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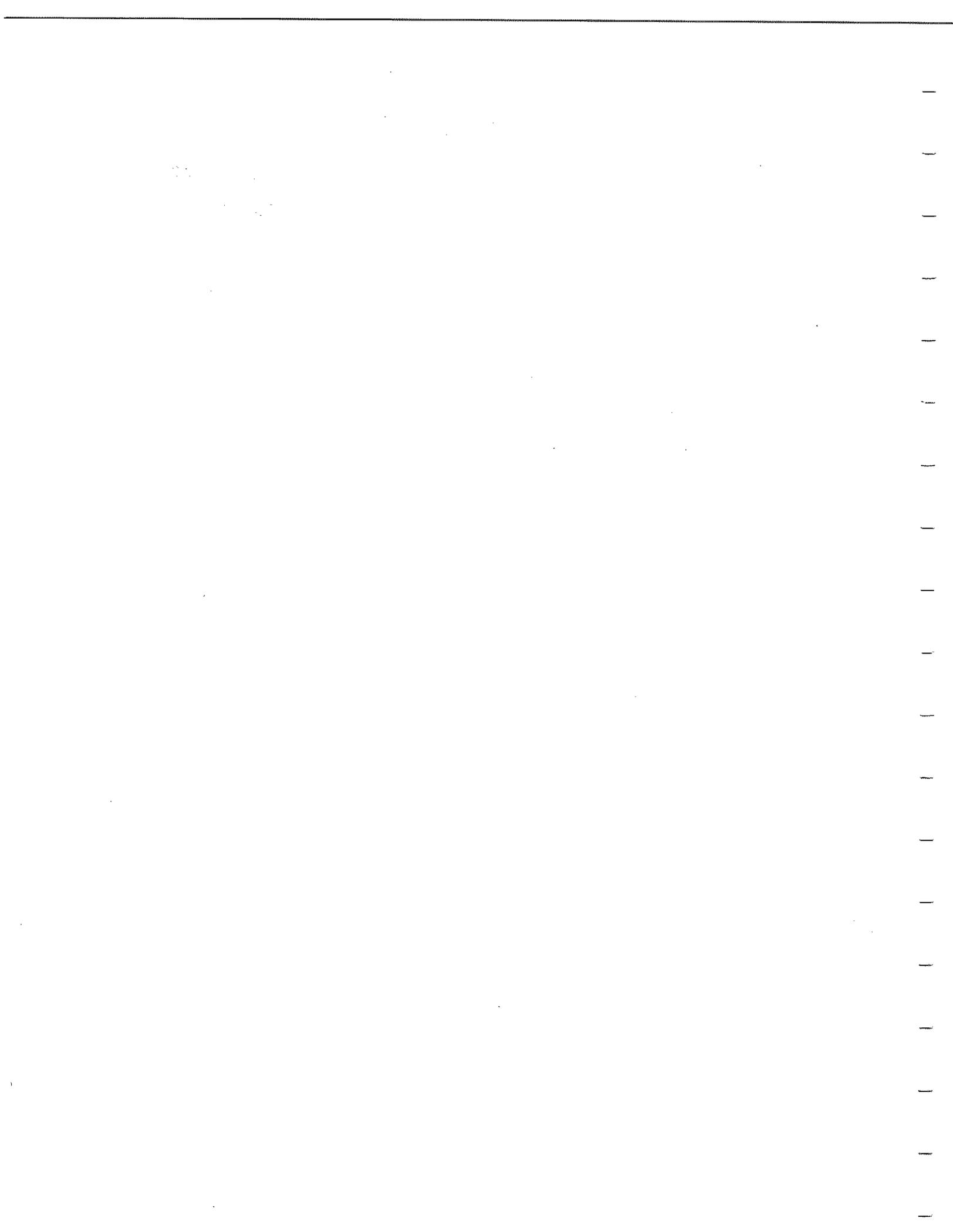
Clerk's Office

BOROUGH OF WEST CAPE MAY

REPORT OF AUDIT

FOR THE YEAR ENDED

DECEMBER 31, 2013



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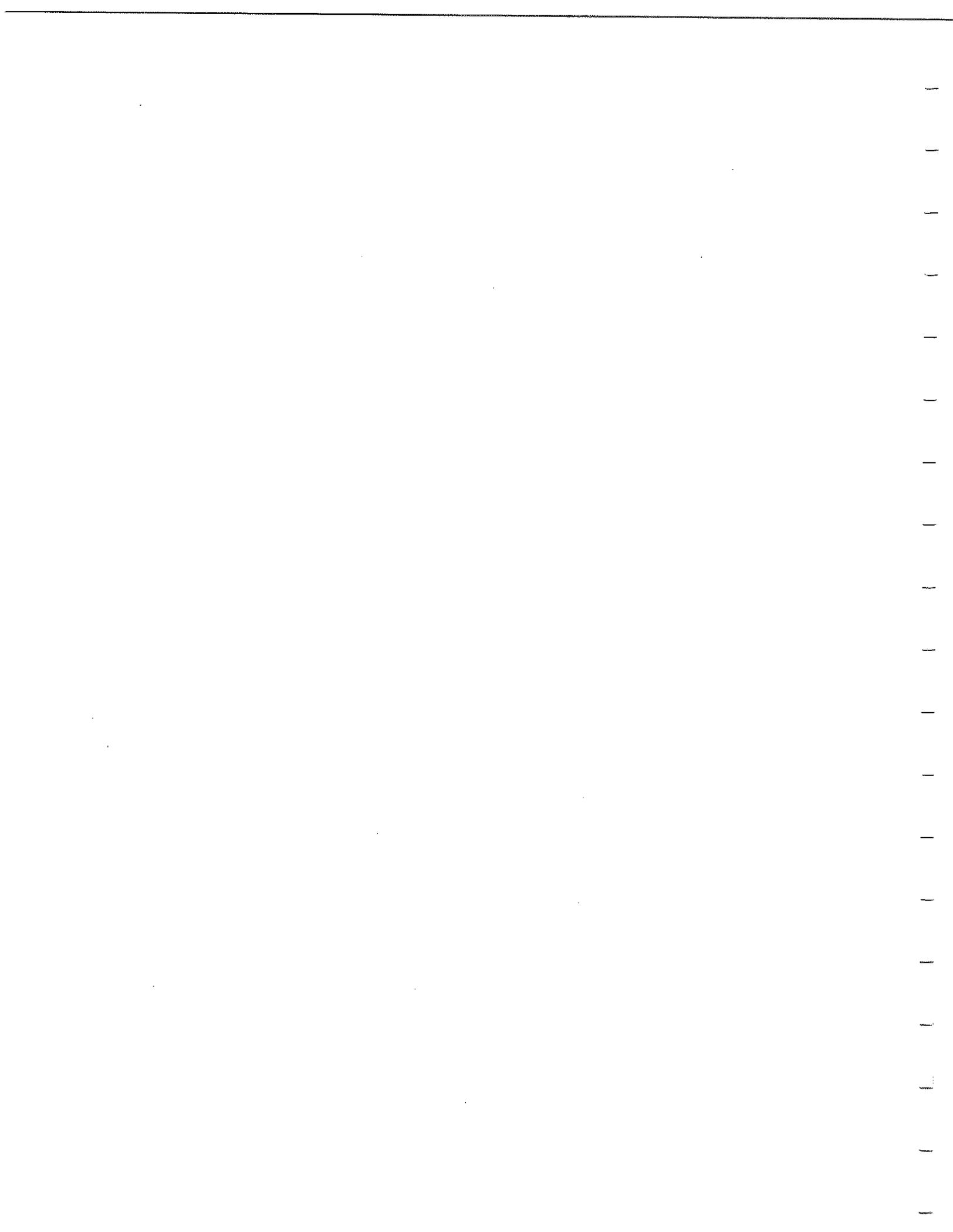
BOROUGH OF WEST CAPE MAY

PART I

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS - REGULATORY BASIS

FOR THE YEAR ENDED

DECEMBER 31, 2013





FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538
PHONE 609.399.6333 • FAX 609.399.3710
www.ford-scott.com

Independent Auditor's Report

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, 2013 and 2012, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2013, 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 West Cape May as of December 31, 2013 and 2012, or changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2013 and 2012, 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, 2013 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 schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the schedule of expenditures of federal and state financial assistance as required by NJ OMB 04-04 and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the schedule of and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements. Because of the significance of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

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 30, 2014 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.

Very truly yours,

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 30, 2014

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**EXHIBIT - A
CURRENT FUND**



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

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Regular Fund:		
Cash:		
Cash Treasurer	\$ 621,971.56	776,039.18
Cash - Collector	661,660.43	91,644.00
Cash - Change	150.00	150.00
Total Cash	<u>1,283,781.99</u>	<u>867,833.18</u>
Other Receivables:		
Due from State - Chapter 20 P.L. 1971	138.95	388.95
Total Other Receivables	<u>138.95</u>	<u>388.95</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	113,081.75	166,277.13
Tax Title and Other Liens	139,693.41	132,518.29
Property Acquired for Taxes - at Assessed Valuation	230,782.00	230,782.00
Revenue Accounts Receivable	1,022.46	967.53
Interfund Receivable:		
Grant Fund	41,455.65	9,829.00
General Capital Fund	-	76.04
Utility Operating Fund	-	81,227.02
Due from Dog Fund	1,876.81	-
Trust - Escrow	-	16,803.80
Total Receivables and Other Assets	<u>527,912.08</u>	<u>638,480.81</u>
Deferred Charges:		
Special Emergency Appropriation	4,000.00	6,000.00
Total Deferred Charges	<u>4,000.00</u>	<u>6,000.00</u>
Total Regular Fund	<u>1,815,833.02</u>	<u>1,512,702.94</u>
Federal and State Grant Fund:		
Federal and State Grants Receivable	<u>146,543.24</u>	<u>298,685.69</u>
Total Federal and State Grant Fund	<u>146,543.24</u>	<u>298,685.69</u>
Total Current Fund	<u>\$ 1,962,376.26</u>	<u>1,811,388.63</u>

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2013</u>	<u>2012</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 209,671.34	279,969.47
Reserve for Encumbrances/Accounts Payable	27,142.52	9,747.98
Payroll Taxes Payable	23,865.14	-
Prepaid Taxes	78,940.78	51,019.40
Overpaid Taxes	4,030.39	6,931.09
Local School Tax Payable	7,211.48	-
County Added Tax Payable	4,992.86	2,478.68
Interfund Payable:		
Escrow Trust	3,232.00	732.00
POAA Trust	281.00	261.00
General Capital	97,519.67	-
Unemployment Trust	534.73	534.73
Utility Operating	165,320.61	-
Other		
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
	<u>647,923.30</u>	<u>376,855.13</u>
Reserve for Receivables and Other Assets	527,912.08	638,480.81
Fund Balance	639,997.64	497,367.00
Total Regular Fund	<u>1,815,833.02</u>	<u>1,512,702.94</u>
Federal and State Grant Fund:		
Unappropriated Reserves	19,346.17	19,461.03
Appropriated Reserves	83,917.32	267,571.56
Due to Current Fund	41,455.65	9,829.00
Due to HUD	1,824.10	1,824.10
Total Federal and State Grant Fund	<u>146,543.24</u>	<u>298,685.69</u>
Total Current Fund	<u>\$ 1,962,376.26</u>	<u>1,811,388.63</u>

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

	2013	2012
Revenue and Other Income Realized		
Fund Balance	\$ 224,000.00	253,000.00
Miscellaneous Revenue Anticipated	261,900.62	396,236.78
Receipts from Delinquent Taxes	161,969.45	176,530.45
Receipts from Current Taxes	4,696,397.32	4,990,085.79
Non Budget Revenue	56,022.25	60,003.85
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	260,542.61	220,979.20
Interfund Returned	64,603.40	9,785.51
Tax Over Payments Canceled	-	7,927.23
Total Income	<u>5,725,435.65</u>	<u>6,114,548.81</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	398,800.00	380,690.00
Other Expenses	850,213.00	862,989.00
Deferred Charges & Statutory Expenditures	80,296.00	82,545.00
Appropriations Excluded from "CAPS"		
Operations:		
Other Expenses	446,216.87	614,426.53
Capital Improvements	5,500.00	5,500.00
Debt Service	97,268.75	168,613.80
Deferred Charges	2,000.00	2,000.00
Local District School Tax	873,041.00	874,357.54
Regional District School Tax	1,464,283.20	1,659,792.88
County Tax	1,110,918.67	1,145,148.38
County Share of Added Tax	4,992.86	2,478.68
Other:		
Grant Balances Cancelled, Net	25,274.66	-
Total Expenditures	<u>5,358,805.01</u>	<u>5,798,541.81</u>
Excess in Revenue	<u>366,630.64</u>	<u>316,007.00</u>

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

	2013	2012
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	-	-
Emergency Appropriation		
Total Adjustments	-	-
Statutory Excess to Fund Balance	366,630.64	316,007.00
Fund Balance January 1	497,367.00	434,360.00
Decreased by:	863,997.64	750,367.00
Utilization as Anticipated Revenue	224,000.00	253,000.00
Fund Balance December 31	\$ 639,997.64	497,367.00

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	
Fund Balance Anticipated	\$ 224,000.00	-	-
Total Fund Balance Anticipated	224,000.00	-	-
Miscellaneous Revenues:			
Section A: Local Revenues			
Licenses:			
Other	27,000.00	-	1,518.00
Fines and Costs:			
Municipal Court	14,000.00	-	1,869.44
Interest and Costs on Taxes	35,000.00	-	5,966.31
Total Section A: Local Revenues	76,000.00	-	9,353.75
Section B: State Aid Without Offsetting Appropriations			
Energy Receipts Tax	89,303.00	-	-
Total Section B: State Aid Without Offsetting Appropriations	89,303.00	-	-
Section F: Special Items - Public and Private Programs			
Off-Set with Appropriations :			
Recycling Tonnage Grant	1,571.40	-	1,571.40
Alcohol Education and Rehabilitation Fund	539.63	-	539.63
Clean Communities	-	4,833.84	4,833.84
Total Section F: Special Items - Public and Private Programs	2,111.03	4,833.84	6,944.87
Off-Set with Appropriations			

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

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section G: Other Special Items				
Cape May City Lease	35,299.00	-	35,299.00	-
Liquor License Trust Surplus	45,000.00	-	45,000.00	-
Total Section G: Other Special Items	80,299.00	-	80,299.00	-
Total Miscellaneous Revenues:	247,713.03	4,833.84	261,900.62	9,353.75
Receipts from Delinquent Taxes	170,000.00	-	161,969.45	(8,030.55)
Amount to be Raised by Taxes for Support of Municipal Budget	1,492,108.08	-	1,639,528.87	147,420.79
Local Tax for Municipal Purposes				
Total Amount to be Raised by Taxes for Support of Municipal Budget	1,492,108.08	-	1,639,528.87	147,420.79
Budget Totals	2,133,821.11	4,833.84	2,287,398.94	148,743.99
Non-Budget Revenues:				
Other Non-Budget Revenues:	-	-	56,022.25	56,022.25
	2,133,821.11	4,833.84	2,343,421.19	204,766.24

