

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

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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, 2017



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

Independent Auditor's Report

The Honorable Mayor and
Members of Borough 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, 2017 and 2016, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the 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, 2017 and 2016, 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 balance sheets and account group as of December 31, 2017 and 2016, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2017 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2018, on our consideration of the 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 1, 2018

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**EXHIBIT - A
CURRENT FUND**

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

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Regular Fund:		
Cash:		
Cash Treasurer	\$ 1,051,700.32	326,324.29
Cash - Collector	858,013.64	822,819.68
Cash - Change	150.00	150.00
Total Cash	<u>1,909,863.96</u>	<u>1,149,293.97</u>
Other Receivables:		
Due from State - Chapter 20 P.L. 1971	888.95	1,270.87
Total Other Receivables	<u>888.95</u>	<u>1,270.87</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	127,451.94	132,255.58
Tax Title and Other Liens	154,080.24	142,941.71
Property Acquired for Taxes - at Assessed Valuation	230,782.00	230,782.00
Revenue Accounts Receivable	788.18	387.54
Interfund Receivable:		
Grant Fund	-	148,815.49
General Capital Fund	32,479.62	-
Due from POAA Trust	-	0.13
Due from Fire Dedicated Trust	1.50	0.03
Due from Liquor Trust	352.93	188.71
Due from Dog Fund	1,343.18	712.77
Total Receivables and Other Assets	<u>547,279.59</u>	<u>656,083.96</u>
Total Regular Fund	<u>2,458,032.50</u>	<u>1,806,648.80</u>
Federal and State Grant Fund:		
Cash	-	-
Due from Current Fund	19,600.48	-
Federal and State Grants Receivable	<u>63,242.92</u>	<u>229,518.57</u>
Total Federal and State Grant Fund	<u>82,843.40</u>	<u>229,518.57</u>
Total Current Fund	<u>\$ 2,540,875.90</u>	<u>2,036,167.37</u>

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2017</u>	<u>2016</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 239,434.95	202,170.11
Reserve for Encumbrances/Accounts Payable	15,918.74	13,306.08
Payroll Taxes Payable	11,342.01	-
Prepaid Taxes	332,181.84	95,107.89
Overpaid Taxes	24,206.25	10,869.70
Local School Tax Payable	-	8,919.46
Regional School Tax Payable	-	103,787.76
County Added Tax Payable	20,278.55	8,316.41
Due to State:		
Marriage Licenses	25.00	75.00
Interfund Payable:		
Escrow Trust	5,875.94	1,920.67
POAA Trust	1.75	-
Tax Title Lien	0.90	0.72
Grant Fund	19,600.48	-
General Capital	-	12,987.30
Unemployment Trust	534.73	534.73
Utility Operating	21,748.40	21,748.40
Utility Capital	258,936.67	-
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
	<hr/>	<hr/>
Reserve for Receivables and Other Assets	975,266.99	504,925.01
Fund Balance	547,279.59	656,083.96
	<hr/>	<hr/>
Total Regular Fund	2,458,032.50	1,806,648.80
Federal and State Grant Fund:		
Unappropriated Reserves	19,408.88	17,350.00
Appropriated Reserves	60,163.10	55,536.42
Encumbrances Payable	1,447.32	5,992.56
Due to Current Fund	-	148,815.49
Due to HUD	1,824.10	1,824.10
	<hr/>	<hr/>
Total Federal and State Grant Fund	82,843.40	229,518.57
Total Current Fund	\$ <u>2,540,875.90</u>	<u>2,036,167.37</u>

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

	2017	2016
Revenue and Other Income Realized		
Fund Balance	\$ 354,000.00	354,000.00
Miscellaneous Revenue Anticipated	304,464.98	274,225.87
Receipts from Delinquent Taxes	131,126.43	155,678.72
Receipts from Current Taxes	5,672,383.55	5,474,920.87
Non Budget Revenue	65,579.38	67,892.05
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	160,413.78	67,852.79
Interfund Returned	150,410.29	32,622.92
Tax Over Payments Canceled	-	21,953.64
Total Income	6,838,378.41	6,449,146.86
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	507,700.00	480,819.00
Other Expenses	892,878.00	890,085.00
Deferred Charges & Statutory Expenditures	94,543.98	90,064.69
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	-	-
Other Expenses	487,047.82	482,985.31
Capital Improvements	10,000.00	10,000.00
Debt Service	181,245.50	116,142.89
Deferred Charges	-	300,000.00
Local District School Tax	1,046,992.52	1,043,241.00
Regional District School Tax	1,657,452.24	1,814,361.46
County Tax	1,262,780.19	1,128,247.07
County Share of Added Tax	20,278.55	8,316.41
Interfund Created	33,613.52	188.84
Total Expenditures	6,194,532.32	6,364,451.67
Excess in Revenue	643,846.09	84,695.19

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

	2017	2016
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year		
Emergency Appropriation	-	300,000.00
Total Adjustments	-	300,000.00
Statutory Excess to Fund Balance	643,846.09	384,695.19
Fund Balance January 1	645,639.83	614,944.64
	1,289,485.92	999,639.83
Decreased by:		
Utilization as Anticipated Revenue	354,000.00	354,000.00
Fund Balance December 31	\$ 935,485.92	645,639.83

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

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated	\$ 354,000.00	-	354,000.00	-
Total Fund Balance Anticipated	<u>354,000.00</u>	<u>-</u>	<u>354,000.00</u>	<u>-</u>
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Other	30,000.00	-	40,616.50	10,616.50
Fines and Costs:				
Municipal Court	11,000.00	-	14,549.39	3,549.39
Interest and Costs on Taxes	31,000.00	-	26,928.27	(4,071.73)
Total Section A: Local Revenues	<u>72,000.00</u>	<u>-</u>	<u>82,094.16</u>	<u>10,094.16</u>
Section B: State Aid Without Offsetting Appropriations				
Energy Receipts Tax	89,303.00	-	89,303.00	-
Total Section B: State Aid Without Offsetting Appropriations	<u>89,303.00</u>	<u>-</u>	<u>89,303.00</u>	<u>-</u>
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations :				
Clean Communities	-	5,351.82	5,351.82	-
Community Forestry Program - Volunteer Fire Assistance	-	3,000.00	3,000.00	-
Total Section F: Special Items - Public and Private Programs	<u>-</u>	<u>8,351.82</u>	<u>8,351.82</u>	<u>-</u>
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, 2017**

