$ 267,571.56
Ref.	A			A
		Cash Disbursed	\$ 5,017.13	A-4
		Net Encumbrances	-	A
			<u>\$ 5,017.13</u>	

BOROUGH OF WEST CAPE MAY
TRUST FUND
SCHEDULE OF ANIMAL CONTROL CASH - TREASURER

Balance December 31, 2011	<u>Ref.</u> B		\$	1,922.81
Increased By Receipts:				
Dog Licenses Fees		\$ 750.00		
State License Fees		62.40		
Interest Earned		-		
				812.40
				2,735.21
Decreased By Disbursements:				
State License Fee		62.40		
				62.40
Balance December 31, 2012	B		\$	2,672.81

BOROUGH OF WEST CAPE MAY
TRUST FUND
SCHEDULE OF OTHER TRUST CASH - TREASURER

Balance December 31, 2011	<u>Ref.</u> B		\$	330,387.02
Increased By Receipts:				
Tax Title Liens		\$ 192,284.55		
Site Plan Escrow Deposits		78,216.49		
COAH Fees		59,564.32		
Public Assistance		4.36		
Liquor License Trust		617,830.50		
Other Trust Fund Receipts		83,111.13		
				1,031,011.35
				1,361,398.37
Decreased By Disbursements:				
Tax Title Lien Redemptions		141,819.11		
Site Plan Escrow Deposits Returned		48,681.69		
COAH Fees		2,400.00		
Public Assistance		4.36		
Other Trust Fund Disbursements		91,143.52		
				284,048.68
Balance December 31, 2012	B		\$	1,077,349.69

BOROUGH OF WEST CAPE MAY
TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance December 31, 2011	<u>Ref.</u> B		\$ 1,920.81
Increased By:			
Dog Licenses Fees Collected		\$ <u>750.00</u>	<u>750.00</u>
			2,670.81
Decreased By Disbursements:			
Excess to Current Fund		<u>1,218.21</u>	<u>1,218.21</u>
Balance December 31, 2012	B		\$ <u><u>1,452.60</u></u>
License Fees Collected	<u>Year</u>		
	2010	747.00	
	2011	<u>705.60</u>	
		\$ <u><u>1,452.60</u></u>	

SCHEDULE OF AMOUNT DUE TO STATE OF NEW JERSEY

Balance December 31, 2011	<u>Ref.</u> B		\$ 2.00
Increased By:			
Collected in 2012		\$ <u>62.40</u>	<u>62.40</u>
			64.40
Decreased By:			
Paid to State of New Jersey		<u>62.40</u>	<u>62.40</u>
Balance December 31, 2012	B		\$ <u><u>2.00</u></u>

BOROUGH OF WEST CAPE MAY
GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER

Balance December 31, 2011	<u>Ref.</u> C		\$	103,273.46
Increased By Receipts:				
Due from Current Fund		\$ 170,576.04		
Proceeds from Bond Anticipation Notes		<u>165,000.00</u>		
				<u>335,576.04</u>
				438,849.50
Decreased By Disbursements:				
Improvement Authorizations		11,735.00		
Paydown of Bond Anticipation Notes		<u>331,775.70</u>		
				<u>343,510.70</u>
Balance December 31, 2012	C		\$	<u><u>95,338.80</u></u>