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	4,696,397.32
Less: Reserve for Tax Appeals Pending	<u> -</u>
Net Revenue from Collections	4,696,397.32
Allocated to:	
School, County and Other Taxes	<u>3,314,997.53</u>
Balance for Support of Municipal Budget Appropriations	1,381,399.79
Increased by:	
Appropriation "Reserved for Uncollected Taxes"	<u>258,129.08</u>
Amount for Support of Municipal Budget Appropriations	<u><u>1,639,528.87</u></u>

Receipts from Delinquent Taxes:

Delinquent Tax Collection	151,616.41
Tax Title Lien Collections	<u>10,353.04</u>
Total Receipts from Delinquent Taxes	<u><u>161,969.45</u></u>

Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Zoning Approvals	7,320.00
Campground and Trailer Park Fees	10,840.00
Interest on Investments	788.94
Sr & Vet Admin Fee	280.00
CMC Election Reimbursements	5,400.00
FEMA - Sandy	3,733.40
Street Opening	6,470.00
Planning Board Fees	450.00
Vital Statistics	9.00
Comcast Franchise Fee	8,960.74
Wedding Fees	5,200.00
Dog Excess	1,876.81
Copies	285.43
Miscellaneous	<u>4,407.93</u>
Total Miscellaneous Revenue Not Anticipated:	<u><u>56,022.25</u></u>

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
\$						
OPERATIONS WITHIN "CAPS"						
DEPARTMENT OF PUBLIC AFFAIRS AND PUBLIC SAFETY						
Director's Office						
Salaries and Wages	12,200.00	12,200.00	11,013.60	-	1,186.40	-
Other Expenses	2,000.00	2,000.00	909.32	-	1,090.68	-
Fire						
Other Expenses						
Miscellaneous Other Expenses	26,000.00	26,000.00	17,858.08	3,794.84	4,347.08	-
Aid to Vol Fire Company	44,300.00	44,300.00	20,441.70	13,343.78	10,514.52	-
Police						
Salaries and Wages	100.00	100.00	-	-	100.00	-
Other Expenses	100.00	100.00	-	34.90	65.10	-
Municipal Prosecutor						
Salaries and Wages	6,800.00	6,800.00	6,762.60	-	37.40	-
Emergency Management Services						
Salaries and Wages	2,250.00	2,250.00	1,391.84	-	858.16	-
Other Expenses	1,000.00	1,000.00	(485.34)	1,485.34	-	-
Fire Safety Division						
Salaries and Wages	100.00	100.00	20.88	-	79.12	-
Other Expenses	100.00	100.00	-	-	100.00	-
Board of Health						
Other Expenses	500.00	500.00	190.00	-	310.00	-
Dog Regulation						
Other Expenses	9,000.00	9,000.00	8,310.51	456.00	233.49	-
Municipal Court						
Salaries and Wages	76,000.00	76,000.00	73,405.63	-	2,594.37	-
Other Expenses	6,500.00	6,500.00	5,490.28	281.66	728.06	-
Public Defender						
Salaries and Wages	4,100.00	4,100.00	4,038.79	-	61.21	-
Celebration of Public Events, Anniversary, Holidays						
Other Expenses	1,500.00	1,500.00	-	-	1,500.00	-
Emergency Medical Services - Contractual						
Public Employee Awards Program	68,000.00	68,000.00	59,700.19	-	8,299.81	-
(N.J.S.A. 40A:9-18)(N.J.S.A. 40A:5-31)	200.00	200.00	-	-	200.00	-

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

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
DEPARTMENT OF REVENUE AND FINANCE						
Director's Office						
Salaries and Wages	17,050.00	17,050.00	16,805.54	-	244.46	-
Other Expenses	10,000.00	10,000.00	6,332.97	295.00	3,372.03	-
Financial Administration						
Salaries and Wages	35,600.00	35,600.00	18,491.54	-	17,108.46	-
Other Expenses						
Audit Services	23,000.00	23,000.00	23,000.00	-	-	-
Miscellaneous Other Expenses	7,000.00	7,000.00	5,478.57	1,331.16	190.27	-
Borough Clerk						
Salaries and Wages	66,800.00	66,800.00	66,643.00	-	157.00	-
Other Expenses	16,000.00	16,000.00	5,580.66	320.00	10,099.34	-
Elections						
Other Expenses	5,000.00	5,000.00	4,162.60	-	837.40	-
Assessment of Taxes						
Salaries and Wages	10,900.00	10,900.00	10,705.15	-	194.85	-
Other Expenses	1,000.00	1,000.00	455.00	349.47	195.53	-
Collection of Taxes						
Salaries and Wages	30,000.00	30,000.00	30,000.00	-	-	-
Other Expenses	2,000.00	2,000.00	693.53	-	1,306.47	-
Liquidation of Tax Title Liens & Foreclosed Property						
Other Expenses	200.00	200.00	-	-	200.00	-
Legal Services and Costs						
Other Expenses	110,000.00	110,000.00	61,410.24	-	48,589.76	-
Municipal Land Use Law (NJSA 40:55D-1)						
Planning & Zoning Board						
Salaries and Wages	7,500.00	7,500.00	7,315.85	-	184.15	-
Other Expenses	5,000.00	5,000.00	754.82	-	4,245.18	-
Code Enforcement Officer						
Salaries and Wages	4,500.00	4,500.00	4,473.74	-	26.26	-
Other Expenses	100.00	100.00	-	-	100.00	-
Zoning Officer						
Salaries and Wages	7,700.00	7,700.00	7,599.43	-	100.57	-
Other Expenses	700.00	700.00	69.88	-	630.12	-
Grant Coordinator						
Contractual	15,000.00	15,000.00	3,500.00	-	11,500.00	-
Insurance						
General Liability	23,600.00	23,600.00	21,932.00	-	1,668.00	-
Workers Compensation Insurance	57,000.00	57,000.00	57,000.00	-	-	-
Employee Group Health	116,613.00	116,613.00	116,613.00	-	-	-

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

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Historic Preservation	1,000.00	1,000.00	17.36	-	982.64	-
Other Expenses						
Construction Code Enforcement	10,500.00	10,500.00	1,235.00	-	9,265.00	-
Other Expenses						
DEPARTMENT OF PUBLIC WORKS, PARKS AND RECREATION						
Director's Office						
Salaries and Wages	12,500.00	12,500.00	12,324.06	-	175.94	-
Other Expenses	2,000.00	2,000.00	1,346.79	4.80	648.41	-
Public Buildings and Grounds						
Other Expenses	30,000.00	30,000.00	27,503.77	2,105.15	391.08	-
Road Repairs and Maintenance						
Salaries and Wages	73,000.00	73,000.00	73,000.00	-	-	-
Other Expenses	11,000.00	11,000.00	6,370.47	1,650.25	2,979.28	-
Engineering						
Other Expenses	1,000.00	1,000.00	-	-	1,000.00	-
Recreation						
Other Expenses	300.00	300.00	-	-	300.00	-
Garbage and Trash Removal						
Other Expenses	115,000.00	115,000.00	105,140.82	-	9,859.18	-
Recycling						
Salaries and Wages	31,700.00	31,700.00	14,934.56	-	16,765.44	-
Other Expenses	9,500.00	9,500.00	6,653.90	-	2,846.10	-
Environmental Commission (NJS 40:56A-1, et seq.)						
Other Expenses	500.00	500.00	13.02	-	486.98	-
Shade Tree Commission						
Other Expenses	500.00	500.00	192.00	-	308.00	-
Parks and Playgrounds						
Other Expenses	500.00	500.00	23.48	-	476.52	-
UNCLASSIFIED						
Other Expenses	21,000.00	21,000.00	18,733.73	1,470.37	795.90	-

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

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
UTILITY EXPENSES AND BULK PURCHASES						
Electricity	42,000.00	42,000.00	31,464.56	-	10,535.44	-
Street Lighting	25,000.00	25,000.00	23,644.05	-	1,355.95	-
Telephone	10,000.00	10,000.00	9,320.32	-	679.68	-
Fuel Oil & Gasoline	12,000.00	12,000.00	6,754.67	-	5,245.33	-
Postage	7,000.00	7,000.00	2,501.12	-	4,498.88	-
TOTAL OPERATIONS WITHIN "CAPS"	1,249,013.00	1,249,013.00	1,019,239.28	26,922.72	202,851.00	-
Contingent	-	-	-	-	-	-
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	1,249,013.00	1,249,013.00	1,019,239.28	26,922.72	202,851.00	-
Detail:						
Salaries and Wages	398,800.00	398,800.00	358,926.21	-	39,873.79	-
Other Expenses	850,213.00	850,213.00	660,313.07	26,922.72	162,977.21	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES:						
Statutory Expenditures:						
Contributions to:						
Public Employees' Retirement System	43,796.00	43,796.00	43,796.00	-	-	-
Social Security System (O.A.S.I.)	31,000.00	31,000.00	28,201.32	219.80	2,578.88	-
Consolidated Police and Firemen's Pension Fund	-	-	-	-	-	-
Police and Firemen's Retirement System	-	-	-	-	-	-
Unemployment Compensation Insurance	3,000.00	3,000.00	2,028.22	-	971.78	-
Defined Contribution Retirement Program	2,500.00	2,500.00	1,230.52	-	1,269.48	-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	80,296.00	80,296.00	75,256.06	219.80	4,820.14	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	1,329,309.00	1,329,309.00	1,094,495.34	27,142.52	207,671.14	-

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

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Appropriations		Budget After Modifications	Paid or Charged	Expended		Reserved	(Over expended) Unexpended Balance Cancelled
	Budget				Encumbered			
OPERATIONS - EXCLUDED FROM "CAPS"								
(A) Operations - Excluded from "CAPS"								
Insurance: NJSA 40A:4-45.3								
Employee Group Health	5,387.00		5,387.00	5,387.00	-	-	-	-
Interlocal Municipal Service Agreements								
Cape May City Interlocal Services Agreements	431,885.00		431,885.00	431,884.80	-	0.20		0.00
Police Protection Contractual	<u>437,272.00</u>		<u>437,272.00</u>	<u>437,271.80</u>	-	<u>0.20</u>		<u>0.00</u>
(A) Public and Private Programs Off-Set by Revenues								
Recycling Tonnage Grant	1,571.40		1,571.40	1,571.40	-	-		-
Alcohol Education and Rehabilitation Fund	539.63		539.63	539.63	-	-		-
Matching Funds for Grants	2,000.00		2,000.00	-	-	2,000.00		-
Clean Communities	-		4,833.84	4,833.84	-	-		-
Total Public and Private Programs Off-Set by Revenues	<u>4,111.03</u>		<u>8,944.87</u>	<u>6,944.87</u>	-	<u>2,000.00</u>		-
Total Operations - Excluded from "CAPS"	441,383.03		446,216.87	444,216.67	-	2,000.20		0.00
Detail:								
Salaries and Wages								
Other Expenses	441,383.03		446,216.87	444,216.67	-	2,000.20		0.00
(C) Capital Improvements								
Capital Improvement Fund	5,500.00		5,500.00	5,500.00	-	-		-
Total Capital Improvements	<u>5,500.00</u>		<u>5,500.00</u>	<u>5,500.00</u>	-	-		-
(D) Debt Service								
Payment of Bond Anticipation Notes	95,000.00		95,000.00	95,000.00	-	-		-
Interest on Notes	2,500.00		2,500.00	2,268.75	-	-		231.25
Total Debt Service	<u>97,500.00</u>		<u>97,500.00</u>	<u>97,268.75</u>	-	-		<u>231.25</u>
(E) Deferred Charges								
Special Emergency Authorizations - 5 years	2,000.00		2,000.00	2,000.00	-	-		-
Total Deferred Charges	<u>2,000.00</u>		<u>2,000.00</u>	<u>2,000.00</u>	-	-		-

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

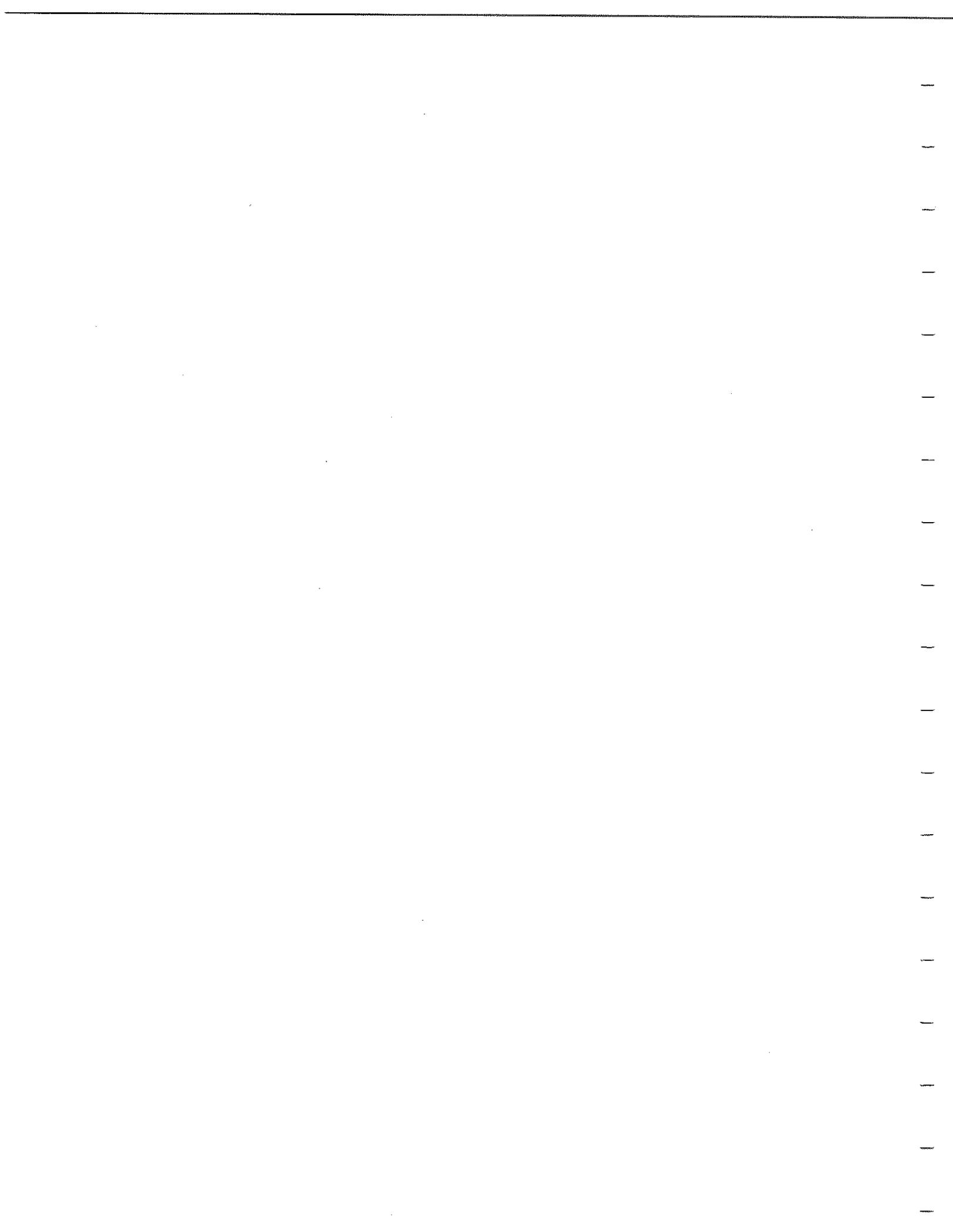
**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	546,383.03	551,216.87	548,985.42	2,000.20	231.25
SUBTOTAL GENERAL APPROPRIATIONS	1,875,692.03	1,880,525.87	1,643,480.76	27,142.52	231.25
(M) Reserve for Uncollected Taxes	258,129.08	258,129.08	258,129.08	-	-
TOTAL GENERAL APPROPRIATIONS	\$ 2,133,821.11	2,138,654.95	1,901,609.84	27,142.52	231.25
Budget		2,133,821.11			231.25
Appropriations by 40A:4-87		4,833.84			-
Emergency Appropriations		2,138,654.95			231.25
Reserve for Uncollected Taxes			258,129.08		
Federal and State Grants			6,944.87		
Deferred Charges			2,000.00		
Capital Improvement Fund					
Disbursements			1,634,535.89		
			<u>1,901,609.84</u>		
				Cancelled Overexpended	
					<u>231.25</u>