	Budget	Anticipated N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Section G: Other Special Items				
Cape May City Lease	38,962.00	-	38,960.00	(2.00)
Liquor License Trust Surplus	45,000.00	-	45,000.00	-
Reserve to Pay Bonds & Notes	40,756.00	-	40,756.00	-
Total Section G: Other Special Items	<u>124,718.00</u>	<u>-</u>	<u>124,716.00</u>	<u>(2.00)</u>
Total Miscellaneous Revenues:	286,021.00	8,351.82	304,464.98	10,092.16
Receipts from Delinquent Taxes	120,000.00	-	131,126.43	11,126.43
Amount to be Raised by Taxes for Support of Municipal Budget	1,664,708.88	-	1,872,036.71	207,327.83
Local Tax for Municipal Purposes	1,664,708.88	-	1,872,036.71	207,327.83
Total Amount to be Raised by Taxes for Support of Municipal Budget	<u>2,424,729.88</u>	<u>8,351.82</u>	<u>2,661,628.12</u>	<u>228,546.42</u>
Budget Totals				
Non- Budget Revenues:	-	-	65,579.38	65,579.38
Other Non- Budget Revenues:	<u>2,424,729.88</u>	<u>8,351.82</u>	<u>2,727,207.50</u>	<u>294,125.80</u>

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

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

Analysis of Realized Revenues

Allocation of Current Tax Collections:		
Revenue from Collections	5,672,383.55	
Less: Reserve for Tax Appeals Pending	_____	
Net Revenue from Collections	5,672,383.55	
Allocated to:		
School, County and Other Taxes	4,059,758.74	_____
Balance for Support of Municipal Budget Appropriations	1,612,624.81	
Increased by:		
Appropriation "Reserved for Uncollected Taxes"	259,411.90	_____
Amount for Support of Municipal Budget Appropriations	1,872,036.71	_____

Receipts from Delinquent Taxes:		
Delinquent Tax Collection	131,126.43	
Tax Title Lien Collections	-	_____
Total Receipts from Delinquent Taxes	131,126.43	_____

Analysis of Non-Budget Revenue:		
Miscellaneous Revenue Not Anticipated:		
CDBG Grant - excess of receivable	7,500.00	
City of Cape May - Discharge	2,720.45	
CMC Election Reimbursements	3,200.00	
Comcast Franchise Fee	11,102.21	
DMV Inspections	247.00	
DWI Grant	193.02	
FEMA - Super Storm Jonas	6,506.84	
GOV DEALS	1,489.45	
Homestead Mailing	67.20	
Interest on Investments	1,043.39	
JIF Refunds	2,925.00	
Miscellaneous	2,077.40	
NSF Fees	35.00	
Photocopies	11.30	
Postage Refund	25.48	
Special Event Permits	225.00	
Sr & Vet Admin Fee	247.64	
Street Opening	14,810.00	
Tax Sale Cost	15.00	
Trailer Park	8,800.00	
Vital Statistics	1,938.00	
Wedding Fees	400.00	
Total Miscellaneous Revenue Not Anticipated:	65,579.38	_____

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
DEPARTMENT OF PUBLIC AFFAIRS AND PUBLIC SAFETY						
Director's Office						
Salaries and Wages	\$ 14,000.00	14,000.00	13,330.02		669.98	-
Other Expenses	2,000.00	100.00	-		100.00	-
Fire						
Other Expenses						
Miscellaneous Other Expenses	29,000.00	29,000.00	29,000.00		-	-
Aid to Vol Fire Company	48,000.00	48,000.00	37,544.90	10,455.10	-	-
Police						
Salaries and Wages	100.00	100.00	-		100.00	-
Other Expenses	100.00	100.00	-		100.00	-
Municipal Prosecutor						
Salaries and Wages	7,400.00	7,400.00	7,281.17		118.83	-
Emergency Management Services						
Salaries and Wages	4,300.00	4,300.00	4,300.00		-	-
Other Expenses	2,000.00	2,000.00	1,091.41	568.00	340.59	-
Fire Safety Division						
Salaries and Wages	100.00	100.00	-		100.00	-
Other Expenses	100.00	-	-		-	-
Board of Health						
Other Expenses	200.00	200.00	-		200.00	-
Dog Regulation						
Other Expenses	9,500.00	9,500.00	4,399.60	60.00	5,040.40	-
Municipal Court						
Salaries and Wages	85,000.00	85,000.00	81,793.82		3,206.18	-
Other Expenses	10,000.00	10,000.00	8,658.53		1,341.47	-
Public Defender						
Salaries and Wages	4,500.00	4,500.00	4,371.99		128.01	-
Celebration of Public Events, Anniversary, Holidays						
Other Expenses	1,500.00	500.00			500.00	-
Emergency Medical Services - Contractual						
Public Employee Awards Program	65,000.00	65,000.00	37,228.16		27,771.84	-
(N.J.S.A. 40A:9-18)(N.J.S.A. 40A5-31)	200.00	200.00	-	30.96	169.04	-

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

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
DEPARTMENT OF REVENUE AND FINANCE						
Director's Office						
Salaries and Wages	18,500.00	18,500.00	18,191.01	-	308.99	-
Other Expenses	10,000.00	10,000.00	2,842.63	117.00	7,040.37	-
Financial Administration						
Salaries and Wages	46,500.00	46,500.00	40,417.85	-	6,082.15	-
Other Expenses	23,000.00	23,000.00	23,000.00	-	-	-
Audit Services	8,000.00	8,000.00	2,992.61	-	5,007.39	-
Miscellaneous Other Expenses						
Borough Clerk						
Salaries and Wages	83,000.00	83,000.00	80,845.86		2,154.14	-
Other Expenses	16,000.00	12,000.00	8,932.73	100.00	2,967.27	-
Elections						
Other Expenses	4,000.00	4,000.00	3,221.42	-	778.58	-
Assessment of Taxes						
Salaries and Wages	10,500.00	11,300.00	11,211.71	-	88.29	-
Other Expenses	5,000.00	5,000.00	3,917.50	950.00	132.50	-
Collection of Taxes						
Salaries and Wages	39,500.00	39,500.00	38,531.45	-	968.55	-
Other Expenses	2,000.00	2,000.00	505.98	-	1,494.02	-
Liquidation of Tax Title Liens & Foreclosed Property						
Other Expenses	200.00	200.00	-	-	200.00	-
Legal Services and Costs						
Other Expenses	100,000.00	100,000.00	36,977.53	-	63,022.47	-
Municipal Land Use Law (NJSA 40:55D-1)						
Planning & Zoning Board						
Salaries and Wages	12,000.00	12,000.00	7,977.34	-	4,022.66	-
Other Expenses	4,000.00	4,000.00	1,436.95	-	2,563.05	-
Code Enforcement Officer						
Salaries and Wages	14,000.00	9,000.00	7,805.96	-	1,194.04	-
Other Expenses	500.00	500.00	-	-	500.00	-
Zoning Officer						
Salaries and Wages	27,300.00	33,800.00	33,656.93	-	143.07	-
Other Expenses	500.00	500.00	51.50	-	448.50	-
Grant Coordinator						
Contractual	10,000.00	5,000.00	1,000.00	-	4,000.00	-
Insurance						
General Liability	23,389.00	23,389.00	14,692.18	-	8,696.82	-
Workers Compensation Insurance	51,689.00	51,689.00	39,356.80	-	12,332.20	-
Employee Group Health	165,000.00	165,000.00	165,000.00	-	-	-