**BOROUGH OF WEST CAPE MAY
GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Receipts		Disbursements		Transfers		Balance Dec. 31, 2012
	Balance Dec. 31, 2011	Notes issued	Misc.	Improvement Authorizations	Misc.	From	
Fund Balance	\$ 202.39	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 202.39
Capital Improvement Fund	25,900.00	-	5,500.00	-	-	-	31,400.00
Due to (from) Current Fund	1,775.70	-	76.04	-	1,775.70	-	76.04
Due to (from) Trust Other Fund	-	-	-	-	-	40,000.00	(40,000.00)
Encumbrances Payable	-	-	-	-	-	-	-
Reserve for:							
Purchase of Fire Equipment	535.28	-	-	-	-	-	535.28
<u>Improvement Authorizations</u>							
Ord.							
292-01 Improvements to Municipal Buildings	177.10	-	-	-	-	-	177.10
324-03 Various Improvements	2,725.95	-	40,000.00	-	40,000.00	-	2,725.95
349-05 Public Safety Equipment	2.89	-	-	-	-	-	2.89
355-05 Various Improvements	8,659.98	-	20,000.00	-	20,000.00	-	8,659.98
367-06 Various Improvements	7,240.00	-	-	-	-	-	7,240.00
374-06 Various Improvements	26,367.50	35,000.00	35,000.00	-	70,000.00	-	26,367.50
390-07 Various Improvements	1,247.67	20,000.00	15,000.00	-	35,000.00	-	1,247.67
406-07 Various Improvements	25,698.00	5,000.00	15,000.00	-	20,000.00	-	25,698.00
389-07 Solar Panels - County	734.00	-	-	-	-	-	734.00
413-08 Various Improvements - County	2,007.00	20,000.00	25,000.00	-	45,000.00	-	2,007.00
445-10 Various Improvements	-	85,000.00	15,000.00	-	100,000.00	-	-
471-12 Various Improvements	-	-	-	11,735.00	-	-	-
	\$ 103,273.46	\$ 165,000.00	\$ 170,576.04	\$ 11,735.00	\$ 331,775.70	\$ 40,000.00	\$ 28,265.00
	C						C

Ref.

BOROUGH OF WEST CAPE MAY
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance December 31, 2011	<u>Ref.</u> C		\$ 25,900.00
Increased By:			
Budget Appropriation		\$ 5,500.00	
		<hr/>	<hr/>
			5,500.00
			<hr/>
			31,400.00
Decreased By:			
None		-	
		<hr/>	<hr/>
			-
Balance December 31, 2012	C		\$ <u><u>31,400.00</u></u>

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance December 31, 2011	<u>Ref.</u> C		\$ -
Increased By:			
None		\$ -	
		<hr/>	<hr/>
			-
Decreased By:			
None		-	
		<hr/>	<hr/>
			-
Balance December 31, 2012	C		\$ <u><u>-</u></u>

**BOROUGH OF WEST CAPE MAY
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord. Number	Improvement Description	Ord. Date	Amount	Balance December 31, 2011		Capital Improvement Fund	2012 Authorizations		Paid or Charged	Balance December 31, 2012	
				Funded	Unfunded		Deferred Charges to Future Taxation	Other		Funded	Unfunded
292-01	Improvements to Municipal Buildings	4/3/2001	\$ 125,000	\$ 177.10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 177.10	\$ -
324-03	Various Improvements	3/4/2004	250,000	-	2,725.95	-	-	-	-	2,725.95	-
349-05	Public Safety Equipment	10/4/2005	8,243	2.89	-	-	-	-	-	2.89	-
355-05	Various Improvements	10/4/2005	80,000	-	8,659.98	-	-	-	-	8,659.98	-
367-06	Various Improvements	12/13/2006	61,300	7,240.00	-	-	-	-	-	7,240.00	-
374-06	Various Improvements	6/9/2006	106,000	-	26,367.50	-	-	-	-	-	26,367.50
389-07	Solar Panels - County	7/25/2007	50,000	734.00	-	-	-	-	-	734.00	-
390-07	Various Improvements	7/25/2007	70,000	-	1,247.67	-	-	-	-	-	1,247.67
406-07	Various Improvements	12/19/2007	36,000	5,698.00	22,202.00	-	-	-	-	20,698.00	7,202.00
413-08	Various Improvements - County	7/23/2008	120,000	-	2,007.00	-	-	-	-	-	2,007.00
471-12	Various Improvements	5/23/2012	200,000	-	-	-	200,000.00	40,000.00	11,735.00	28,265.00	200,000.00
				\$ 13,851.99	\$ 63,210.10	\$ -	\$ 200,000.00	\$ 40,000.00	\$ 11,735.00	\$ 68,502.92	\$ 236,824.17
			Ref.	C	C					C	C
							Cash Disbursed	C-2	\$ 11,735.00		
							Encumbered	C-2	\$ -		
									\$ 11,735.00		