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

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**EXHIBIT - B
TRUST FUND**



**TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

<u>Assets</u>	<u>2013</u>	<u>2012</u>
<u>Animal Control Fund</u>		
Cash and Investments	\$ <u>3,332.81</u>	<u>2,672.81</u>
	<u>3,332.81</u>	<u>2,672.81</u>
<u>Other Funds</u>		
Cash and Investments	1,069,309.02	1,077,349.69
Due from Current Fund:		
Unemployment Compensation	534.73	534.73
Other Trust Accounts	3,232.00	3,232.00
POAA Trust	281.00	261.00
Engineering Escrow	<u>16,803.80</u>	<u>-</u>
	<u>1,090,160.55</u>	<u>1,081,377.42</u>
	<u>\$ 1,093,493.36</u>	<u>1,084,050.23</u>

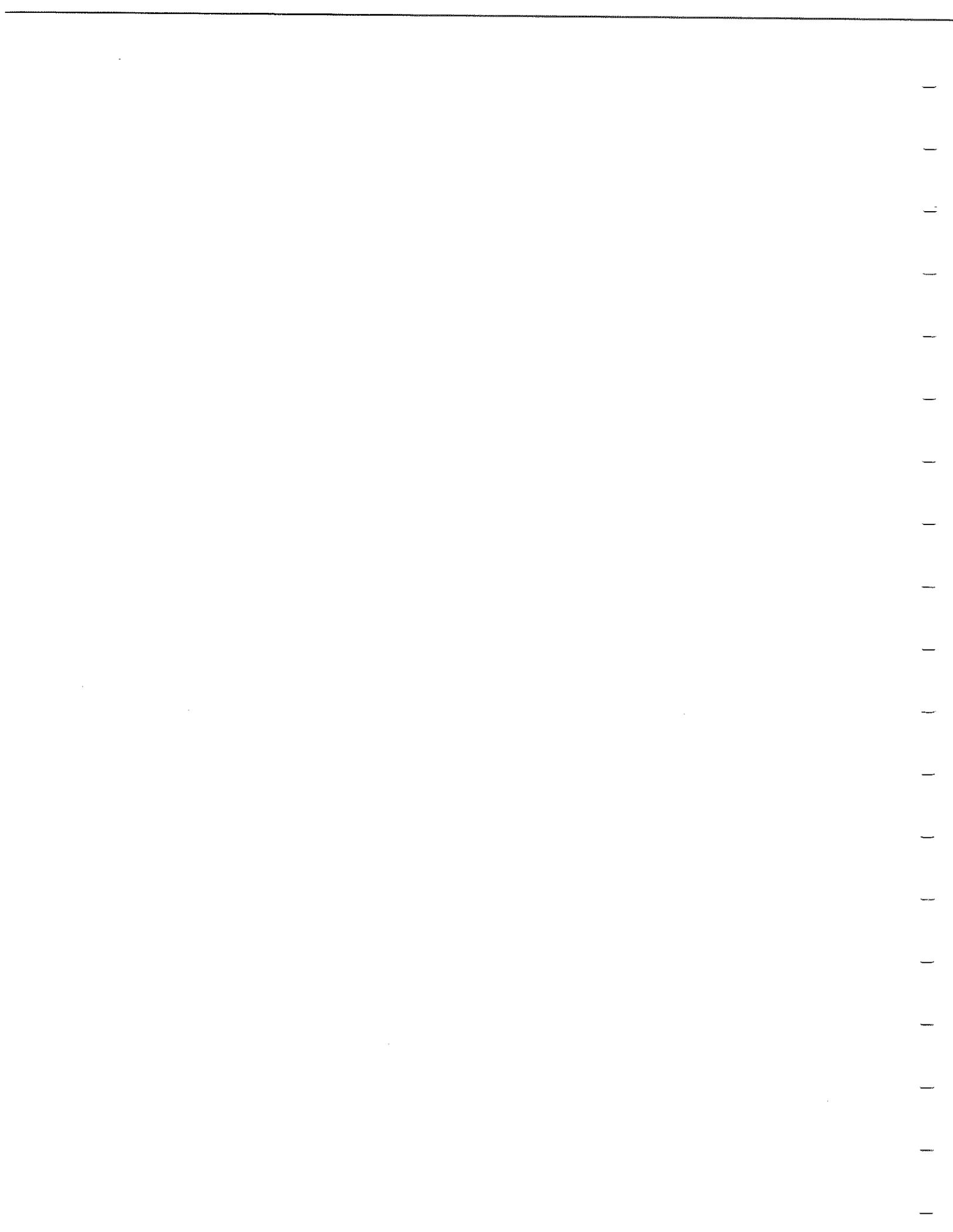
THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN
INTEGRAL PART OF THIS STATEMENT

TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,

<u>Liabilities, Reserves and Fund Balance</u>	<u>2013</u>	<u>2012</u>
<u>Animal Control Fund</u>		
Reserve for Animal Control Expenditures	\$ 1,455.60	1,452.60
Due to State of New Jersey	0.40	2.00
Due to Current Fund	<u>1,876.81</u>	<u>1,218.21</u>
	<u>3,332.81</u>	<u>2,672.81</u>
<u>Other Funds</u>		
Due to Current - Liquor	-	2,500.00
Due to Current Fund - Engineering Escrow	16,803.80	16,803.80
Due to General Capital	40,000.00	40,000.00
Reserve for Unemployment Compensation	534.73	534.73
Reserve for Site Plan Escrow	56,794.61	66,417.08
Reserve for TTL Redemption	143,661.79	107,982.64
Reserve for POAA Trust	281.00	267.00
Reserve for COAH	157,415.53	132,935.07
Reserve for Public Assistance	6,062.27	6,062.27
Reserve for Liquor License	570,608.14	615,330.50
Reserve for Other Trust Accounts	<u>97,998.68</u>	<u>92,544.33</u>
	<u>1,090,160.55</u>	<u>1,081,377.42</u>
	<u>\$ 1,093,493.36</u>	<u>1,084,050.23</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN
INTEGRAL PART OF THIS STATEMENT

EXHIBIT - C
GENERAL CAPITAL FUND



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

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Cash	\$ 147,958.09	95,338.80
Deferred Charges to Future Taxation -		
Funded	-	-
Unfunded	846,952.00	367,202.00
Interfunds and Receivables		
Due from Trust Other - COAH	40,000.00	40,000.00
Due from Current Fund	97,519.67	-
	<u>1,132,429.76</u>	<u>502,540.80</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Interfunds:		
Due to Current Fund	-	76.04
Bond Anticipation Notes Payable	270,000.00	165,000.00
Improvement Authorizations:		
Funded	105,110.09	68,502.92
Unfunded	652,201.00	236,824.17
Reserve for Capital Projects	535.28	535.28
Reserve to Pay Notes	97,731.00	-
Capital Improvement Fund	6,650.00	31,400.00
Fund Balance	202.39	202.39
	<u>\$ 1,132,429.76</u>	<u>502,540.80</u>

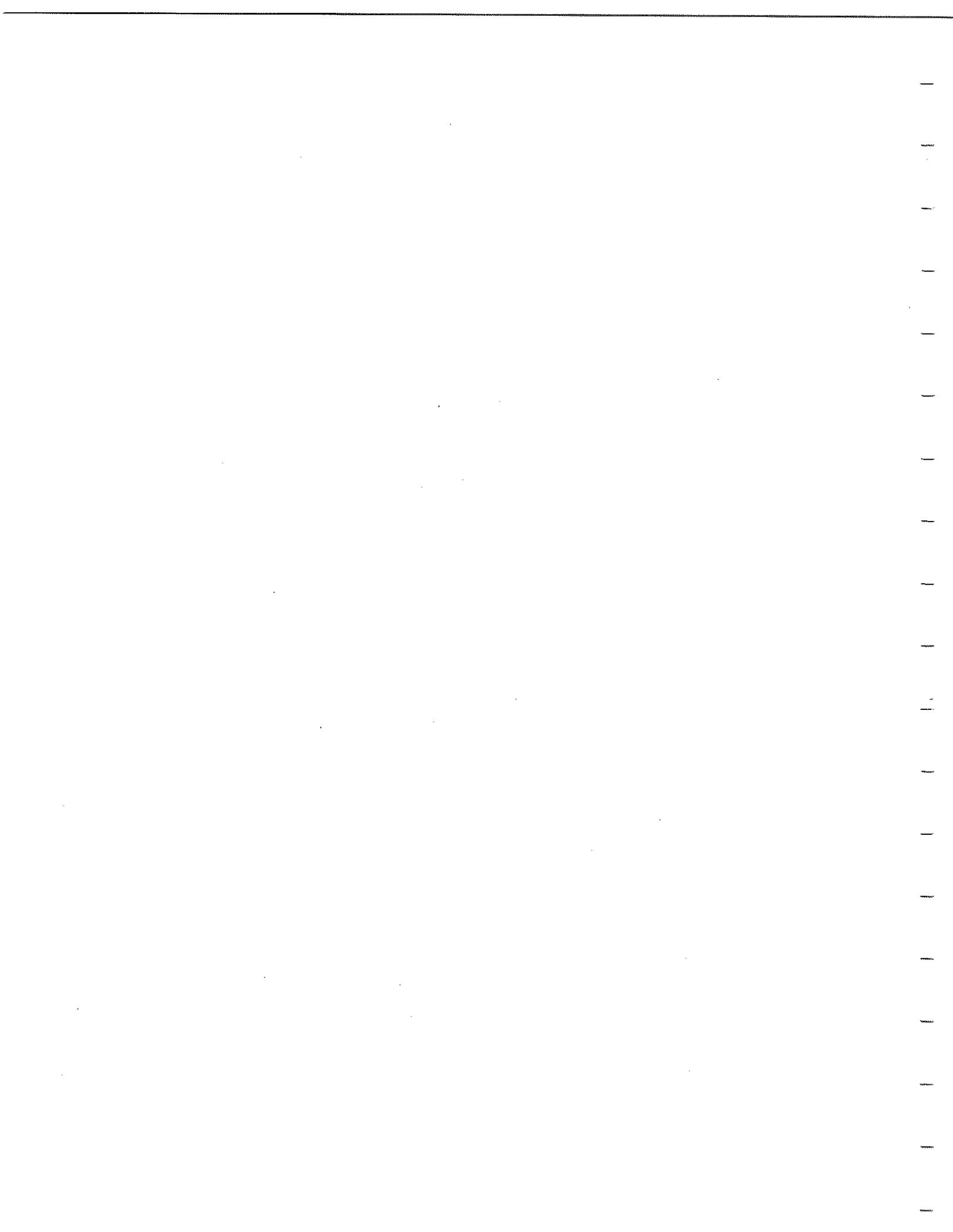
There were bonds and notes authorized but not issued at December 31

2012	202,202.00
2013	576,952.00

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

	<u>2013</u>	<u>2012</u>
Beginning Balance January 1	\$ 202.39	202.39
Ending Balance December 31	<u>\$ 202.39</u>	<u>202.39</u>

EXHIBIT - D
WATER & SEWER UTILITY FUND



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

	<u>2013</u>	<u>2012</u>
ASSETS		
Operating Fund:		
Cash	\$ 2,198,993.31	3,408,397.87
Due from Current	165,320.61	
	<u>2,364,313.92</u>	<u>3,408,397.87</u>
Receivables and Other Assets with Full Reserves:		
Consumer Accounts Receivable	36,323.20	54,457.86
	<u>36,323.20</u>	<u>54,457.86</u>
Deferred Charges:		
Overexpenditures of Appropriations	-	25,691.53
	<u>-</u>	<u>25,691.53</u>
Total Operating Fund	<u>2,400,637.12</u>	<u>3,488,547.26</u>
Capital Fund:		
USDA Grant Receivable	330,548.00	330,548.00
Fixed Capital - Completed	5,012,475.00	5,012,475.00
Fixed Capital - Authorized and Uncompleted	3,233,000.00	3,233,000.00
Due from Water & Sewer Operating Fund	1,824,962.30	2,943,155.81
Total Capital Fund	<u>10,400,985.30</u>	<u>11,519,178.81</u>
	<u>\$ 12,801,622.42</u>	<u>15,007,726.07</u>

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2013</u>	<u>2012</u>
Operating Fund:		
Appropriation Reserves	\$ 93,744.68	103,712.34
Reserve for Encumbrances/Accounts Payable	111,411.36	47,133.03
Overpayments Due to Lien holders	-	3,989.20
Due to Water & Sewer Capital Fund	1,824,962.30	2,943,155.81
Due to Current Fund	-	81,227.02
Utility Overpayments	4,445.14	13,180.16
Accrued Interest on Bonds and Notes	29,232.80	30,197.00
	<u>2,063,796.28</u>	<u>3,222,594.56</u>
Reserve for Receivables	36,323.20	54,457.86
Fund Balance	300,517.64	211,494.84
Total Operating Fund	<u>2,400,637.12</u>	<u>3,488,547.26</u>
Capital Fund:		
Encumbrance Payable	39,645.06	36,687.81
Bond Anticipation Notes Payable	2,880,000.00	2,965,000.00
USDA Bonds/Loans Payable	1,582,313.21	1,607,262.84
Improvement Authorizations:		
Funded	-	-
Unfunded	1,873,586.24	2,994,737.00
Reserve for Amortization	3,768,361.79	3,658,412.16
Deferred Reserve for Amortization	9,000.00	9,000.00
Capital Improvement Fund	110,000.00	110,000.00
Reserve for Debt Service	137,854.00	137,854.00
Fund Balance	225.00	225.00
Total Capital Fund	<u>10,400,985.30</u>	<u>11,519,178.81</u>
	<u>\$ 12,801,622.42</u>	<u>15,007,726.07</u>