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

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Historic Preservation	500.00	500.00	-	-	500.00	-
Other Expenses						
Construction Code Enforcement	3,000.00	3,000.00	1,621.67	-	1,378.33	-
Other Expenses						
DEPARTMENT OF PUBLIC WORKS, PARKS AND RECREATION						
Director's Office						
Salaries and Wages	14,000.00	14,000.00	13,340.08	-	659.92	-
Other Expenses	2,000.00	2,000.00	1,584.82	110.28	304.90	-
Public Buildings and Grounds						
Other Expenses	36,500.00	36,500.00	15,047.56	2,563.51	18,888.93	-
Road Repairs and Maintenance						
Salaries and Wages	84,700.00	84,700.00	84,700.00	-	-	-
Other Expenses	11,000.00	11,000.00	5,472.01	206.97	5,321.02	-
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	106,000.00	106,000.00	104,146.50	-	1,853.50	-
Recycling						
Salaries and Wages	40,000.00	40,000.00	20,205.18	-	19,794.82	-
Other Expenses	9,500.00	9,500.00	6,880.29	-	2,619.71	-
Environmental Commission (NJS 40:56A-1, et seq.)						
Other Expenses	500.00	-	-	-	-	-
Shade Tree Commission						
Other Expenses	500.00	500.00	-	-	500.00	-
Parks and Playgrounds						
Other Expenses	500.00	500.00	-	-	500.00	-
UNCLASSIFIED						
Other Expenses	28,000.00	27,200.00	26,443.08	756.92	(0.00)	-

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

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
UTILITY EXPENSES AND BULK PURCHASES						
Electricity	45,000.00	50,000.00	50,000.00	-	-	-
Street Lighting	28,000.00	28,000.00	13,134.81	-	14,865.19	-
Telephone	12,000.00	18,000.00	15,698.98	-	2,301.02	-
Fuel Oil & Gasoline	12,000.00	12,000.00	8,892.21	-	3,107.79	-
Postage	8,000.00	8,000.00	8,000.00	-	-	-
TOTAL OPERATIONS WITHIN "CAPS"	<u>1,400,578.00</u>	<u>1,400,578.00</u>	<u>1,146,732.73</u>	<u>15,918.74</u>	<u>237,926.53</u>	<u>-</u>
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	<u>1,400,578.00</u>	<u>1,400,578.00</u>	<u>1,146,732.73</u>	<u>15,918.74</u>	<u>237,926.53</u>	<u>-</u>
Detail:						
Salaries and Wages	505,400.00	507,700.00	467,960.37	-	39,739.63	-
Other Expenses	895,178.00	892,878.00	678,772.36	15,918.74	198,186.90	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES:						
Statutory Expenditures:						
Contributions to:						
Public Employees' Retirement System	54,043.98	54,043.98	54,043.98	-	-	-
Social Security System (O.A.S.I.)	35,000.00	35,000.00	35,000.00	-	-	-
Unemployment Compensation Insurance	3,000.00	3,000.00	2,608.71	-	391.29	-
Defined Contribution Retirement Program	2,500.00	2,500.00	1,382.87	-	1,117.13	-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	<u>94,543.98</u>	<u>94,543.98</u>	<u>93,035.56</u>	<u>-</u>	<u>1,508.42</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	<u>1,495,121.98</u>	<u>1,495,121.98</u>	<u>1,239,768.29</u>	<u>15,918.74</u>	<u>239,434.95</u>	<u>-</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, 2017**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS - EXCLUDED FROM "CAPS"						
(A) Operations - Excluded from "CAPS"						
Interlocal Municipal Service Agreements						
Cape May City Interlocal Services Agreements	476,696.00	476,696.00	476,696.00	-	-	-
Police Protection Contractual	476,696.00	476,696.00	476,696.00	-	-	-
	<u>476,696.00</u>	<u>476,696.00</u>	<u>476,696.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
(A) Public and Private Programs Off-Set by Revenues						
Matching Funds for Grants	2,000.00	2,000.00	2,000.00	-	-	-
Clean Communities	-	5,351.82	5,351.82	-	-	-
Community Forestry Program - Volunteer Fire Assistance	-	3,000.00	3,000.00	-	-	-
	<u>2,000.00</u>	<u>10,351.82</u>	<u>10,351.82</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Public and Private Programs Off-Set by Revenues	<u>478,696.00</u>	<u>487,047.82</u>	<u>487,047.82</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operations - Excluded from "CAPS"						
Detail:						
Salaries and Wages						
Other Expenses	478,696.00	487,047.82	487,047.82	-	-	-
(C) Capital Improvements						
Capital Improvement Fund	10,000.00	10,000.00	10,000.00	-	-	-
	<u>10,000.00</u>	<u>10,000.00</u>	<u>10,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Improvements	<u>170,000.00</u>	<u>170,000.00</u>	<u>170,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
(D) Debt Service						
Payment of Bond Anticipation Notes	11,500.00	11,500.00	11,245.50	-	-	254.50
Interest on Notes	181,500.00	181,500.00	181,245.50	-	-	254.50
	<u>181,500.00</u>	<u>181,500.00</u>	<u>181,245.50</u>	<u>-</u>	<u>-</u>	<u>254.50</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, 2017**