BOROUGH OF WEST CAPE MAY
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES

Ord. Number	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
324-03	Various Capital Improvements	10/30/2003	9/30/2011	9/28/2012	1.100%	40,000.00	-	40,000.00	-
355-05	Various Improvements	10/5/2006	9/30/2011	9/28/2012	1.100%	20,000.00	-	20,000.00	-
374-06	Various Improvements	10/3/2007	9/30/2011	9/28/2012	1.100%	70,000.00	-	70,000.00	-
374-06	Various Improvements	10/3/2007	9/27/2012	9/27/2013	1.375%	-	35,000.00	-	35,000.00
390-07	Various Improvements	10/3/2007	9/30/2011	9/28/2012	1.100%	35,000.00	-	35,000.00	-
390-07	Various Improvements	10/3/2007	9/27/2012	9/27/2013	1.375%	-	20,000.00	-	20,000.00
406-07	Various Improvements	10/1/2010	9/30/2011	9/28/2012	1.100%	20,000.00	-	20,000.00	-
406-07	Various Improvements	10/1/2010	9/27/2012	9/27/2013	1.375%	-	5,000.00	-	5,000.00
413-08	Various Improvements - County	10/2/2008	9/30/2011	9/28/2012	1.100%	45,000.00	-	45,000.00	-
413-08	Various Improvements - County	10/2/2008	9/27/2012	9/27/2013	1.375%	-	20,000.00	-	20,000.00
445-10	Various Improvements	10/1/2010	9/30/2011	9/28/2012	1.100%	100,000.00	-	100,000.00	-
445-10	Various Improvements	10/1/2010	9/27/2012	9/27/2013	1.375%	-	85,000.00	-	85,000.00
						<u>\$ 330,000.00</u>	<u>\$ 165,000.00</u>	<u>\$ 330,000.00</u>	<u>\$ 165,000.00</u>
					Ref.	C			C

BOROUGH OF WEST CAPE MAY
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ord. Number</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2011</u>	<u>2012 Authorizations</u>	<u>Bonds, Notes or Grants Issued</u>	<u>Balance Dec. 31, 2012</u>
406-07	Various Improvements	2,202.00	-	-	2,202.00
471-12	Small Cities CDBG- U/F	-	200,000.00	-	200,000.00
		\$ 2,202.00	\$ 200,000.00	\$ -	\$ 202,202.00
		C			C

Ref.

BOROUGH OF WEST CAPE MAY
WATER & SEWER UTILITY FUNDS
SCHEDULE OF CASH

	<u>Ref.</u>	<u>Operating</u>	
Balance December 31, 2011	D	<u>\$</u>	<u>927,890.97</u>
Increased by Receipts:			
Water & Sewer Rent Collected		\$ 908,267.65	
Water & Sewer Overpayments		434.10	
Water & Sewer Prepaid		437.58	
Miscellaneous		21,581.38	
Due from Current Fund		191,669.50	
Due to Water & Sewer Capital Fund		<u>2,300,000.00</u>	
			<u>3,422,390.21</u>
Decreased by Disbursements:			
Current Appropriations		646,154.63	
Appropriation Reserves		-	
Encumbrance Payable		2,737.92	
Due to Current		189,382.95	
Accrued Interest on Notes and Loans		<u>103,607.81</u>	
			<u>941,883.31</u>
Balance December 31, 2012	D	<u>\$</u>	<u><u>3,408,397.87</u></u>