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

2012	5,800.00
2013	5,800.00

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

	<u>2013</u>	<u>2012</u>
Revenue and Other Income Realized		
Fund Balance	\$ 61,191.53	37,900.00
Water Rents	482,471.51	500,139.85
Sewer Rents	446,338.98	408,127.80
Miscellaneous Revenue Anticipated	22,187.09	21,581.38
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	82,126.09	30,609.84
Cancellation Prior Year Accounts Payable	3,989.20	-
Total Income	<u>1,098,304.40</u>	<u>998,358.87</u>
Expenditures		
Operations	695,000.00	725,000.00
Debt Service	220,398.54	175,008.25
Statutory Expenses	32,691.53	7,000.00
Total Expenditures	<u>948,090.07</u>	<u>907,008.25</u>
Excess in Revenue	<u>150,214.33</u>	<u>91,350.62</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	-	6,014.25
Total Adjustments	<u>-</u>	<u>6,014.25</u>
Excess in Operations	<u>150,214.33</u>	<u>97,364.87</u>
Fund Balance January 1	<u>211,494.84</u>	<u>152,029.97</u>
Decreased by:	361,709.17	249,394.84
Utilization as Anticipated Revenue	<u>61,191.53</u>	<u>37,900.00</u>
Fund Balance December 31	<u>\$ 300,517.64</u>	<u>211,494.84</u>

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

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

	<u>2013</u>	<u>2012</u>
Beginning Balance January 1	\$ 225.00	225.00
Ending Balance December 31	<u>\$ 225.00</u>	<u>225.00</u>

**WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Anticipated Budget	Realized	Excess or (Deficit)
Surplus Anticipated	\$ 61,191.53	61,191.53	-
Water Rents	475,000.00	482,471.51	7,471.51
Sewer Rents	400,000.00	446,338.98	46,338.98
Miscellaneous	16,000.00	22,187.09	6,187.09
	<u>\$ 952,191.53</u>	<u>1,012,189.11</u>	<u>59,997.58</u>

Analysis of Realized Revenue:

Rents

Consumer Accounts Receivable:
Current Collections

915,630.33

915,630.33

Miscellaneous Revenue

Miscellaneous

22,187.09

22,187.09

**WATER AND SEWER UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Operations:						
Salaries and Wages	\$ 85,000.00	85,000.00	81,781.69	-	3,218.31	-
Other Expenses	610,000.00	610,000.00	408,919.66	111,411.36	89,668.98	-
	<u>695,000.00</u>	<u>695,000.00</u>	<u>490,701.35</u>	<u>111,411.36</u>	<u>92,887.29</u>	<u>-</u>
Debt Service:						
Payment of Bond Anticipation Notes	85,000.00	85,000.00	85,000.00	-	-	-
Interest on Notes	41,000.00	41,000.00	38,679.71	-	-	2,320.29
USDA Principal & Interest	98,500.00	98,500.00	96,718.83	-	-	1,781.17
	<u>224,500.00</u>	<u>224,500.00</u>	<u>220,398.54</u>	<u>-</u>	<u>-</u>	<u>4,101.46</u>
Deferred Charges and Statutory Expenditures:						
Deferred Charge	25,691.53	25,691.53	25,691.53	-	-	-
Social Security System	7,000.00	7,000.00	6,142.61	-	857.39	-
	<u>32,691.53</u>	<u>32,691.53</u>	<u>31,834.14</u>	<u>-</u>	<u>857.39</u>	<u>-</u>
	<u>\$ 952,191.53</u>	<u>952,191.53</u>	<u>742,934.03</u>	<u>111,411.36</u>	<u>93,744.68</u>	<u>4,101.46</u>
Statement of Expenditures:						
Accrued Interest on Bonds			135,398.54			
Deferred Charge			25,691.53			
Disbursed			581,843.96			
			<u>742,934.03</u>			
				Over expended		
				Cancelled		
						<u>4,101.46</u>
						<u>4,101.46</u>

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

EXHIBIT - E
GENERAL FIXED ASSETS ACCOUNT GROUP



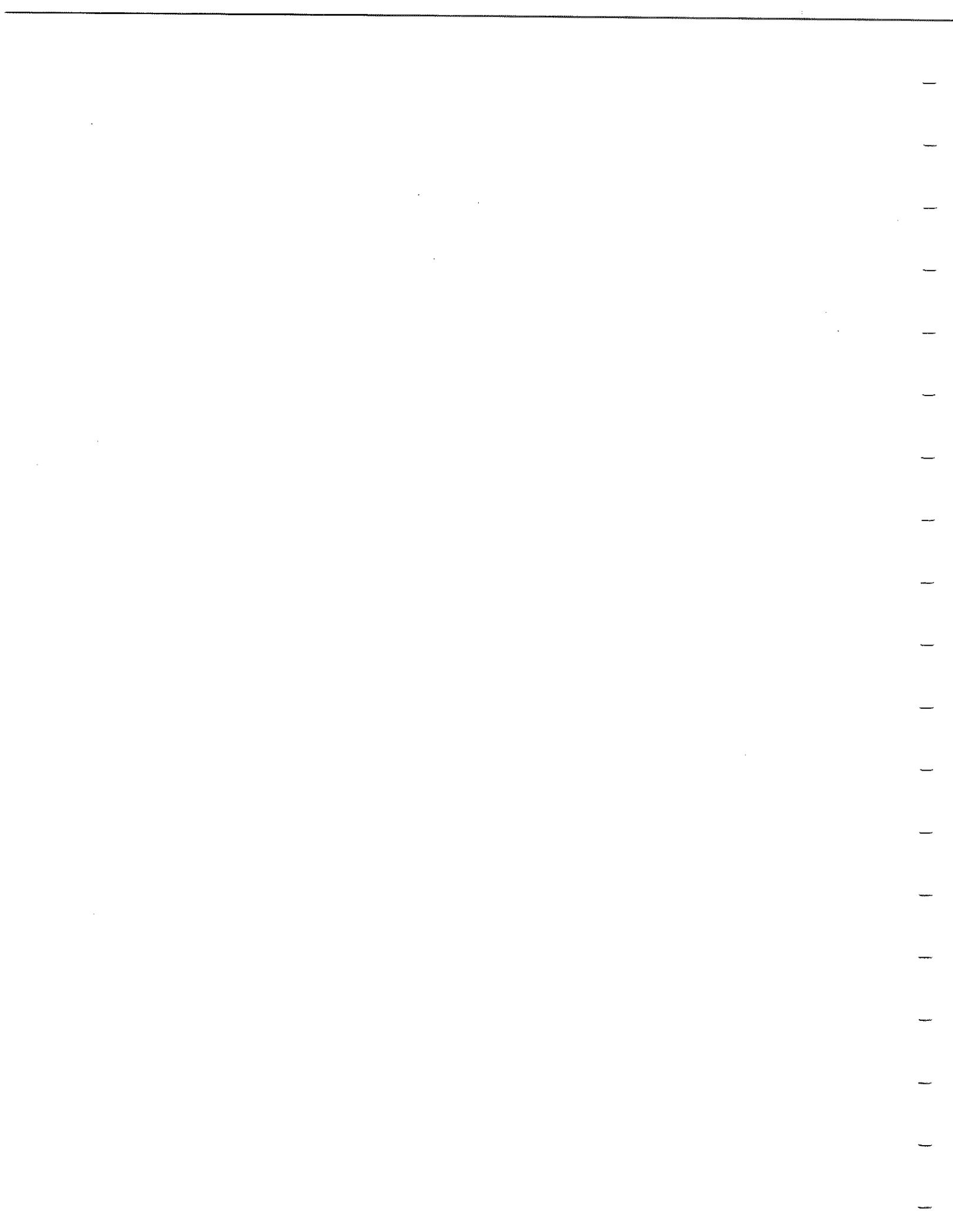
**GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>General Fixed Assets</u>	<u>2013</u>	<u>2012</u>
Land and Land Improvements	\$ 341,726.00	\$ 341,726.00
Buildings	1,537,918.00	1,537,918.00
Machinery and Equipment	1,113,284.00	1,107,784.00
	<u>\$ 2,992,928.00</u>	<u>\$ 2,987,428.00</u>
 Investment in General Fixed Assets	 \$ 2,992,928.00	 \$ 2,987,428.00
	<u>\$ 2,992,928.00</u>	<u>\$ 2,987,428.00</u>

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

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NOTES TO THE FINANCIAL STATEMENTS



**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Description of Funds

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

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

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

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

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

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

C. Basis of Accounting

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

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

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

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

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

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

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

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

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

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. Expenditures for long lived assets with an original cost in excess of \$2,000.00 are capitalized.

No depreciation has been provided for in the financial statements.

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

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately. Property and equipment purchased by the Water and Sewer Utility Fund is recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Water and Sewer utility capital fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The Water and Sewer utility does not record depreciation on fixed assets.

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

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

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

Levy of Water and Sewer Utility Charges -- The Borough operates a Water and Sewer utility fund. Rates are determined by ordinance and changed as necessary. Sewer charges are based on flat fees and usage based on the type of entity. Sewer Charges are billed quarterly and due on February 15th, May 15th, August 15th, and November 15th.

Interest on Delinquent Water and Sewer Utility Charges -- It is the policy of the Borough to collect interest for the nonpayment of Water and Sewer utility charges on or before the date when they would become delinquent. The Water and Sewer Utility Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of charges becoming delinquent after due date and eighteen percent (18%) per annum on any amount of charges in excess of \$1,500.00 becoming delinquent after due date.

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

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

D. Required Financial Statements

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

E. Comparative Data

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

F. Recent Accounting Pronouncements Not Yet Effective

In June 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. However, the provisions of this statement will require significant modifications to the disclosure requirements related to the Borough's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

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 Nonexchange Financial Guarantees". This statement, which is effective for fiscal years beginning after June 15, 2013, will not have any impact on the Borough's financial statements.

In November 2013, Governmental Accounting Standards Board (GASB) issued Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68". The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014. The provisions of this statement will require significant modifications to the disclosure requirements related to the Borough's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2013 and 2012 statutory budgets included a reserve for uncollected taxes in the amount of \$258,129.08 and \$251,635.58. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2013 and 2012 statutory budgets was \$224,000.00 and \$253,000.00. In addition, the Borough operates a self-liquidating Water and Sewer utility. Under New Jersey Statutes a separate budget for the Water and Sewer utility must be adopted concurrently with the operating budget of the Borough. The Water and Sewer utility budget must be a balanced cash basis budget with fund balance being used to balance the budget. The amount of fund balance budgeted to balance the 2013 and 2012 statutory budgets was \$61,191.53 and \$37,900.00.

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by Borough Commission. There were no significant budget transfers approved in the 2013 and 2012 calendar years:

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2013, the Borough's Commission approved total budget insertions of \$4,833.84. The Borough's Commission approved total budget insertions in the amount of \$184,117.13 during the 2012 calendar year. The following schedule details the significant budget insertions:

<u>Budget Category</u>	<u>2013</u>	<u>2012</u>
Clean Communities	4,833.84	4,117.13
DOT Bike Path - 2012	-	180,000.00

The Borough may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. The Governing Body did not approve any emergency authorizations in 2012 or 2013. In 2010, a Special Emergency was approved in the amount of the \$10,000.00 under N.J.S. 40A:55. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. The emergency was for codification of Ordinances. The unfunded balance as of December 31, 2013 was \$4,000.00

NOTE 3: INVESTMENTS

As of December 31, 2013 and 2012, the municipality had no investments.

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

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

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

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or fund that may pass to the municipality relative to the happening of a future condition. As of December 31, 2013, \$0 of the government's bank balance of \$4,748,997.47 was exposed to custodial credit risk. As of December 31, 2012, \$0 of the government's bank balance of \$5,521,569.03 was exposed to custodial credit risk.

NOTE 5: FIXED ASSETS

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2013 and 2012:

	Balance 12/31/2011	Additions	Retirements/ Adjustments	Balance 12/31/2012
Land Improvements	\$ 357,226.00	-	(15,500.00)	341,726.00
Building	1,537,918.00	-	-	1,537,918.00
Equipment and Machinery	1,082,534.00	27,206.29	(1,956.29)	1,107,784.00
	<u>\$ 2,977,678.00</u>	<u>27,206.29</u>	<u>(17,456.29)</u>	<u>2,987,428.00</u>

	Balance 12/31/2012	Additions	Retirements/ Adjustments	Balance 12/31/2013
Land Improvements	\$ 341,726.00	-	-	341,726.00
Building	1,537,918.00	-	-	1,537,918.00
Equipment and Machinery	1,107,784.00	5,500.00	-	1,113,284.00
	<u>\$ 2,987,428.00</u>	<u>5,500.00</u>	<u>-</u>	<u>2,992,928.00</u>

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 6: SHORT-TERM OBLIGATIONS

	<u>Balance 12/31/11</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/12</u>
Bond Anticipation				
Notes payable:				
General	\$ 330,000.00	165,000.00	330,000.00	165,000.00
Utility	<u>730,000.00</u>	<u>2,965,000.00</u>	<u>730,000.00</u>	<u>2,965,000.00</u>
	<u>\$ 1,060,000.00</u>	<u>3,130,000.00</u>	<u>1,060,000.00</u>	<u>3,130,000.00</u>
	<u>Balance 12/31/12</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/13</u>
Bond Anticipation				
Notes payable:				
General	\$ 165,000.00	270,000.00	165,000.00	270,000.00
Utility	<u>2,965,000.00</u>	<u>2,880,000.00</u>	<u>2,965,000.00</u>	<u>2,880,000.00</u>
	<u>\$ 3,130,000.00</u>	<u>3,150,000.00</u>	<u>3,130,000.00</u>	<u>3,150,000.00</u>

The General note was issued on 09/26/13 and is due and payable on 09/26/14 with interest at 1.00%. The Water and Sewer Utility Note was also issued on 09/26/13 and is due on 09/26/14 with an interest rate of 1.00%. As of December 31, 2013 the Borough has authorized but not issued bonds in the amount of \$576,952.00 and \$5,800.00 in the General Capital Fund and Water and Sewer Utility Capital Fund respectively.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 7: LONG TERM DEBT

Long-term debt as of December 31, 2013 and 2012 consisted of the following:

	Balance 12/31/11	Issued	Retired	Balance 12/31/12	Amounts Due Within One Year
Bonds payable:					
General	\$ -	-	-	-	-
Utility	1,631,136.15	-	23,873.31	1,607,262.84	24,949.63
Total	\$ 1,631,136.15	-	23,873.31	1,607,262.84	24,949.63
Other liabilities:					
Compensated					
Absences Payable	\$ 38,113.14	5,528.21	174.25	43,467.10	-
Total long-term liabilities	\$ 1,669,249.29	5,528.21	24,047.56	1,650,729.94	24,949.63

	Balance 12/31/12	Issued	Retired	Balance 12/31/13	Amounts Due Within One Year
Bonds payable:					
General	\$ -	-	-	-	-
Utility	1,607,262.84	-	24,949.63	1,582,313.21	36,346.60
Total	\$ 1,607,262.84	-	24,949.63	1,582,313.21	36,346.60
Other liabilities:					
Compensated					
Absences Payable	\$ 43,467.10	119.16	3,336.32	40,249.94	-
Total long-term liabilities	\$ 1,650,729.94	119.16	28,285.95	1,622,563.15	36,346.60

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

At December 31, 2013, there were no bonds and loans payable in the General Capital Fund.