	Appropriations	Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Encumbered	Reserved	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	670,196.00	678,547.82	-	-	254.50
SUBTOTAL GENERAL APPROPRIATIONS	2,165,317.98	2,173,669.80	15,918.74	239,434.95	254.50
(M) Reserve for Uncollected Taxes	259,411.90	259,411.90			-
TOTAL GENERAL APPROPRIATIONS	\$ 2,424,729.88	2,433,081.70	15,918.74	239,434.95	254.50
Budget Appropriations by 40A:4-87 Emergency Appropriations	2,424,729.88	8,351.82		Cancelled Overexpended	254.50
	-	-			-
	<u>2,433,081.70</u>				<u>254.50</u>
Reserve for Uncollected Taxes Federal and State Grants Disbursements		259,411.90			
		10,351.82			
		1,907,709.79			
		<u>2,177,473.51</u>			

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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>2017</u>	<u>2016</u>
<u>Animal Control Fund</u>		
Cash and Investments	\$ 2,804.18	2,012.17
	<u>2,804.18</u>	<u>2,012.17</u>
<u>Other Funds</u>		
Cash and Investments	1,220,433.36	1,113,147.27
Due from Current Fund:		
Unemployment Compensation	534.73	534.73
Other Trust Accounts	5,881.14	1,925.28
POAA Trust	1.75	-
Tax Title Lien Redemption	0.90	0.72
	<u>1,226,851.88</u>	<u>1,115,608.00</u>
	<u>\$ 1,229,656.06</u>	<u>1,117,620.17</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>	2017	2016
<u>Animal Control Fund</u>		
Reserve for Animal Control Expenditures	\$ 1,458.00	1,299.40
Due to State of New Jersey	3.00	-
Due to Current Fund	1,276.58	712.77
Due to Disbursement	66.60	-
	2,804.18	2,012.17
<u>Other Funds</u>		
Due to Current Fund - Other Trust	5.20	4.61
Due to Current Fund - Liquor License	352.93	188.71
Due to Current Fund - Fire Dedicated Trust	1.50	0.03
Due to Current Fund - POAA	-	0.13
Due to General Capital	40,000.00	40,000.00
Reserve for Unemployment Compensation	534.73	534.73
Reserve for Site Plan Escrow	81,174.12	91,862.52
Reserve for TTL Premium	10,501.00	8,201.00
Reserve for TTL Redemption	18,438.52	25,360.79
Reserve for POAA Trust	377.01	363.01
Reserve for COAH	530,085.53	366,605.15
Reserve for Liquor License	391,124.43	436,124.43
Reserve for Fire Dedicated Trust	6,500.10	3,000.00
Reserve for Farmers Market	24,828.92	36,734.91
Reserve for Wilbraham Park	16,492.87	12,208.50
Reserve for Lima Bean Festival	38,640.56	33,249.58
Reserve for Jersey Tomato	26,671.51	24,501.11
Reserve for Shade Tree	15,740.23	8,450.57
Reserve for Environmental Trust	23,950.44	22,186.30
Reserve for Christmas Parade	1,432.28	6,031.92
	1,226,851.88	1,115,608.00
	\$ 1,229,656.06	1,117,620.17

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>2017</u>	<u>2016</u>
Cash	\$ 293,272.49	339,017.87
Deferred Charges to Future Taxation -		
Funded	-	-
Unfunded	803,702.00	973,702.00
Interfunds and Receivables		
Due from Trust Other - COAH	40,000.00	40,000.00
Due from Current Fund	-	12,987.30
	<u>1,136,974.49</u>	<u>1,365,707.17</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	4,681.25	-
Interfunds:		
Due to Current Fund	32,479.62	-
Bond Anticipation Notes Payable	775,000.00	945,000.00
Improvement Authorizations:		
Funded	31,470.23	32,204.23
Unfunded	104,205.72	168,609.27
Reserve for Capital Projects	535.28	535.28
Reserve for Wilbraham Park	5,000.00	5,000.00
Reserve to Pay Notes	150,000.00	190,756.00
Capital Improvement Fund	33,400.00	23,400.00
Fund Balance	202.39	202.39
	<u>\$ 1,136,974.49</u>	<u>1,365,707.17</u>

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

2016	28,702.00
2017	28,702.00

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

	2017	2016
Beginning Balance January 1	\$ 202.39	202.39
Increased by:		
Ending Balance December 31	\$ 202.39	202.39

EXHIBIT - D
WATER & SEWER UTILITY FUND

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

	2017	2016
<u>ASSETS</u>		
Operating Fund:		
Cash	\$ 944,350.12	1,176,635.19
Due from Current	21,748.40	21,748.40
	966,098.52	1,198,383.59
Receivables and Other Assets with Full Reserves:		
Consumer Accounts Receivable	42,876.18	40,027.08
	42,876.18	40,027.08
Deferred Charges:		
Emergency Appropriation	46,760.00	-
Overexpenditures of Appropriations	2,508.75	-
	49,268.75	-
Total Operating Fund	1,058,243.45	1,238,410.67
Capital Fund:		
USDA Grant Receivable	595.33	259,532.00
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 Current Fund	258,936.67	-
Due from Water & Sewer Operating Fund	555,362.88	697,428.80
Total Capital Fund	9,060,369.88	9,202,435.80
	\$ 10,118,613.33	10,440,846.47

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2017</u>	<u>2016</u>
Operating Fund:		
Appropriation Reserves	\$ 3,761.89	45,470.95
Reserve for Encumbrances	559.45	2,085.36
Due to Water & Sewer Capital Fund	555,362.88	697,428.80
Utility Overpayments	3,693.15	3,769.11
Utility Prepayments	14,699.73	13,328.74
Accrued Interest on Bonds and Notes	36,328.52	28,391.27
	<u>614,405.62</u>	<u>790,474.23</u>
 Reserve for Receivables	 42,876.18	 40,027.08
Fund Balance	400,961.65	407,909.36
 Total Operating Fund	 <u>1,058,243.45</u>	 <u>1,238,410.67</u>
Capital Fund:		
Encumbrance Payable	2,784.25	25,452.39
Bond Anticipation Notes Payable	75,000.00	2,485,000.00
USDA Bonds/Loans Payable	3,708,631.41	1,495,088.29
Improvement Authorizations:		
Unfunded	192,379.63	311,777.41
Reserve for Amortization	4,447,043.59	4,250,586.71
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
Reserve for USDA Receivable	377,452.00	377,452.00
Fund Balance	225.00	225.00
 Total Capital Fund	 <u>9,060,369.88</u>	 <u>9,202,435.80</u>
	<u>\$ 10,118,613.33</u>	<u>10,440,846.47</u>