**BOROUGH OF WEST CAPE MAY
WATER & SEWER UTILITY CAPITAL FUND
ANALYSIS OF CASH**

	Receipts		Disbursements			Transfers		Balance Dec. 31, 2012
	Balance Dec. 31, 2011	Bonds Issued	Notes Issued	Misc.	Improvement Authorizations	Misc.	From	
Capital Improvement Fund	\$ 110,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,000.00
Capital Fund Balance	225.00	-	-	-	-	-	-	225.00
USDA Grant Receivable	-	-	-	-	-	-	-	-
USDA Grant Receivable Due to/(from):	(330,548.00)	-	-	-	-	-	-	(330,548.00)
Current Fund	(191,669.50)	-	-	191,669.50	-	-	-	-
Water & Sewer Operating Fund	(617,088.81)	-	-	-	2,326,067.00	-	-	(2,943,155.81)
Encumbrances Payable	36,667.81	-	-	-	-	-	-	36,667.81
Reserve for Debt Service	137,854.00	-	-	-	-	-	-	137,854.00
Improvement Authorizations								
Ord.								
Number Various Improvements	(800.00)	-	-	-	-	-	-	(800.00)
171-91 Improvements to Water and Sewer	-	-	-	-	-	-	-	-
446-10 Infrastructure	-	-	-	-	139,469.00	-	-	139,469.00
Water / Sewer Utility Improvements	147,339.50	-	2,300,000.00	-	26,133.50	-	-	2,473,473.00
464-11 Water / Sewer Utility Improvements	708,000.00	-	-	-	-	-	-	708,000.00
Total	\$ -	\$ -	\$ 2,300,000.00	\$ 191,669.50	\$ 165,602.50	\$ 2,326,067.00	\$ -	\$ 2,981,866.50
E	-	-	2,300,000.00	191,669.50	165,602.50	2,326,067.00	-	2,981,866.50

BOROUGH OF WEST CAPE MAY
WATER & SEWER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

Balance December 31, 2011	<u>Ref.</u> D		\$ 47,438.26
Increased By:			
Water & Sewer Levy		\$	
		<u>915,287.25</u>	
			<u>915,287.25</u>
			962,725.51
Decreased By:			
Collections		<u>908,267.65</u>	
			<u>908,267.65</u>
Balance December 31, 2012	D		\$ <u><u>54,457.86</u></u>

SCHEDULE OF UTILITY LIENS

Balance December 31, 2011	<u>Ref.</u> D		\$ -
Increased By:			
None		\$ <u>-</u>	
			<u>-</u>
			-
Decreased By:			
None		<u>-</u>	
			<u>-</u>
Balance December 31, 2012	D		\$ <u><u>-</u></u>

BOROUGH OF WEST CAPE MAY
WATER & SEWER UTILITY OPERATING FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2011	Balance After Transfers	Paid or Charged	Balance Lapsed
Operating:				
Salaries and Wages	\$ 10,954.54	\$ 10,954.54	\$ -	10,954.54
Other Expenses	21,555.10	21,555.10	2,737.92	18,817.18
Deferred Charges and Statutory Expenditures:				
Statutory Expenditures:				
Contribution to:				
Social Security System (O.A.S.I.)	838.12	838.12	-	838.12
TOTALS	<u>\$ 33,347.76</u>	<u>\$ 33,347.76</u>	<u>\$ 2,737.92</u>	<u>\$ 30,609.84</u>
	D		D-5	D-1
Rep.				
Appropriation Reserves	\$ 25,426.76			
Encumbrances Payable	7,921.00			
	<u>\$ 33,347.76</u>			

BOROUGH OF WEST CAPE MAY
WATER & SEWER UTILITY CAPITAL FUND
SCHEDULE OF UTILITY CAPITAL IMPROVEMENT FUND

Balance December 31, 2011	<u>Ref.</u> D	\$ 110,000.00
Increased By:		
None	\$ _____	-
		<u>110,000.00</u>
Decreased By:		
None	_____	-
Balance December 31, 2012	D	<u>\$ 110,000.00</u>

BOROUGH OF WEST CAPE MAY
WATER & SEWER OPERATING FUND
SCHEDULE OF ACCRUED INTEREST ON BONDS
AND NOTES AND ANALYSIS OF BALANCE

Balance December 31, 2011	<u>Ref.</u> D		\$ 23,796.56
Increased By:			
USDA & BAN Interest		\$ <u>110,008.25</u>	<u>110,008.25</u>
			133,804.81
Decreased By:			
USDA & BAN Interest Paid		<u>103,607.81</u>	<u>103,607.81</u>
Balance December 31, 2012	D		<u><u>\$ 30,197.00</u></u>

Analysis of Accrued Interest December 31, 2012

Principal Outstanding Dec. 31, 2012	Interest Rate	From	To	Days	Amount
\$ 192,201.37	5.000%	12/2/2012	12/31/2012	29	\$ 800.84
525,856.21	4.500%	10/29/2012	12/31/2012	63	3,943.92
889,205.26	4.125%	7/22/2012	12/31/2012	162	15,283.22
<u>2,965,000.00</u>	1.375%	9/28/2012	12/31/2012	101	<u>10,169.03</u>
<u>\$ 4,572,262.84</u>					<u>\$ 30,197.00</u>