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

\$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, 2013 is \$518,253.78.

\$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, 2013 is \$185,774.53.

\$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, 2013 is \$878,284.90.

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

Year	Utility Fund	
	Principal	Interest
2014	26,074.80	69,519.20
2015	27,251.03	68,342.97
2016	28,480.70	67,113.30
2017	29,766.20	65,827.80
2018	31,110.11	64,483.89
2019-2023	177,947.55	300,022.45
2024-2028	221,996.95	255,973.05
2029-2033	259,392.07	201,165.45
2034-2038	245,526.75	147,323.25
2039-2043	303,448.20	89,401.80
2044-2048	238,925.29	28,244.15
2049	13,717.46	282.15
	<u>1,603,637.11</u>	<u>1,357,699.46</u>

As of December 31, 2013, the carrying value of the above bonds and notes approximates the fair value of the bonds. No interest was charged to capital projects during the year and the total interest charged to the current budget was \$2,268.75 and to the Water and Sewer Utility budget was \$38,679.71.

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

<u>Summary of Municipal Debt</u>	<u>Year 2013</u>	<u>Year 2012</u>	<u>Year 2011</u>
<u>Issued:</u>			
General - Bonds and Notes	\$ 270,000.00	165,000.00	330,000.00
Utility - Bonds and Notes	4,462,313.21	4,572,262.84	2,361,136.15
Total Issued	<u>4,732,313.21</u>	<u>4,737,262.84</u>	<u>2,691,136.15</u>
<u>Authorized but not issued:</u>			
General - Bonds and Notes	576,952.00	202,202.00	2,202.00
Utility - Bonds and Notes	5,800.00	5,800.00	2,305,800.00
Total Authorized But Not Issued	<u>582,752.00</u>	<u>208,002.00</u>	<u>2,308,002.00</u>
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 5,315,065.21</u>	<u>4,945,264.84</u>	<u>4,999,138.15</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .184%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 717,345.35	717,345.35	-
Utility Debt	4,468,113.21	4,468,113.21	-
General Debt	849,154.00	-	849,154.00
	<u>6,034,612.56</u>	<u>5,185,458.56</u>	<u>849,154.00</u>

Net Debt \$849,154.00 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$461,029,363 = .184%.

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$ 16,136,028.00
Net Debt	849,154.00
Remaining Borrowing Power	<u>\$ 15,286,874.00</u>

The Borough of West Cape May School District, as a K-6 school district, is permitted to borrow up to 2.5% of the average equalized valuation for the past three years. State statutes allow a school district to exceed the districts limitation with voter approval. Any amount approved by the voters in excess of the limit is treated as an impairment of the municipal limit.

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2013 and 2012, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2014 and 2013 were as follows:

		<u>2014</u>	<u>2013</u>
Current Fund	\$	300,000.00	224,000.00
Water/Sewer Utility		35,500.00	61,191.53

As of the date of this audit, the Borough has adopted their 2014 municipal budget and the amount of fund balance appropriated for 2014 is approved. Municipalities are permitted to appropriate the full amount of fund balance, net of any amounts due from the State of NJ for Senior Citizens and Veterans Deductions, deferred charges, and cash deficit.

NOTE 9: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2013, the following deferred charges are shown on the balance sheets of various funds:

	<u>Balance December 31, 2013</u>	<u>2014 Budget Appropriation</u>	<u>Balance to Succeeding</u>
Current fund:			
Special Emergency Appropriation	\$ 4,000.00	2,000.00	2,000.00
	<u>4,000.00</u>	<u>2,000.00</u>	<u>2,000.00</u>

NOTE 10: SCHOOL TAXES

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

	<u>School Tax Balance 12/31/2013</u>	<u>School Tax Balance 12/31/2012</u>
School Tax Payable - Local School	\$ 436,520.44	\$ 429,308.96
School Tax Payable - Regional School	663,020.96	801,259.16
School Tax Deferred - Local School	429,308.96	429,308.96
School Tax Deferred - Regional School	663,020.96	801,259.16
Tax Payable	<u>\$ 7,211.48</u>	<u>\$ -</u>

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 11: TAXES COLLECTED IN ADVANCE

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

	Balance 12/31/13	Balance 12/31/12
Prepaid Taxes	\$ 78,940.78	51,019.40
Cash Liability for Taxes Collected in Advance	\$ 78,940.78	51,019.40

NOTE 12: PENSION FUNDS

Description of Plans

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

Public Employees' Retirement System

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

Defined Contribution Retirement Program (DCRP)

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

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 6.64% through June 30, 2013 and 6.78% thereafter of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 12.12% of covered payroll. The Borough's contributions to PERS for the years ended December 31, 2013, 2012, and 2011 were \$43,796.00, \$47,045.00 and \$42,442.00.

The total payroll for the year ended December 31, 2013, 2012 and 2011 was \$445,072.61, \$443,780.14 and \$430,030.75. Payroll covered by PERS was \$361,367.00, 370,102.00, and \$380,973.00.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

Significant Legislation

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

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

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

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.

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.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

NOTE 13: POST-RETIREMENT 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. The Borough of West Cape May's contributions for post-retirement benefits for the year ended December 31, 2013, 2012, and 2011 were \$4,676.76, \$5,091.24 and \$4,991.40 respectively.

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 14: ACCRUED SICK AND VACATION BENEFITS

The Borough has permitted employees to accrue unused sick, vacation, personal, and comp 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, 2013, the Borough estimates this liability to approximate \$40,249.94 based on 2013 pay rates and compensated absence balances. At December 31, 2012, the liability was \$43,467.10. The policy of not reflecting the accrued benefit is not in agreement with GASB Statement No. 12 but is required by the State of New Jersey. Effective January 1, 2002 the State of New Jersey is allowing municipalities to accrue a compensated absences liability. The Borough does not accrue the liability.

NOTE 15: ECONOMIC DEPENDENCY

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

NOTE 16: 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.

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

Property and Liability Insurance - The Borough maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2013 and 2012 the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

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

NOTE 17: CONTINGENT LIABILITIES

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

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 18: INTERFUND BALANCES

During the most current calendar year ended December 31, 2013, the following interfunds were included on the balance sheets of the various funds of the Borough of West Cape May:

	Due From	Due To
Current Fund:		
Grant Fund	41,455.65	-
Dog Fund	1,876.81	-
Trust - Other	-	3,232.00
Trust - POAA	-	281.00
Utility Operating	-	165,320.61
General Capital	-	97,519.67
Trust - Unemployment	-	534.73
Grant Fund:		
Current Fund	-	41,455.65
General Capital Fund:		
Current Fund	97,519.67	-
Trust - COAH	40,000.00	-
Utility Operating Fund:		
Utility Capital	-	1,824,962.30
Current Fund	165,320.61	-
Utility Capital Fund:		
Utility Operating	1,824,962.30	-
Trust Other Fund:		
Current Fund	3,232.00	-
Eninerring Escrow Trust Fund	16,803.80	-
Dog Trust Fund :		
Current Fund	-	1,876.81
POAA Trust Fund:		
Current Fund	281.00	-
Eninerring Escrow Trust Fund :		
Trust - Other	-	16,803.80
Unemployment Trust Fund :		
Current Fund	534.73	-
COAH Trust Fund :		
General Capital	-	40,000.00
	<u>\$ 2,191,986.57</u>	<u>2,191,986.57</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

The amount due to the Grant fund from the Current fund is due to the fact that there is only one bank account for the Current Fund and the Grant Fund.

The amount due to Water and Sewer Utility Capital from Water and Sewer Utility Operating is the result of a Bond Anticipation Note that was not transferred to the Water and Sewer Utility Capital Fund prior to year-end.

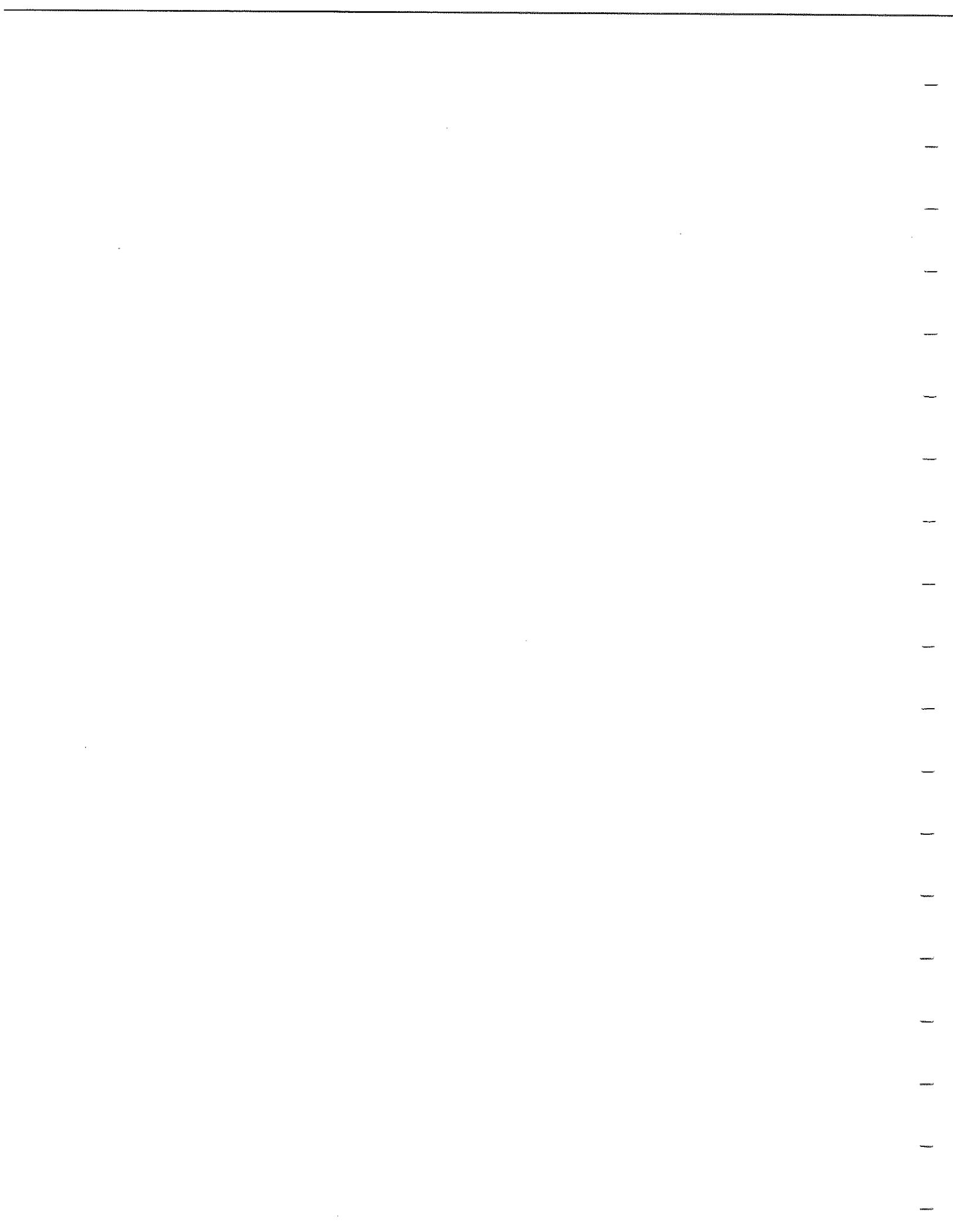
The amount due from the current fund to the Water and Sewer Utility Operating Fund is a result of Water and Sewer utility cash receipts deposited in the General account that were not transferred at year-end.

NOTE 19: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events through June 30, 2014, the date which the financial statements were available to be issued and identified no events requiring disclosure.

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SUPPLEMENTARY INFORMATION





FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAYEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538
PHONE 609.399.6333 • FAX 609.399.3710
www.ford-scott.com

Independent Auditor's Report

The Honorable Mayor and
Members of Borough's 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 regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Borough's basic financial statements, and have issued our report thereon dated June 30, 2014, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, which are described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies as items 2013-1 through 2013-2.

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 the Government Auditing Standards.

We noted certain matters that we reported to the Borough of West Cape May's management in a separate letter dated June 30, 2014.

Borough's Response to Findings

The Borough's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Borough's responses were 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.