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

2016	5,800.00
2017	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>2017</u>	<u>2016</u>
Revenue and Other Income Realized		
Fund Balance	\$ 80,000.00	65,000.00
Water Rents	471,065.80	516,927.02
Sewer Rents	527,994.64	461,897.34
Miscellaneous Revenue Not Anticipated	643.51	488.13
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	24,942.34	4,383.44
Total Income	<u>1,104,646.29</u>	<u>1,048,695.93</u>
Expenditures		
Operations	743,000.00	703,000.00
Debt Service	329,862.75	266,992.41
Statutory Expenses	8,000.00	8,000.00
Total Expenditures	<u>1,080,862.75</u>	<u>977,992.41</u>
Excess in Revenue	<u>23,783.54</u>	<u>70,703.52</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by		
Statute Deferred Charges to Budgets of		
Succeeding Year	2,508.75	-
Emergency Appropriation	46,760.00	-
Total Adjustments	<u>49,268.75</u>	<u>-</u>
Excess in Operations	<u>73,052.29</u>	<u>70,703.52</u>
Fund Balance January 1	<u>407,909.36</u>	<u>402,205.84</u>
	480,961.65	472,909.36
Decreased by:		
Utilization as Anticipated Revenue	<u>80,000.00</u>	<u>65,000.00</u>
Fund Balance December 31	<u>\$ 400,961.65</u>	<u>407,909.36</u>

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

	<u>2017</u>	<u>2016</u>
Beginning Balance January 1	\$ 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, 2017**

	Anticipated Budget	Realized	Excess or (Deficit)
Surplus Anticipated	\$ 80,000.00	80,000.00	-
Water Rents	460,000.00	471,065.80	11,065.80
Sewer Rents	492,000.00	527,994.64	35,994.64
Miscellaneous	-	643.51	643.51
	<u>\$ 1,032,000.00</u>	<u>1,079,703.95</u>	<u>47,703.95</u>

Analysis of Realized Revenue:

Rents

Consumer Accounts Receivable:
Current Collections

981,962.59

981,962.59

Miscellaneous Revenue

Miscellaneous
Interest on Investments

202.72

440.79

643.51

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Operations:						
Salaries and Wages	\$ 93,000.00	104,000.00	104,000.00	-	-	-
Other Expenses	650,000.00	639,000.00	634,678.66	559.45	3,761.89	-
	<u>743,000.00</u>	<u>743,000.00</u>	<u>738,678.66</u>	<u>559.45</u>	<u>3,761.89</u>	<u>-</u>
Debt Service:						
Payment of Bond Anticipation Notes	150,000.00	150,000.00	150,000.00	-	-	-
Interest on Notes	35,000.00	35,000.00	37,508.75	-	-	(2,508.75)
USDA Principal & Interest	96,000.00	142,760.00	142,354.00	-	-	406.00
	<u>281,000.00</u>	<u>327,760.00</u>	<u>329,862.75</u>	<u>-</u>	<u>-</u>	<u>(2,102.75)</u>
Deferred Charges and Statutory Expenditures:						
Social Security System	8,000.00	8,000.00	8,000.00	-	-	-
	<u>8,000.00</u>	<u>8,000.00</u>	<u>8,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,032,000.00</u>	<u>1,078,760.00</u>	<u>1,076,541.41</u>	<u>559.45</u>	<u>3,761.89</u>	<u>(2,102.75)</u>
Statement of Expenditures:						
Accrued Interest on Bonds			179,862.75			
Deferred Charge			-			2,508.75
Due to Current - Social Security			-			
Disbursed			896,678.66			406.00
			<u>1,076,541.41</u>			<u>2,914.75</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>2017</u>	<u>2016</u>
<u>General Fixed Assets</u>		
Land	\$ 341,726.00	341,726.00
Buildings and Site Improvements	1,680,401.00	1,680,401.00
Machinery and Equipment	1,783,077.30	1,722,913.30
	<u>3,805,204.30</u>	<u>3,745,040.30</u>
 Investment in General Fixed Assets	 3,805,204.30	 3,745,040.30
	<u>\$ 3,805,204.30</u>	<u>3,745,040.30</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, 2017 AND 2016**

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, 2017 AND 2016**

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.

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

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, 2017 AND 2016**

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 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the Borough's financial reporting.

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

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

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82 "Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73". This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the Borough's financial reporting.

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

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

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

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

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 "Leases". This statement, which is effective for fiscal periods beginning after December 15, 2019, may have an effect on the Borough's financial reporting.

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

NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2017 and 2016 statutory budgets included a reserve for uncollected taxes in the amount of \$259,411.90 and \$256,524.35. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2017 and 2016 statutory budgets was \$354,000.00 and \$354,000.00. 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 2017 and 2016 statutory budgets was \$80,000.00 and \$65,000.00.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1, these transfers can be made in the form of a resolution and approved by Borough Commission. There were no significant budget transfers approved in the 2017 and 2016 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 2017, the Borough's Commission approved total budget insertions of \$8,351.82. The Borough's Commission approved total budget insertions in the amount of \$11,497.54 during the 2016 calendar year. The following schedule details the significant budget insertions:

<u>Budget Category</u>	<u>2017</u>	<u>2016</u>
Clean Communities	\$ 5,351.82	6,299.50
ANJEC Open Space Stewardship Grant	-	1,000.00
NJ Forest Service Community Forestry Program	3,000.00	3,775.00
Comprehensive Alcoholism & Drug Abuse	-	423.04

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 2017.

NOTE 3: INVESTMENTS

As of December 31, 2017, and 2016, 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.

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

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, 2017, \$4,324,460.50 of the government's bank balance of \$1,286,247.08 was exposed to custodial credit risk.