**BOROUGH OF WEST CAPE MAY
WATER & SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord. Number	Improvement Description	Ord. Date	Amount	Balance December 31, 2011		Capital Improvement Fund	2012 Authorizations		Paid or Charged	Balance December 31, 2012	
				Funded	Unfunded		Deferred Charges to Future Revenue	Funded		Unfunded	
446-10	Improvements to Water and Sewer Infrastructure	3/10/2010	220,000	-	147,339.50	-	-	139,469.00	-	-	7,870.50
464-11	Water / Sewer Utility Improvements	11/9/2011	3,013,000	-	3,013,000.00	-	-	26,133.50	-	-	2,986,866.50
				\$ -	\$ 3,160,339.50	\$ -	\$ -	\$ 165,602.50	\$ -	\$ -	\$ 2,994,737.00
			Ref.		D				D		D
								Cash Disbursed	\$ 165,602.50		
								Encumbered	\$ -		
									\$ 165,602.50		

**BOROUGH OF WEST CAPE MAY
 WATER & SEWER UTILITY CAPITAL FUND
 SCHEDULE OF LOANS PAYABLE**

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Loans Outstanding		Interest Rate	Balance Dec. 31, 2011	Decreased	Balance Dec. 31, 2012
			Date	Amount				
Replace Septic System	12/2/1992	\$ 293,200	*****	*****	5.000%	\$ 198,318.53	\$ 6,117.16	\$ 192,201.37
USDA Bond - semi-annual payments of \$8,512.00 due on June 2 and December 2. Final payment December 2, 2032								
Sanitary Sewer System Impro.	10/29/2004	\$ 576,000	*****	*****	4.500%	\$ 533,127.74	\$ 7,271.53	\$ 525,856.21
USDA Bond - semi-annual payments of \$15,593.00 due on April 28 and October 28. Final payment October 28, 2044								
Sanitary Sewer System Impro.	1/22/2009	\$ 924,000	*****	*****	4.125%	\$ 899,689.88	\$ 10,484.62	\$ 889,205.26
USDA Bond - semi-annual payments of \$23,692.00 due on January 22 and July 22. Final payment July 22, 2049								

**BOROUGH OF WEST CAPE MAY
WATER & SEWER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES**

Ord. Number	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2011	2012		Balance Dec. 31, 2012
							Increased	Decreased	
314-02	Sewer Main Replacement - 2002	10/3/2007	10/1/2011	9/28/2012	1.100%	\$ 360,000.00	\$ -	\$ 360,000.00	-
		10/3/2007	9/27/2012	9/27/2013	1.375%	-	320,000.00	-	320,000.00
243-96	Sanitary Sewer System	10/1/2010	10/1/2011	9/28/2012	1.100%	25,000.00	-	25,000.00	-
		10/1/2010	9/27/2012	9/27/2013	1.375%	-	20,000.00	-	20,000.00
330-03	Sewer Main Replacement - 2003	10/1/2010	10/1/2011	9/28/2012	1.100%	145,000.00	-	145,000.00	-
		10/1/2010	9/27/2012	9/27/2013	1.375%	-	135,000.00	-	135,000.00
446-10	Improvements to Water and Sewer Infrastructure	10/1/2010	10/1/2011	9/28/2012	1.100%	200,000.00	-	200,000.00	-
		10/1/2010	9/27/2012	9/27/2013	1.375%	-	190,000.00	-	190,000.00
464-11	Water & Sewer Improvements	11/9/2011	9/27/2012	9/27/2013	1.375%	-	2,300,000.00	-	2,300,000.00
						\$ 730,000.00	\$ 2,965,000.00	\$ 730,000.00	\$ 2,965,000.00
						D	D-4	D	D

Ref.