Very truly yours,

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 30, 2014



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

The Honorable Mayor and
Members of Borough's Commission
Borough of West Cape May, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Borough of West Cape May's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey OMB State Grant Compliance Supplement* that could have a direct and material effect on each of the Borough of West Cape May's major federal and state programs for the year ended December 31, 2013. The Borough of West Cape May's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Borough of West Cape May's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB 04-04. Those standards, OMB Circular A-133 and NJ OMB 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Borough of West Cape May's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, the Borough of West Cape May's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of Borough of West Cape May is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Borough of West Cape May's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJ OMB 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Borough of West Cape May's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

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 30, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 13

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA #/ Pass Through Grantor's #	Grant Period From To	Program or Award Amount	Balance at 1/1/13	13 Activity		Balance at 12/31/13
					Receipts or Revenue Recognized	Canceled/ Disbursements/ Expenditures	
FEDERAL:							
U.S. Department of Housing and Urban Development Pass through the NJ Department of Community Affairs							
Small Cities - CDBG ADA Compliant Improvements	14.228	01/01/12 12/31/12	200,000.00	153,016.00	-	153,016.00	-
U.S. Department of Agriculture							
Rural Development - Rural Utilities Service Grant - Phase 2	10.760	01/01/11 close	708,000.00	330,548.00	-	-	330,548.00
Rural Development - Rural Utilities Service Loan - Phase 2	10.760	01/01/11 close	2,305,000.00	2,278,868.50	-	1,113,230.26	1,165,636.24
U.S. Department of Homeland Security Passed through Federal Emergency Management Assistance (FEMA)							
Disaster Grants - Public Assistance for Presidentially Declared Disaster - Reimbursement for Hurricane Sandy	97.036	01/01/13 12/31/13	3,733.40	-	3,733.40	3,733.40	-
Total Federal Assistance				<u>2,762,430.50</u>	<u>3,733.40</u>	<u>1,269,979.66</u>	<u>1,496,184.24</u>

The Accompanying Notes to Schedule of Expenditures of Federal Awards and
State Financial Assistance are an Integral Part of this Statement

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 13

STATE OF NEW JERSEY Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA # Pass Through Grantor's #	Grant Period From To	Program or Award Amount	Balance at 1/1/13	13 Activity		MEMO ONLY Cumulative State Expenditures
					Receipts or Revenue Recognized	Cancelled/ Disbursements/ Expenditures	
Department of Environmental Protection Clean Communities	4900-765-042-4900-004	Open	Various	439.36	4,833.84	200.00	4,100.00
Recycling Tonnage Grant	042-4900-752-001-10	Open	Various	13,951.38	1,571.40	796.00	796.10
Solid Waste Recycling Grant	N/A	Open	Various	7,640.43	-	-	-
Department of Health and Human Services Municipal Alliance - Local Share	4250-760-050000-63-262	Open	Various	2,039.90	-	-	2,826.00
Department of Law and Public Safety Alcohol Education & Rehabilitation	N/A	Open	Various	3,285.44	539.63	-	4,635.00
Department of Transportation Fund Authority Act of 1984 Columbia Avenue Fow Avenue Second Avenue DOT Bike Path Grant - 2012	N/A N/A N/A N/A N/A	Prior Prior 01/01/01 01/01/12 12/31/12	85,000.00 50,000.00 150,000.00 180,000.00	(9,745.65) (50,000.00) (5,529.01) -	- - 75,209.63	(9,745.65) (10,000.00) (5,529.01) 137,944.95	- 3,446.58 139,505.06 137,944.95
Office of Emergency Management	N/A	Prior	Various	2,576.25	-	-	3,910.00
Total State Assistance				<u>(35,341.90)</u>	<u>82,154.50</u>	<u>113,666.29</u>	<u>(66,853.69)</u>
Total Federal and State Financial Assistance				\$ <u>2,727,088.60</u>	<u>85,887.90</u>	<u>1,383,645.95</u>	<u>1,429,330.55</u>
					Disbursed	138,940.95	
					Cancelled	(25,274.66)	
					Total :	<u>113,666.29</u>	

The Accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance are an Integral Part of this Statement

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
DECEMBER 31, 2013**

Note 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance includes the federal and state grant activity of the Borough of West Cape May, New Jersey and is presented on the basis of accounting prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, which is a regulatory basis of accounting other than generally accepted accounting principles. Encumbrances are considered in determining the single audit threshold on major programs.

Note 2: RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with amounts reported in the Borough's financial statement. Receipts from federal and state grants are realized as revenue when anticipated in the Borough's budget. Expenditures are recognized when they become payable. Financial assistance revenue and expenditures are reported in the Borough's financial statements on the basis of accounting prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Expenditures per Schedule of Federal Awards and State Financial Assistance	\$ 1,269,979.66	\$ 113,666.29	\$ 1,383,645.95
Less : Expenditures Related to Storms - Subsequently reimbursed through FEMA	<u>(3,733.40)</u>	<u>-</u>	<u>(3,733.40)</u>
Expenditures Reported in Basic Financial Statements	<u>\$ 1,266,246.26</u>	<u>\$ 113,666.29</u>	<u>\$ 1,379,912.55</u>

**BOROUGH OF WEST CAPE MAY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

Part I -- Summary of Auditor's Results

Financial Statement Section

- A) Type of auditor's report issued: Adverse - GAAP unmodified regulatory basis
- B) Internal control over financial reporting:
- 1) Material weakness(es) identified? _____ yes X no
- 2) Were significant deficiencies identified
 that were not considered to be material
 weaknesses? _____ yes X no
- C) Noncompliance material to general-purpose
 financial statements noted? _____ yes X no

Federal Awards Section

- D) Dollar threshold used to determine Type A programs: \$300,000
- E) Auditee qualified as low-risk auditee? _____ yes X no _____ n/a
- F) Type of auditor's report on compliance for
 major programs Unmodified
- G) Internal Control over compliance:
- 1) Material weakness(es) identified? _____ yes X no
- 2) Were significant deficiencies identified
 that were not considered to be material
 weaknesses? _____ yes X no
- H) Any audit findings disclosed that are required to
 be reported in accordance with OMB Circular
 A-133 (section .510(a))? _____ yes X no

I) Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.760</u>	<u>Water and Waste Disposal Systems for Rural Communities</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

**BOROUGH OF WEST CAPE MAY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

Part I -- Summary of Auditor's Results

State Awards Section - Not Applicable

- J) Dollar threshold used to determine Type A programs: _____
- K) Auditee qualified as low-risk auditee? _____ yes _____ no _____ n/a
- L) Type of auditor's report on compliance for major programs _____
- M) Internal Control over compliance:
- 1) Material weakness(es) identified? _____ yes _____ no
- 2) Were reportable condition(s) identified that were not considered to be material weaknesses? _____ yes _____ no
- N) Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 04-04? _____ yes _____ no
- O) Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Part 2 - Schedule of Financial Statement Findings

*** Finding #2013-1:**

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.

Cause:

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.

Management Response:

The Borough's Chief Financial Officer will monitor the financial information on an ongoing basis, which will include posting all significant entries as well as correct opening balances for 2014 to correspond to the 2013 Audit's ending balances .

* Indicates a similar recommendation made in the prior year.

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Finding #2013-2:

Water and Sewer Operating account bank reconciliations were not completed after April 2013.

Criteria:

In order for the Borough's officials to be aware of the cash status, it is essential that bank reconciliations be prepared accurately. This would include reconciliation between the bank balance and the general ledger.

Condition:

The bank reconciliation for the Water and Sewer Operating account was not completed in an accurate manner.

Cause:

An issue arose during the month of May with the posting date utilized while applying payments to customers' accounts. While the balances of customers' accounts were correct, the date of the payment that was posted was not.

Effect:

To know how much cash is on deposit at any point in time is important to have a complete and accurate accounting of all funds collected and disbursed by the Borough.

Recommendation:

We recommend that Bank reconciliations be prepared in an accurate and timely manner.

Management Response:

The Borough's CFO and Tax collector are currently analyzing the payments posted in an attempt to reconcile the account.

Part 3 - Schedule of Federal Award Findings and Questioned Costs

NONE

STATUS OF PRIOR YEAR FINDINGS

Finding No. 2012-1:

Condition

The General Ledger was not consistently reconciled with subledgers.

Current Status

The Condition has not been resolved for 2013 and is listed as item 2013-1 in the current year.

Corrective Action to be Taken

The General Ledger will 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 account in accordance with the detail in the subledgers to avoid large interfund balances.

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	<u>Current Fund</u>	<u>Grant Fund</u>
Balance December 31, 2012	\$ 776,039.18	-
Increased by Receipts:		
Tax Collector	4,277,282.84	-
Homestead Rebate	63,304.49	-
Miscellaneous Revenue Anticipated	213,989.44	-
Miscellaneous Revenue Not Anticipated	56,022.25	-
Payroll Deductions Payable	694,476.09	-
Due to State - Marriage Licenses	75.00	-
Due to POAA	20.00	-
Due from Capital Fund	367,807.04	-
Due from Water/Sewer Utility Fund	3,252,316.37	-
Due from Grant Fund	82,039.64	-
Due from State - Senior Citizens & Vets	14,000.00	-
Due from Trust Other	2,500.00	-
Due from Trust - Escrow	16,803.80	-
Due from Current Fund	-	138,940.95
Federal and State Unallocated	-	6,830.01
Federal and State Receivables	-	75,209.63
	<u>9,040,636.96</u>	<u>220,980.59</u>
	9,816,676.14	220,980.59
Decreased by Disbursements:		
Current Year Appropriation	1,634,535.89	-
Prior Year Appropriations	29,174.84	-
County Taxes	1,110,918.67	-
Local District School Taxes	865,829.52	-
Regional School Taxes	1,464,283.20	-
County Taxes - Added	2,478.68	-
Payroll Deductions Paid	670,610.95	-
Due to Water & Sewer Utility Fund	3,005,768.74	-
Due to State - Marriage Licenses	75.00	-
Due to Capital Fund	270,211.33	-
Due to Grant Fund	138,940.95	-
Due to Dog Trust	1,876.81	-
Due to Current Fund	-	82,039.64
Federal and State Disbursements	-	138,940.95
	<u>9,194,704.58</u>	<u>220,980.59</u>
Balance December 31, 2013	\$ <u>621,971.56</u>	<u>-</u>

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

Balance December 31, 2012		\$ 91,644.00
Increased by Receipts:		
Prepaid Taxes	78,940.78	
Taxes Receivable	4,715,195.09	
Overpayments Received	1,844.05	
Revenue Accounts Receivable	40,966.31	
Tax Title and Other Liens	<u>10,353.04</u>	
		<u>4,847,299.27</u>
		4,938,943.27
Payments to Treasurer		<u>4,277,282.84</u>
		<u>\$ 661,660.43</u>

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

Year	Balance Dec. 31, 2012	Current Year Levy	Collections by Cash		Transferred To Tax Title Lien	Arrears	Balance Dec. 31, 2013
			2013	Adjustments			
2011	\$ 3,046.28	-	-	(4,350.46)	7,396.74	-	0.00
2012	163,230.85	-	-	155,966.87	7,263.98	-	(0.00)
	166,277.13	-	-	151,616.41	14,660.72	-	(0.00)
2013	-	4,815,930.89	21,521.38	51,019.40	4,645,377.92	10,596.04	17,377.16
	\$ 166,277.13	4,815,930.89	21,521.38	51,019.40	4,796,994.33	25,256.76	17,377.16
							113,081.75

4,715,195.09 Cash Receipts
 13,750.00 Senior Citizens and Veterans
 63,304.49 Homestead Rebate
 4,744.75 Overpayments applied
4,796,994.33

Analysis of Current Year Tax Levy

Tax Yield:
 General Property Tax 4,815,930.89
 Added Taxes (54:4-63.1 et. Seq.) 21,521.38
4,837,452.27

Tax Levy:
 General County Taxes 1,110,918.67
 County Added and Omitted Taxes 4,992.86
Total County Taxes 1,115,911.53

Local School District Tax 873,041.00
 Additional Local School District Tax -
 Regional School District Tax 1,326,045.00

Local Tax for Municipal Purposes 1,492,108.08
 Add: Additional Tax Levied 30,346.66
1,522,454.74

4,837,452.27

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

Balance December 31, 2012		\$ 132,518.29
Increased by:		
Transfers from Taxes Receivable	17,377.16	
Interest and Costs Accrued by Sale of December 3, 2013	151.00	
	<u>17,528.16</u>	<u>17,528.16</u>
		150,046.45
Decreased by:		
Collections	10,353.04	
	<u>10,353.04</u>	<u>10,353.04</u>
Balance December 31, 2013		\$ <u><u>139,693.41</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2012	Accrued in 2013	Collected by		Balance Dec. 31, 2013
			Collector	Treasurer	
Licenses:					
Other	-	28,518.00	-	28,518.00	-
Fines and Costs:					
Municipal Court	967.53	15,924.37	-	15,869.44	1,022.46
Interest and Costs on Taxes	-	40,966.31	40,966.31	-	-
Energy Receipts Tax	-	89,303.00	-	89,303.00	-
Cape May City Interlocal	-	-	-	-	-
Services Agreement - Lease	-	35,299.00	-	35,299.00	-
Liquor License Trust Contribution	-	45,000.00	-	45,000.00	-
Miscellaneous Revenue Not Anticipated	-	56,022.25	-	56,022.25	-
	<u>967.53</u>	<u>311,032.93</u>	<u>40,966.31</u>	<u>270,011.69</u>	<u>1,022.46</u>
			Cash	270,011.69	
			Non-Cash Item	-	
			Total	<u>270,011.69</u>	

See Accompanying Auditor's Report

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

	Balance Dec. 31, 2012	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
OPERATIONS WITHIN "CAPS"					
DEPARTMENT OF PUBLIC AFFAIRS AND SAFETY					
Director's Office					
Salaries and Wages	\$ 67.57	67.57	-	67.57	-
Other Expenses	1,860.00	1,860.00	-	1,860.00	-
Fire					
Other Expenses					
Miscellaneous Other Expenses	201.85	3,201.85	3,072.86	128.99	-
Aid to Volunteer Fire Company	560.34	1,560.34	1,039.64	520.70	-
Police					
Salaries and Wages	100.00	100.00	-	100.00	-
Other Expenses	52.50	52.50	-	52.50	-
Municipal Prosecutor					
Salaries and Wages	20.00	20.00	-	20.00	-
Emergency Management Services					
Salaries and Wages	113.05	113.05	-	113.05	-
Other Expenses	204.87	204.87	-	204.87	-
Board of Health					
Other Expenses	310.00	310.00	-	310.00	-
Emergency Medical Services - Contractual	33,352.59	33,352.59	-	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 (NJSA 40A:9-18) (NJSA 40A:5-31)	200.00	200.00	-	200.00	-
Dog Regulation					
Other Expenses	1,175.60	1,175.60	360.00	815.60	-
Municipal Court					
Salaries and Wages	1,846.34	1,846.34	-	1,846.34	-
Other Expenses	17.94	17.94	-	17.94	-
Public Defender					
Salaries and Wages	40.35	40.35	-	40.35	-

See Accompanying Auditor's Report

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

	Balance Dec. 31, 2012	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
DEPARTMENT OF REVENUE AND FINANCE					
Director's Office					
Salaries and Wages	223.96	223.96	-	223.96	-
Other Expenses	5,379.76	5,379.76	2,393.00	2,986.76	-
Financial Administration					
Salaries and Wages	6,971.02	6,971.02	-	6,971.02	-
Other Expenses					
Annual Audit	500.00	500.00	-	500.00	-
Miscellaneous Other Expenses	3,906.65	3,906.65	-	3,906.65	-
Borough Clerk					
Salaries and Wages	3,023.41	3,023.41	-	3,023.41	-
Other Expenses	4,787.75	4,787.75	2,857.73	1,930.02	-
Elections					
Other Expenses	5,429.49	4,429.49	-	4,429.49	-
Assessment of Taxes					
Salaries and Wages	154.77	154.77	-	154.77	-
Other Expenses	455.21	455.21	339.84	115.37	-
Collection of Taxes					
Other Expenses	1,042.50	1,042.50	-	1,042.50	-
Liquidation of Tax Title Liens					
Other Expenses	200.00	200.00	-	200.00	-
Legal Services and Costs					
Other Expenses	115,813.92	115,813.92	2,740.25	113,073.67	-
Grant Coordinator - Contractual	12,500.00	12,500.00	-	12,500.00	-
Code Enforcement Officer					
Salaries and Wages	4.00	4.00	-	4.00	-
Other Expenses	100.00	100.00	-	100.00	-
Zoning Officer					
Salaries and Wages	99.57	99.57	-	99.57	-
Other Expenses	341.05	341.05	-	341.05	-
Municipal Land Use (N.J.S.A. 40:55 D-1)					
Planning and Zoning Board					
Salaries and Wages	27.60	27.60	-	27.60	-
Other Expenses	6,844.00	6,844.00	5,307.44	1,536.56	-