NOTE 5: FIXED ASSETS

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

	Balance 12/31/2015	Additions	Retirements/ Adjustments	Balance 12/31/2016
Land	\$ 341,726.00	-	-	341,726.00
Building and Site Improvements	1,537,918.00	17,070.00	125,413.00	1,680,401.00
Equipment and Machinery	1,240,549.80	620,315.50	(137,952.00)	1,722,913.30
	<u>\$ 3,120,193.80</u>	<u>637,385.50</u>	<u>(12,539.00)</u>	<u>3,745,040.30</u>

	Balance 12/31/2016	Additions	Retirements/ Adjustments	Balance 12/31/2017
Land	\$ 341,726.00	-	-	341,726.00
Building and Site Improvements	1,680,401.00	-	-	1,680,401.00
Equipment and Machinery	1,722,913.30	58,374.00	1,790.00	1,783,077.30
	<u>\$ 3,745,040.30</u>	<u>58,374.00</u>	<u>1,790.00</u>	<u>3,805,204.30</u>

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

NOTE 6: SHORT-TERM OBLIGATIONS

	Balance 12/31/15	Issued	Retired	Balance 12/31/16
Bond Anticipation Notes payable:				
General	\$880,000.00	945,000.00	880,000.00	\$945,000.00
Utility	2,635,000.00	2,485,000.00	2,635,000.00	2,485,000.00
	<u>\$ 3,515,000.00</u>	<u>3,430,000.00</u>	<u>3,515,000.00</u>	<u>\$3,430,000.00</u>
	Balance 12/31/16	Issued	Retired	Balance 12/31/17
Bond Anticipation Notes payable:				
General	\$ 945,000.00	-	170,000.00	775,000.00
Utility	2,485,000.00	-	2,410,000.00	75,000.00
	<u>\$ 3,430,000.00</u>	<u>-</u>	<u>2,580,000.00</u>	<u>850,000.00</u>

The General note was issued on 09/21/17 in the amount of \$775,000.00 and is due and payable on 09/21/18 with interest at 1.82%. The Water and Sewer Utility Note was also issued on 09/21/17 in the amount of \$75,000.00 and is due on 09/21/18 with an interest rate of 1.82%. As of December 31, 2017, the Borough has authorized but not issued bonds in the amount of \$28,702.00 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, 2017 AND 2016**

NOTE 7: LONG TERM DEBT

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

	Balance 12/31/15	Issued	Retired	Balance 12/31/16	Amounts Due Within One Year
Bonds payable:					
General	\$ -	-	-	-	-
Utility	1,524,766.91	-	29,678.62	1,495,088.29	29,766.20
Total	\$ 1,524,766.91	-	29,678.62	1,495,088.29	29,766.20
Other liabilities:					
Compensated Absences Payable	\$ 24,398.50	7,010.79	5,129.28	26,280.01	-
Total long-term liabilities	\$ 1,549,165.41	7,010.79	34,807.90	1,521,368.30	29,766.20

	Balance 12/31/16	Issued	Retired	Balance 12/31/17	Amounts Due Within One Year
Bonds payable:					
General	\$ -	-	-	-	-
Utility	1,495,088.29	2,260,000.00	46,456.88	3,708,631.41	63,130.08
Total	\$ 1,495,088.29	2,260,000.00	46,456.88	3,708,631.41	63,130.08
Other liabilities:					
Compensated Absences Payable	\$ 26,280.01	6,437.20	4,915.11	27,802.10	-
Total long-term liabilities	\$ 1,521,368.30	2,266,437.20	51,371.99	3,736,433.51	63,130.08

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

At December 31, 2017, 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:

\$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, 2017 is \$149,284.65.

\$576,000.00 USDA Loan dated October 29, 2004, due in semiannual installments through December 2044, bearing interest at 4.5%. The balance remaining as of December 31, 2017 is \$484,185.55.

\$924,000.00 USDA Loan dated January 22, 2009, due in semiannual installments through July 2049, bearing interest at 4.125%. The balance remaining as of December 31, 2017 is \$830,590.79.

\$2,260,000.00 USDA Loan dated March 28, 2017, due in semiannual installments through July 2057, bearing interest at 2.75%. The balance remaining as of December 31, 2017 is \$2,244,570.42.

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

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

Year	Utility Fund	
	Principal	Interest
2018	63,130.08	125,983.92
2019	65,421.68	123,692.32
2020	67,801.70	121,312.30
2021	70,273.74	118,840.26
2022	72,841.56	116,272.44
2023-2027	406,361.19	539,208.81
2028-2032	486,997.21	458,184.31
2033-2037	490,242.49	370,207.51
2038-2042	583,055.41	277,394.59
2043-2047	594,401.20	171,554.12
2048-2052	443,095.16	85,888.45
2053-2057	365,009.99	27,460.23
	<u>3,708,631.41</u>	<u>2,535,999.26</u>

As of December 31, 2017, the carrying value of the above bonds and notes approximates the fair value of the bonds. No interest was charged to capital projects during the year and the total interest charged to the current budget was \$11,245.50 and to the Water and Sewer Utility budget was \$177,354.00.

<u>Summary of Municipal Debt</u>	<u>Year 2017</u>	<u>Year 2016</u>	<u>Year 2015</u>
<u>Issued:</u>			
General - Bonds and Notes	\$ 775,000.00	\$ 945,000.00	\$ 880,000.00
Utility - Bonds and Notes	3,783,631.41	3,980,088.29	4,159,766.91
Total Issued	<u>4,558,631.41</u>	<u>4,925,088.29</u>	<u>5,039,766.91</u>
<u>Less :</u>			
Funds Temporarily Held to Pay Bonds and Notes			
General	150,000.00	190,756.00	190,756.00
Self-Liquidating	137,854.00	137,854.00	137,854.00
Total Deductions	<u>287,854.00</u>	<u>328,610.00</u>	<u>328,610.00</u>
Net Debt Issued	<u>4,270,777.41</u>	<u>4,596,478.29</u>	<u>4,711,156.91</u>
<u>Authorized but not issued:</u>			
General - Bonds and Notes	28,702.00	28,702.00	28,702.00
Utility - Bonds and Notes	5,800.00	5,800.00	5,800.00
Total Authorized But Not Issued	<u>34,502.00</u>	<u>34,502.00</u>	<u>34,502.00</u>
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 4,305,279.41</u>	<u>\$ 4,630,980.29</u>	<u>\$ 4,745,658.91</u>

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

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 .176%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 60,000.00	60,000.00	-
Regional School District Debt	648,995.81	648,995.81	-
Utility Debt	3,789,431.41	3,789,431.41	-
General Debt	803,702.00	150,000.00	653,702.00
	<u>5,302,129.22</u>	<u>4,648,427.22</u>	<u>653,702.00</u>

Net Debt \$653,702.00 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$464,747,368.67=.141%

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$ 16,266,158.00
Net Debt	653,702.00
Remaining Borrowing Power	<u>\$ 15,612,456.00</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.

NOTE 8: FUND BALANCES APPROPRIATED

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

	<u>2018</u>	<u>2017</u>
Current Fund	\$481,500.00	354,000.00
Water/Sewer Utility	176,268.75	80,000.00

As of the date of this audit, the Borough has adopted their 2018 municipal budget and the amount of fund balance appropriated for 2018 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.