**BOROUGH OF WEST CAPE MAY
 WATER & SEWER UTILITY CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

Ord. Number	Improvement Description	Balance Dec. 31, 2011	2012 Authorizations	Bond, Notes or Grants Issued	Notes not Renewed	Balance Dec. 31, 2012
171-91	Various Improvements	\$ 800.00	\$ -	\$ -	\$ -	800.00
464-11	Water/Sewer Utility Improvements	2,305,000.00	-	2,300,000.00	-	5,000.00
		<u>\$ 2,305,800.00</u>	<u>\$ -</u>	<u>\$ 2,300,000.00</u>	<u>\$ -</u>	<u>\$ 5,800.00</u>
		D				D

BOROUGH OF WEST CAPE MAY

PART II

GENERAL COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2012



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Borough Commission
Borough of West Cape May
County of Cape May, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements – regulatory basis, as listed in the accompanying table of contents, of the Borough of West Cape May, State of New Jersey, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated June 28, 2013, which was adverse due to being presented in accordance with the New Jersey Regulatory Basis of Accounting. Our report disclosed that, as described in Note 1 to the financial statements, the Borough of West Cape May prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, which is described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency. This deficiency is identified as Finding #2012-1.

Compliance and Other Matters

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

Borough's Responses to Findings

The Borough's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Borough's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

Leon P. Costello

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

June 28, 2013

BOROUGH OF WEST CAPE MAY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING DECEMBER 31, 2012

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified Opinion issued on the Financial Statements – Statutory Basis, presented in accordance with an “Other Comprehensive Basis of Accounting” dated June 28, 2013.

Internal control over financial reporting:

- | | |
|---|------------|
| 1) Material Weakness identified? | NO |
| 2) Significant Deficiencies identified? | YES |

Non-Compliance material to Financial Statements – Statutory 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 one finding relating to the financial statements – regulatory basis that is required to be reported. The finding are located on page 82 of this report. In addition, we have issued a Management Letter.

MANAGEMENT RESPONSES

The Borough will adopt a Corrective Action Plan in response to the findings.

STATUS OF PRIOR YEAR FINDINGS

Financial Statement Finding

Finding No. 2011-1

Condition

The General Ledger was not consistently reconciled with subledgers.

Current Status

The Condition has not been resolved for 2011 and is listed as item 2012-1 in the current year.

BOROUGH OF WEST CAPE MAY

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." The bid threshold for the Borough is \$17,500.

The governing body of the Borough of West 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 Borough Commission'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:

Solid Waste and Recyclable Materials Collection

Collection of Interest on Delinquent Taxes and Assessments

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

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

BE IT RESOLVED by the Borough Commissioners of the Borough of West 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 Borough of West 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 Borough Commissioners of the Borough of West 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 2012.

This Resolution shall take effect January 1, 2012.

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

BOROUGH OF WEST CAPE MAY

GENERAL COMMENTS (Continued)

Delinquent Taxes and Tax Title Liens

The tax sale was held and was complete.

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>
2012	12
2011	13
2010	12

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 2012 and 2013 Taxes	10
Delinquent Taxes	5
Payment of Water and Sewer Rents	10
Delinquent Water and Sewer Rents	5
Total	<u>30</u>

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 receipts were deposited within the mandated time.

BOROUGH OF WEST CAPE MAY

FINDINGS AND RECOMMENDATIONS

* Finding #2012-1:

The General Ledger was not reconciled with the sub-ledgers.

Criteria:

Local Finance Notice 2003-14 requires that all local units maintain a General Ledger Accounting System for the current fund in accordance with certain minimum standards which includes supporting ledgers. These standards shall be applicable for all funds of the local unit: current, state and federal grant, capital, all trusts and utilities.

Condition:

The General Ledger was not consistently reconciled with subledgers.

Context:

Full utilization of the general ledger has not been a priority.

Effect:

As a result of not properly reconciling general ledger with the corresponding subledgers, not all transactions were properly recorded nor were transfers made within the period in which the disbursements occurred.

Recommendation:

The General Ledger should be reconciled on a monthly basis with the subledgers. This will ensure that all transactions are recorded in the period within which they occurred. Cash transfers should be made from one account to another in accordance with the detail in the subledgers to avoid large interfund balances.

* Indicates a similar recommendation made in the prior year.

In accordance with the Division of Local Government Services Regulations, a corrective action plan must be prepared and filed by the Board of Commissioners in response to my recommendation.

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

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June 28, 2013