See Accompanying Auditor's Report

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

	Balance Dec. 31, 2012	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
DEPARTMENT OF REVENUE AND FINANCE					
Historic Preservation Insurance	1,000.00	1,000.00	-	1,000.00	-
General Liability	309.54	309.54	-	309.54	-
Workers Compensation Insurance	2,561.46	2,561.46	-	2,561.46	-
Construction Code Enforcement					
Other Expenses	10,500.00	7,500.00	-	7,500.00	-
DEPARTMENT OF PUBLIC WORKS, PARKS AND PUBLIC PROPERTY					
Director's Office					
Salaries and Wages	117.57	117.57	-	117.57	-
Other Expenses	495.15	495.15	-	495.15	-
Public Building and Grounds					
Other Expenses	3,563.65	3,563.65	3,388.09	175.56	-
Engineering					
Other Expenses	1,000.00	1,000.00	-	1,000.00	-
Road Repairs and Maintenance					
Other Expenses	5,607.73	5,607.73	200.00	5,407.73	-
Garbage and Trash Removal					
Other Expenses	11,645.41	11,645.41	4,068.60	7,576.81	-
Recycling					
Salaries and Wages	5,041.78	5,041.78	-	5,041.78	-
Other Expenses	2,310.29	2,310.29	1,200.25	1,110.04	-
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	-

See Accompanying Auditor's Report

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

	Balance Dec. 31, 2012	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
UNCLASSIFIED					
General Office Operations	4,970.95	4,970.95	851.89	4,119.06	-
Other Expenses					
UTILITY EXPENSES AND BULK PURCHASES					
Electric	10,369.64	10,369.64	-	10,369.64	-
Street Lighting	1,868.06	1,868.06	-	1,868.06	-
Telephone	1,498.70	1,498.70	709.86	788.84	-
Fuel Oil & Gasoline	6,586.22	6,586.22	482.76	6,103.46	-
Postage	3,436.55	3,436.55	-	3,436.55	-
STATUTORY EXPENDITURES					
Contributions to:					
Social Security System (O.A.S.I.)	2,286.91	2,286.91	-	2,286.91	-
Unemployment Compensation Insurance	957.55	957.55	-	957.55	-
OPERATIONS EXCLUDED FROM "CAPS"					
Insurance					
Employee Group Health	162.63	162.63	162.63	-	-
Matching Funds for Grants	2,000.00	2,000.00	-	2,000.00	-
	<u>\$ 289,717.45</u>	<u>289,717.45</u>	<u>29,174.84</u>	<u>260,542.61</u>	<u>-</u>

See Accompanying Auditor's Report

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

Balance December 31, 2012			
School Tax Payable	\$	-	
School Tax Deferred		<u>429,308.96</u>	
			\$ 429,308.96
Increased by:			
Levy - School Year July 1, 2013 to June 30, 2014			<u>873,041.00</u>
			1,302,349.96
Decreased by:			
Payments			<u>865,829.52</u>
Balance December 31, 2013			
School Tax Payable		7,211.48	
School Tax Deferred		<u>429,308.96</u>	
			<u>436,520.44</u>
Current Year Liability for Local School District School Tax:			
Tax Paid			865,829.52
Tax Payable Ending			<u>7,211.48</u>
			873,041.00
Less: Tax Payable Beginning			<u>-</u>
Amount charged to Current Year Operations			<u>\$ 873,041.00</u>

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

Balance December 31, 2012			
School Tax Payable	\$	-	
School Tax Deferred		<u>801,259.16</u>	
			\$ 801,259.16
Increased by:			
Levy - School Year July 1, 2013 to June 30, 2014			<u>1,326,045.00</u>
			2,127,304.16
Decreased by:			
Adjustment of the Payable			138,238.20
Payments			<u>1,164,283.20</u>
Balance December 31, 2013			
School Tax Payable		161,761.80	
School Tax Deferred		<u>663,020.96</u>	
			<u>824,782.76</u>
Current Year Liability for Local School District School Tax:			
Tax Paid			1,164,283.20
Tax Payable Ending			<u>161,761.80</u>
			1,326,045.00
Less: Tax Payable Beginning			<u>-</u>
Amount charged to Current Year Operations			<u>\$ 1,326,045.00</u>

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

<u>Purpose</u>	Balance Dec. 31, 2012	Transferred From 2013 Revenues	Received	Adjustments	Balance Dec. 31, 2013
STATE GRANTS:					
New Jersey Transportation Trust					
Fund Authority Act of 1984					
Columbia Avenue	50,908.87	-	-	50,908.87	-
Fow Avenue	50,000.00	-	-	10,000.00	40,000.00
Second Avenue	16,023.95	-	-	16,023.95	-
DOT Bike Path Grant - 2012	180,000.00	-	75,209.63	-	104,790.37
Tonnage Grant	1,752.87	-	-	-	1,752.87
Total State	<u>298,685.69</u>	<u>-</u>	<u>75,209.63</u>	<u>76,932.82</u>	<u>146,543.24</u>
\$	<u>298,685.69</u>	<u>-</u>	<u>75,209.63</u>	<u>76,932.82</u>	<u>146,543.24</u>

Cash	75,209.63
Unappropriated Reserves	-
	<u>75,209.63</u>

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

	Balance December 31, 2012		2013		Disbursed	Encumbrances	Canceled	Balance Dec. 31, 2013
	Encumbrances	Reserve for	Appropriations					
STATE GRANTS:								
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	-	4,833.84	200.00	-	-	-	5,073.20
Alcohol Education and Rehabilitation	3,285.44	-	539.63	-	-	-	-	3,825.07
Solid Waste Recycling	7,640.43	-	-	-	-	-	-	7,640.43
Recycling Tonnage	15,704.25	-	1,571.40	796.00	-	-	-	16,479.65
DOT Bike Path	180,000.00	-	-	137,944.95	-	-	-	42,055.05
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
Total State	287,571.56	-	6,944.87	138,940.95	-	-	51,658.16	83,917.32
	287,571.56	-	6,944.87	138,940.95	-	-	51,658.16	83,917.32

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

<u>Purpose</u>	Balance	Transferred	Received	Adjustments	Balance
	Dec. 31, 2012	To 2013 Appropriations			Dec. 31, 2013
FEDERAL GRANTS:					
Small Cities Program - 2002	\$ 15,645.00	-	-	-	15,645.00
Total Federal	<u>15,645.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,645.00</u>
STATE GRANTS:					
Alcohol Education Rehabilitation	539.63	539.63	-	-	-
Recycling Tonnage	1,571.40	1,571.40	1,362.87	-	1,362.87
Stormwater Management Grant	1,705.00	-	-	-	1,705.00
Clean Communities	-	4,833.84	4,833.84	-	-
DDEF	-	-	633.30	-	633.30
Total State	<u>3,816.03</u>	<u>6,944.87</u>	<u>6,830.01</u>	<u>-</u>	<u>3,701.17</u>
	\$ <u>19,461.03</u>	<u>6,944.87</u>	<u>6,830.01</u>	<u>-</u>	<u>19,346.17</u>

See Accompanying Auditor's Report

TRUST FUND
SCHEDULE OF ANIMAL CONTROL CASH - TREASURER

Balance December 31, 2012		\$	2,672.81
Increased By Receipts:			
Dog Licenses Fees	\$	601.80	
State License Fees		58.20	
Due to Current		57.80	
Interest Earned		1.47	
			<u>719.27</u>
			3,392.08
Decreased By Disbursements:			
State License Fee		57.80	
Interest to Current		1.47	
			<u>59.27</u>
Balance December 31, 2013		\$	<u><u>3,332.81</u></u>

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

Balance December 31, 2012		\$ 1,077,349.69
Increased By Receipts:		
Tax Title Liens	\$ 194,159.19	
Site Plan Escrow Deposits	45,100.96	
COAH Fees	53,225.46	
Public Assistance	2.84	
Liquor License Trust	277.64	
Other Trust Fund Receipts	84,564.26	
	<hr/>	377,330.35
		<hr/>
		1,454,680.04
Decreased By Disbursements:		
Tax Title Lien Redemptions	158,480.04	
Site Plan Escrow Deposits Returned	54,723.43	
COAH Fees	28,745.00	
Public Assistance	2.84	
Due to Current	2,500.00	
Liquor License Trust	45,000.00	
Other Trust Fund Disbursements	95,919.71	
	<hr/>	385,371.02
		<hr/>
Balance December 31, 2013		\$ <u><u>1,069,309.02</u></u>

SEE ACCOMPANYING AUDITOR'S REPORT

**TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES**

Balance December 31, 2012		\$	1,452.60
Increased By:			
Audit Correction - 2012 Audit	\$		2.00
Dog Licenses Fees Collected		601.80	
		603.80	
			2,056.40
Decreased By Disbursements:			
Excess to Current Fund		600.80	
		600.80	
Balance December 31, 2013		\$	1,455.60
License Fees Collected			
	<u>Year</u>		
	2011	705.60	
	2012	750.00	
		1,455.60	
	\$	1,455.60	

SCHEDULE OF AMOUNT DUE TO STATE OF NEW JERSEY

Balance December 31, 2012		\$	2.00
Increased By:			
Collected in 2013	\$	58.20	
		58.20	
			60.20
Decreased By:			
Audit Correction - 2012 Audit		2.00	
Paid to State of New Jersey		57.80	
		59.80	
Balance December 31, 2013		\$	0.40

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

Balance December 31, 2012		\$ 95,338.80
Increased by:		
Due from Current Fund	378,442.33	
Proceeds from Bond Anticipation Notes	<u>270,000.00</u>	
		<u>648,442.33</u>
		743,781.13
Decreased by:		
Improvement Authorizations	153,016.00	
Paydown of Bond Anticipation Notes	<u>442,807.04</u>	
		<u>595,823.04</u>
Balance December 31, 2013		\$ <u><u>147,958.09</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2012		Receipts		Disbursements		Transfers		Balance Dec. 31, 2013	
			Debit Issued		Improvement Authorizations	Miscellaneous		From	To	
			Miscellaneous			Improvement	Miscellaneous			
Fund Balance	\$	202.39	-	-	-	-	-	-	-	202.39
Capital Improvement Fund		31,400.00	5,500.00	-	-	-	-	-	-	6,650.00
Reserve to Pay Notes		-	97,731.00	-	-	-	-	30,250.00	-	97,731.00
Due to/from) Current Fund		76.04	200,211.33	-	-	297,807.04	-	-	-	(97,519.67)
Due to/from) Trust Other Fund		(40,000.00)	-	-	-	-	-	-	-	(40,000.00)
Reserve for Purchase of Fire Equipment		535.28	-	-	-	-	-	-	-	535.28
Improvement Authorizations:										
292-01 Improvements to Municipal Buildings		177.10	-	-	-	-	-	-	-	177.10
324-03 Various Improvements		2,725.95	-	-	-	-	-	-	-	2,725.95
349-05 Public Safety Equipment		2.89	-	-	-	-	-	-	-	2.89
355-05 Various Improvements		8,659.98	-	-	-	-	-	-	-	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	-	-	26,367.50
390-07 Various Improvements		1,247.67	20,000.00	-	-	-	20,000.00	-	-	1,247.67
406-07 Various Improvements		25,688.00	5,000.00	-	-	-	5,000.00	-	-	25,688.00
389-07 Solar Panels - County		734.00	-	-	-	-	-	-	-	734.00
413-08 Various Improvements - County		2,007.00	15,000.00	-	-	-	85,000.00	-	-	2,007.00
445-10 Various Improvements		-	-	70,000.00	-	-	-	-	-	-
471-12 Various Improvements		28,265.00	-	200,000.00	153,016.00	-	-	-	-	75,249.00
483-13 Acquisition of Fire Truck/PW Vehicle		-	-	-	-	-	-	-	30,250.00	30,250.00
	\$	95,338.80	378,442.33	270,000.00	153,016.00	442,807.04	30,250.00	30,250.00		147,958.09

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

Balance December 31, 2012		\$	31,400.00
Increased by:			
Budget Appropriation	<u>5,500.00</u>		<u>5,500.00</u>
			36,900.00
Decreased by:			
Improvement Authorizations Funded	<u>30,250.00</u>		<u>30,250.00</u>
Balance December 31, 2013		\$	<u><u>6,650.00</u></u>

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

Ord #	Improvement Description	Balance Dec. 31, 2012	2013 Authorizations	Raised in 2013 Budget	Debt Issued	Balance Dec. 31, 2013	Analysis of Balance		Unexpended Improvement Authorizations
							Bond Anticipation Notes	Expenditures	
374-06	Various Improvements	\$ 35,000.00	-	-	35,000.00	-	-	-	-
380-07	Various Improvements	20,000.00	-	-	20,000.00	-	-	-	-
406-07	Various Improvements	7,202.00	-	-	5,000.00	2,202.00	-	-	2,202.00
413-08	Various Improvements - County	20,000.00	-	-	20,000.00	-	-	-	-
445-10	Various Improvements	85,000.00	-	-	15,000.00	70,000.00	70,000.00	-	-
471-12	Various Improvements	200,000.00	-	-	-	200,000.00	200,000.00	-	-
483-13	Acquisition of Fire Truck/PW Vehicle	-	574,750.00	-	-	574,750.00	-	-	574,750.00
		<u>\$ 367,202.00</u>	<u>574,750.00</u>	<u>-</u>	<u>95,000.00</u>	<u>846,952.00</u>	<u>270,000.00</u>	<u>-</u>	<u>576,952.00</u>

Improvement Authorizations Unfunded
Less:

Unexpended Proceeds of Bond Anticipation Notes Issued:	652,201.00
Ord. Number	471-12
	<u>75,249.00</u>
	<u>75,249.00</u>
	<u>576,952</u>

**GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES**

Improvement Description	Ordinance Number	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2012	Increased	Decreased	Balance Dec. 31, 2013
Various Improvements	374-06	10/3/2007	9/27/2012	9/27/2013	1.375% \$	35,000.00	-	35,000.00	-
Various Improvements	390-07	10/3/2007	9/27/2012	9/27/2013	1.375%	20,000.00	-	20,000.00	-
Various Improvements	406-07	10/1/2010	9/27/2012	9/27/2013	1.375%	5,000.00	-	5,000.00	-
Various Improvements - County	413-08	10/2/2008	9/27/2012	9/27/2013	1.375%	20,000.00	-	20,000.00	-
Various Improvements	445-10	10/1/2010	9/27/2012	9/27/2013	1.375%	85,000.00	-	85,000.00	-
		10/1/2010	9/26/2013	9/26/2014	1.000%	-	70,000.00	-	70,000.00
Rehabilitation of Small Cities Housing	471-12	5/23/2012	9/26/2013	9/26/2014	1.000%	-	200,000.00	-	200,000.00
						<u>\$ 165,000.00</u>	<u>270,000.00</u>	<u>165,000.00</u>	<u>270,000.00</u>

SEE ACCOMPANYING AUDITOR'S REPORT

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2012	2013 Authorizations	Debt Issued	Other	Balance Dec. 31, 2013
406-07	Various Improvements	\$ 2,202.00	-	-	-	2,202.00
471-12	Small Cities CDBG - U/F	200,000.00	-	200,000.00	-	-
483-13	Acquisition of Fire Truck/PW Vehicle	-	574,750.00	-	-	574,750.00
		<u>\$ 202,202.00</u>	<u>574,750.00</u>	<u>200,000.00</u>	<u>-</u>	<u>576,952.00</u>

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

	Operating Fund	Capital Fund
Balance December 31, 2012	\$ 3,408,397.87	-
Increased by Receipts:		
Water & Sewer Rent Collected	915,630.33	-
Water & Sewer Prepaid	4,445.14	-
Miscellaneous	22,187.09	-
Bond Anticipation Notes	-	85,000.00
Due from Utility Operating	-	1,118,193.51
	<u>942,262.56</u>	<u>1,203,193.51</u>
	4,350,660.43	1,203,193.51
Decreased by Disbursements:		
Current Year Appropriation	581,843.96	-
Prior Year Appropriations	68,719.28	-
Improvement Authorizations	-	1,118,193.51
Accrued Interest on Bonds and Notes	136,362.74	-
Due to Current	246,547.63	-
Due to Utility Capital	1,118,193.51	-
Reserve to Pay Bonds	-	85,000.00
	<u>2,151,667.12</u>	<u>1,203,193.51</u>
Balance December 31, 2013	\$ <u>2,198,993.31</u>	<u>-</u>

See Accompanying Auditor's Report

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

	Balance Dec. 31, 2012	Receipts		Disbursements		Transfers		Balance Dec. 31, 2013
		Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To	
Capital Improvement Fund	\$ 110,000.00	-	-	-	-	-	-	110,000.00
Capital Fund Balance	225.00	-	-	-	-	-	-	225.00
USDA Grant Receivable	-	-	-	-	-	-	-	-
USDA Grant Receivable	(330,548.00)	-	-	-	-	-	-	(330,548.00)
Due to/(from):								
Water & Sewer Operating Fund	(2,943,155.81)	1,118,193.51	-	-	-	-	-	(1,824,962.30)
Encumbrances Payable	36,687.81	-	-	-	-	2,957.25	-	39,645.06
Reserve for Debt Service	137,854.00	-	-	-	-	-	-	137,854.00
Improvement Authorizations:								
Ord. Number								
171-91	(800.00)	-	-	-	-	-	-	(800.00)
446-10	7,870.50	-	-	4,963.25	-	2,457.25	-	450.00
464-11	2,881,866.50	-	-	1,113,230.26	-	500.00	-	1,868,136.24
		1,118,193.51		1,118,193.51		2,957.25		

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

Balance December 31, 2012		\$	54,457.86
Increased by Receipts:			
Consumer Accounts Charges and Levies	<u>910,675.83</u>		<u>910,675.83</u>
			965,133.69
Decreased by Disbursements:			
Overpayments & Prepayments Applied	13,180.16		
Collections	<u>915,630.33</u>		<u>928,810.49</u>
Balance December 31, 2013		\$	<u><u>36,323.20</u></u>

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

	Balance Dec. 31, 2012	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
Operating:					
Salaries and Wages	\$ 8,689.17	8,689.17	-	8,689.17	-
Other Expenses	141,776.47	141,776.47	68,719.28	73,057.19	-
Statutory Expenditures					
Contribution to:					
Social Security System (O.A.S.I.)	379.73	379.73	-	379.73	-
	<u>\$ 150,845.37</u>	<u>150,845.37</u>	<u>68,719.28</u>	<u>82,126.09</u>	<u>-</u>
Appropriation Reserves	\$ 103,712.34				
Encumbrances Payable	47,133.03				
	<u>\$ 150,845.37</u>				

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

Balance December 31, 2012		\$	30,197.00
Increased by:			
USDA & BAN Interest	135,398.54		
	135,398.54		135,398.54
			165,595.54
Decreased By:			
USDA & BAN Interest Paid	136,362.74		
	136,362.74		136,362.74
Balance December 31, 2013		\$	29,232.80

Analysis of Accrued Interest December 31, 2013

	Principal Outstanding December 31, 2013	Interest Rate	From	To	Days	Amount
<u>Serial Bonds</u>						
\$	191,066.83	5.00%	12/2/2013	12/31/2013	29	769.56
	518,356.36	4.50%	10/29/2013	12/31/2013	63	4,082.06
	878,177.50	4.13%	7/22/2013	12/31/2013	162	16,301.17
	2,880,000.00	1.00%	9/28/2013	12/31/2013	101	8,080.00
						29,232.80

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

Ord. #	Improvement Description	Ord. Date	Amount	Balance December 31, 2012		Authorizations		Paid or Charged	Balance December 31, 2013	
				Funded	Unfunded	Other Funding	Deferred Charges to Future Taxation		Funded	Unfunded
446-10	Improvements to Water and Sewer Infrastructure	3/10/2010	220,000 \$	-	7,870.50	-	-	7,420.50	-	450,000
464-11	Water / Sewer Utility Improvements	11/09/11	3,013,000	-	2,986,866.50	-	-	1,113,730.26	-	1,873,136.24
			\$	-	2,994,737.00	-	-	1,121,150.76	-	1,873,586.24

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2013	Interest Rate	Balance Dec. 31, 2012	Change		Balance Dec. 31, 2013
						Increased	Decreased	
Replace Septic System	12/2/1992	293,200.00	***** USDA Bond - semi-annual payments of \$8,512.00 due on June 2 and December 2. Final payment December 2, 2032	5.000% \$	192,201.37	-	6,426.84	185,774.53
Sanitary Sewer System Impro.	10/29/2004	576,000.00	***** USDA Bond - semi-annual payments of \$15,593.00 due on April 28 and October 28. Final payment October 28, 2044	4.500%	525,856.21	-	7,602.43	518,253.78
Sanitary Sewer System Impro.	1/22/2009	924,000.00	***** USDA Bond - semi-annual payments of \$23,692.00 due on January 22 and July 22. Final payment July 22, 2049	4.125%	889,205.26	-	10,920.36	878,284.90
				\$	<u>1,607,262.84</u>	<u>-</u>	<u>24,949.63</u>	<u>1,582,313.21</u>

See Accompanying Auditor's Report

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

Improvement Description	Ordinance Number	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2012	Increased	Decreased	Balance Dec. 31, 2013
Sanitary Sewer System	243-96	10/1/2010	9/27/2012	9/27/2013	1.375% \$	20,000.00	-	20,000.00	-
Sewer Main Replacement - 2002	314-02	10/3/2007	9/27/2012 9/26/2013	9/27/2013 9/26/2014	1.375% 1.000%	320,000.00	320,000.00	320,000.00	320,000.00
Sewer Main Replacement - 2003	330-03	10/1/2010	9/27/2012 9/26/2013	9/27/2013 9/26/2014	1.375% 1.000%	135,000.00	90,000.00	135,000.00	90,000.00
Improvements to Water and Sewer Infrastructure	446-10	10/1/2010	9/27/2012 9/26/2013	9/27/2013 9/26/2014	1.375% 1.000%	190,000.00	180,000.00	190,000.00	180,000.00
Water & Sewer Improvements	464-11	11/9/2011	9/27/2012 9/26/2013	9/27/2013 9/26/2014	1.375% 1.000%	2,300,000.00	2,290,000.00	2,300,000.00	2,290,000.00
					\$	<u>2,965,000.00</u>	<u>2,880,000.00</u>	<u>2,965,000.00</u>	<u>2,880,000.00</u>

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2012	2013 Authorizations	Debt Issued	Other	Balance Dec. 31, 2013
171-91	Various Improvements	\$ 800.00	-	-	-	800.00
464-11	Water/Sewer Utility Improvements	5,000.00	-	-	-	5,000.00
		<u>\$ 5,800.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,800.00</u>

See Accompanying Auditor's Report

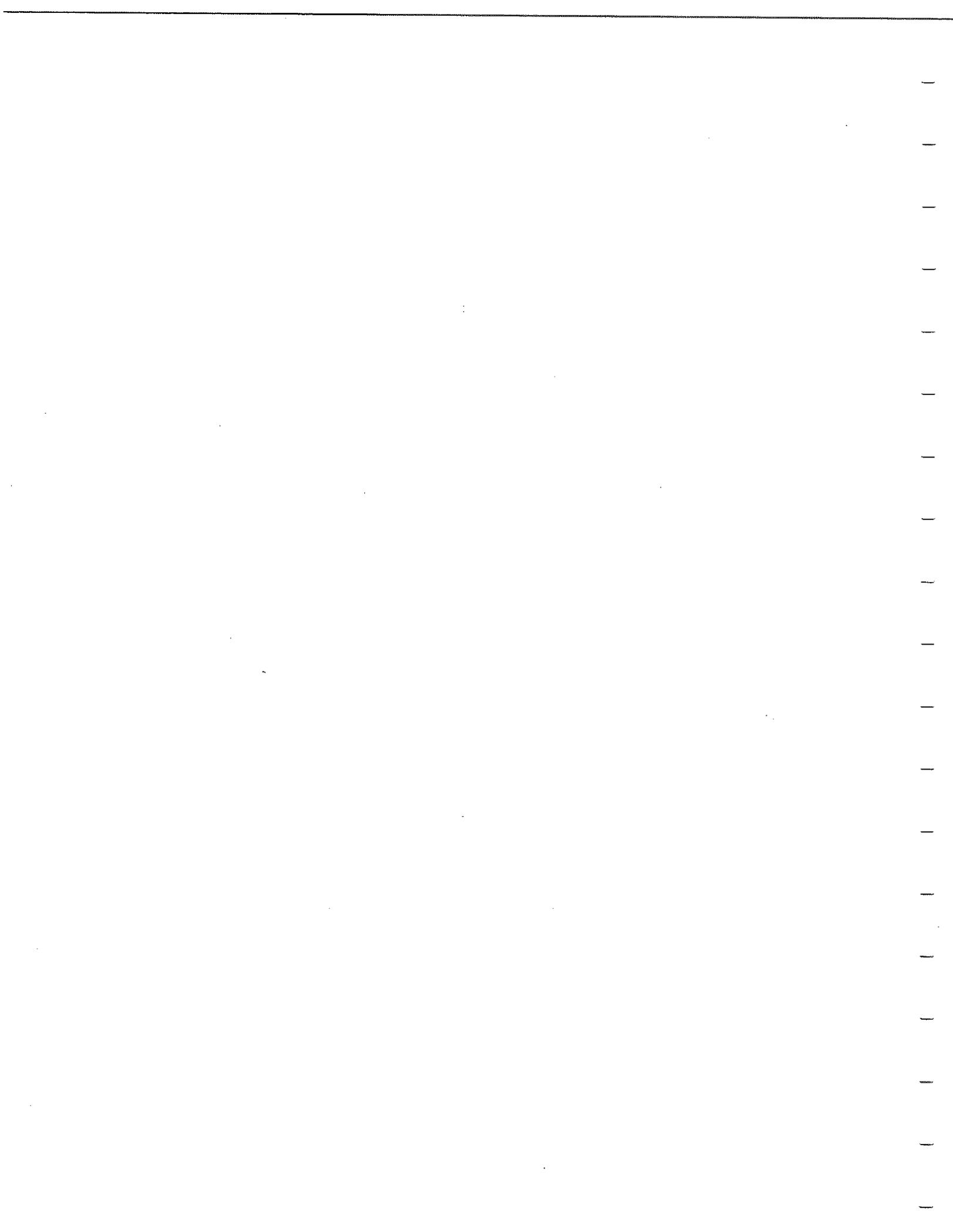
BOROUGH OF WEST CAPE MAY

PART II

GENERAL COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2013



GENERAL COMMENTS

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

N.J.S.A. 40A:11-4 states, "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law." Effective January 1, 2011, the bid threshold was \$17,500. The Borough adopted the bid threshold of \$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 Counsel's opinion should be sought before a commitment is made.

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

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.

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 on January 9, 2013 authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED by the Borough Commissioners of the Borough of West Cape May, in the County of Cape May that pursuant to N.J.S.A. 54:4-67, the following interest rates be and are hereby fixed for property taxes and other municipal claims, which may be or may hereafter become delinquent, at 8% per annum on the first \$1,500.00 of the aggregate delinquency and 18% per annum on any amount in excess of \$1,500.00 of the aggregate delinquency.

BE IT FURTHER RESOLVED by the Board of 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 six percent (6%) 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 2013.

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

Delinquent Taxes and Tax Title Liens

The tax sale was held on December 3, 2013 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>
2013	13
2012	12
2011	13

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 2013 and 2014 Taxes	5
Delinquent Taxes	10
Current Water and Sewer Utility Rents	10
Delinquent Water and Sewer Rents	5
Total	30

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

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently Cash Collections</u>	<u>Percentage of Collections</u>
2013 \$	4,837,452.27	4,696,397.32	97.08%
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%
2009	5,069,713.50	4,863,024.30	95.92%

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Comparative Schedule of Tax Rate Information

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Tax Rate	\$ 1.067	1.149	1.17	0.991	0.979
Apportionment of Tax Rate:					
Municipal	0.331	0.346	0.337	0.283	0.273
County	0.248	0.256	0.242	0.202	0.197
Local & Regional School	0.488	0.547	0.591	0.506	0.509
Assessed Valuation	451,352,424	450,318,466	448,315,357	515,688,263	515,761,134

Delinquent Taxes and Tax Title Liens

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

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage Of Tax Levy</u>
2013 \$	139,693.41	113,081.75	252,775.16	5.23%
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%
2009	83,852.21	174,906.78	258,758.99	5.10%

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 most municipal funds were deposited within the mandated time.

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RECOMMENDATIONS

*1. 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 innerfund balances.

2. That bank reconciliations for the Water and Sewer Operating Fund be prepared in an accurate and timely manner

*- Similar recommendation previously made.

The problems and weaknesses noted in my review were not of such magnitude that they would affect my ability to express an opinion on the financial statements taken as a whole.

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.

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

Leon P. Costello

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

June 30, 2014