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

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, 2017, the following deferred charges are shown on the balance sheets of various funds:

	Balance December 31, 2017	2018 Budget Appropriation	Balance to Succeeding
Utility fund:			
Emergency	\$ 46,760.00	46,760.00	-
Overexpenditure of Appropriations	2,508.75	2,508.75	-
	<u>49,268.75</u>	<u>49,268.75</u>	<u>-</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:

	School Tax Balance 12/31/2017	School Tax Balance 12/31/2016
School Tax Payable - Local School	\$ -	\$ 8,919.46
School Tax Payable - Regional School	-	103,787.76
School Tax Deferred - Local School Payable	534,291.48	512,701.00
School Tax Deferred - Regional School Payable	854,057.26	803,392.50
School Tax Deferred - Local School	534,291.48	512,701.00
School Tax Deferred - Regional School	854,057.26	803,392.50
Tax Payable	<u>\$ -</u>	<u>\$ 112,707.22</u>

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 12/31/17	Balance 12/31/16
Prepaid Taxes	<u>\$ 332,181.84</u>	<u>\$ 95,107.89</u>
Cash Liability for Taxes Collected in Advance	<u>\$ 332,181.84</u>	<u>\$ 95,107.89</u>

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

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/annrpts.shtml>.

Public Employees' Retirement System

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

Defined Contribution Retirement Program (DCRP)

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

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.06% through June 30, 2016 and 7.20% thereafter of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 12.53% of covered payroll. The Borough's contributions to PERS for the years ended December 31, 2017, 2016, and 2015 were \$54,043.98, \$49,908.00, and \$45,479.00.

The total payroll for the year ended December 31, 2017, 2016 and 2015 was \$576,351.29, \$552,467.30 and \$529,592.71. Payroll covered by PERS was \$429,520.00, \$398,371.00, and \$419,199.00.

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

Significant Legislation

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

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

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for 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.

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

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

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

NOTE 13: PENSION LIABILITIES

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

The following represents the municipality's pension liabilities as June 30, 2017:

Public Employees' Retirement System

The Municipality has a liability of \$1,417,370.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Municipality's proportion would be 0.00608877530%, which would be an increase of 2.16% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Municipality would have recognized pension expense of \$134,232.00. At December 31, 2017, the Municipality would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 33,374.00	-
Changes of assumptions	285,551.00	(284,504.00)
Changes in proportion	97,484.00	-
Net difference between projected and actual earnings on pension plan investments	9,651.00	-
Total	<u>\$ 426,060.00</u>	<u>\$ (284,504.00)</u>

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

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

Year ended June 30,		
2018	\$	112,618.25
2019		163,617.54
2020		97,188.16
2021		(129,934.98)
2022		(101,932.97)
Total	\$	<u>141,556.00</u>

Actuarial Assumptions

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

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

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more experience deviates, the larger the impact on future financial statements.

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflations. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate of 5.00%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.00%) or 1-percentage point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Municipality's proportionate share of the net pension liability	\$ 1,700,501.84	1,417,370.00	1,181,791.66

Pension plan fiduciary net position.

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

NOTE 14: 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, 2017, 2016, and 2015 were \$0.00, \$0.00, and \$0.00 respectively. The one employee who was receiving post-retirement benefits passed away in 2014.

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

NOTE 15: 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, 2017, the Borough estimates this liability to approximate \$27,802.10 based on 2017 pay rates and compensated absence balances. At December 31, 2016, the liability was \$26,280.02. 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.

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

NOTE 16: 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 17: RISK MANAGEMENT

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

Property and Liability Insurance - The Borough maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2017 and 2016 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 18: 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, 2017 AND 2016**

NOTE 19: INTERFUND BALANCES

During the most current calendar year ended December 31, 2017, the following inter-funds 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	\$ -	19,600.48
Dog Fund	1,343.18	-
Trust - Other	-	5,875.94
Trust - Liquor	352.93	-
Trust - Fire Dedicated Trust	1.50	-
Trust - POAA	-	1.75
Trust - TTL	-	0.90
Utility Operating	-	21,748.40
Utility Capital		258,936.67
General Capital	32,479.62	-
Trust - Unemployment	-	534.73
Grant Fund:		
Current Fund	19,600.48	-
General Capital Fund:		
Current Fund	-	32,479.62
Trust - COAH	40,000.00	-
Utility Operating Fund:		
Utility Capital	-	555,362.88
Current Fund	21,748.40	-
Utility Capital Fund:		
Utility Operating	555,362.88	-
Current Fund	258,936.67	-
Trust Other Fund:		
Current Fund	5,875.94	-
Trust - Liquor License		
Current Fund	-	352.93
Trust - Fire Dedicated Trust		
Current Fund	-	1.50
Dog Trust Fund :		
Current Fund	-	1,343.18
POAA Trust Fund:		
Current Fund	1.75	-
Trust - Tax Title Lien		
Current Fund	0.90	-
Unemployment Trust Fund :		
Current Fund	534.73	-
COAH Trust Fund :		
General Capital	-	40,000.00

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

The \$19,600.48 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 \$40,000.00 due from COAH in the General Capital Fund has existed from 2012 and should have transferred at year-end.

The \$258,936.67 due from the Current Fund to Utility Capital is a result of money received from USDA that was deposited in the current Fund that needs to be transferred to the Utility Capital Fund.

The \$555,362.88 due from the Utility Operating account to the Utility Capital account is due to disbursements for Utility Capital Fund that were paid out of the Utility Operating account from prior years that need to be reimbursed.

The inter-fund that exists between the Current and Unemployment Trust Fund is due to there not being a physical bank account set-up for the Unemployment Trust Fund. Therefore, the inter-fund will exist until the money is transferred to a new bank account.

A majority of the remaining inter-funds are a result of interest earned during the calendar year that was not transferred to the Current Fund prior to year-end.

NOTE 20: SUBSEQUENT EVENTS

The entity has evaluated subsequent events through June 1, 2018, 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 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Borough's basic financial statements, and have issued our report thereon dated June 1, 2018, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 2017-1 through 2017-2.

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 *Government Auditing Standards*.

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 1, 2018

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	Current Fund	Grant Fund	
Balance December 31, 2016	\$ 326,324.29	-	
Increased by Receipts:			
Tax Collector	5,992,254.71	-	
Miscellaneous Revenue Anticipated	228,430.89	-	
Miscellaneous Revenue Not Anticipated	65,278.94	-	
Homestead Rebates	41,400.08	-	
Payroll Deductions Payable	915,057.16	-	
Return of Petty Cash Fund	150.00	-	
Return of Change Cash Fund	50.00	-	
Due to State - Marriage Licenses	150.00	-	
Due to TTL	12.31	-	
Due to Grant Fund	176,686.35	-	
Due from State - Senior Citizens & Vets	12,381.92	-	
Due from Dog Fund	1.02	-	
Due from Utility Capital	258,936.67	-	
Due from Trust - Other	60.19	-	
Due from Current Fund	-	10,270.38	
Federal and State Unallocated	-	2,058.88	
Federal and State Receivables	-	174,627.47	
	7,690,850.24	186,956.73	
	8,017,174.53	186,956.73	
Decreased by Disbursements:			
Current Year Appropriation	1,907,709.79	-	
Prior Year Appropriations	55,062.41	-	
County Taxes	1,262,780.19	-	
Local District School Taxes	1,055,911.98	-	
Regional School Taxes	1,761,240.00	-	
County Taxes - Added	8,316.41	-	
Return of Change Cash Fund	50.00	-	
Payroll Deductions Paid	903,715.15	-	
Issuance of Petty Cash Fund	150.00	-	
Due to TTL	11.29	-	
Due to State - Marriage Licenses	200.00	-	
Due to Dog Fund	1.03	-	
Due to Grant Fund	10,270.38	-	
Due to Trust - Other	55.58	-	
Due to Current Fund	-	176,686.35	
Federal and State Disbursements	-	10,270.38	
	6,965,474.21	186,956.73	
Balance December 31, 2017	\$ <u>1,051,700.32</u>	<u>-</u>	

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

Balance December 31, 2016		\$	822,819.68
Increased by Receipts:			
Prepaid Taxes	332,181.84		
Taxes Receivable	5,644,132.31		
Overpayments Received	24,206.25		
Revenue Accounts Receivable	26,928.27		
			6,027,448.67
			6,850,268.35
Payments to Treasurer			5,992,254.71
Balance December 31, 2017		\$	858,013.64

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

Balance December 31, 2016	\$	142,941.71
Increased by:		
Transfers from Taxes Receivable		11,138.53
		11,138.53
Balance December 31, 2017	\$	154,080.24

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2016	Accrued in 2016	Collected by		Balance Dec. 31, 2017
			Collector	Treasurer	
Licenses:					
Other	-	40,616.50	-	40,616.50	-
Fines and Costs:					
Municipal Court	387.54	14,950.03	-	14,549.39	788.18
Interest and Costs on Taxes	-	26,928.27	26,928.27	-	-
Interest on Investments	-	-	-	-	-
Energy Receipts Tax	-	89,303.00	-	89,303.00	-
Cape May City Interlocal	-	-	-	-	-
Services Agreement - Lease	-	38,960.00	-	38,960.00	-
Liquor License Trust Contribution	-	45,000.00	-	45,000.00	-
Reserve to Pay Bonds	-	40,756.00	-	40,756.00	-
Miscellaneous Revenue Not Anticipated	-	65,579.38	-	65,579.38	-
	<u>387.54</u>	<u>362,093.18</u>	<u>26,928.27</u>	<u>334,764.27</u>	<u>788.18</u>
Cash Received by Treasurer				293,709.83	
Cash Received by Collector				26,928.27	
Non-Cash Miscellaneous Non-Budgeted Revenue				41,054.44	
				<u>361,692.54</u>	

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
OPERATIONS WITHIN "CAPS"					
DEPARTMENT OF PUBLIC AFFAIRS AND SAFETY					
Director's Office		921.01	-	921.01	-
Salaries and Wages	\$ 921.01	921.01	-	921.01	-
Other Expenses	1,105.00	1,105.00	-	1,105.00	-
Fire					
Other Expenses					
Miscellaneous Other Expenses	4,995.47	4,995.47	129.00	4,866.47	-
Aid to Volunteer Fire Company	16,085.54	16,085.54	799.71	15,285.83	-
Police					
Other Expenses	100.00	100.00	-	100.00	-
Municipal Prosecutor					
Salaries and Wages	118.04	118.04	-	118.04	-
Emergency Management Services					
Salaries and Wages	807.59	807.59	-	807.59	-
Other Expenses	337.56	337.56	-	337.56	-
Fire Safety Division					
Other Expenses	100.00	100.00	-	100.00	-
Board of Health					
Other Expenses	57.50	57.50	-	57.50	-
Dog Regulation					
Other Expenses	3,505.20	3,505.20	106.00	3,399.20	-
Municipal Court					
Salaries and Wages	1,090.54	1,090.54	-	1,090.54	-
Other Expenses	3,347.67	3,347.67	52.17	3,295.50	-
Public Defender					
Salaries and Wages	110.61	110.61	-	110.61	-
Emergency Medical Services - Contractual	27,919.01	27,919.01	17,391.83	10,527.18	-
Public Employee Awards Program					
(NJSA 40A:9-18) (NJSA 40A:5-31)	200.00	200.00	-	200.00	-

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
DEPARTMENT OF REVENUE AND FINANCE					
Director's Office					
Salaries and Wages	1,723.57	1,723.57	-	1,723.57	-
Other Expenses	4,688.78	4,688.78	721.52	3,967.26	-
Financial Administration					
Salaries and Wages	0.40	0.40	-	0.40	-
Other Expenses					
Miscellaneous Other Expenses	4,188.01	4,188.01	1,340.62	2,847.39	-
Borough Clerk					
Salaries and Wages	0.80	0.80	-	0.80	-
Other Expenses	11,847.75	11,847.75	-	11,847.75	-
Elections					
Other Expenses	1,080.24	1,080.24	-	1,080.24	-
Assessment of Taxes					
Salaries and Wages	1.03	1.03	-	1.03	-
Other Expenses	110.35	110.35	85.33	25.02	-
Collection of Taxes					
Other Expenses	1,745.00	1,745.00	-	1,745.00	-
Liquidation of Tax Title Liens & Foreclosed Property					
Other Expenses	200.00	200.00	-	200.00	-
Legal Services and Costs					
Other Expenses	46,892.97	46,892.97	9,475.00	37,417.97	-
Planning and Zoning Board					
Salaries and Wages	5.94	5.94	-	5.94	-
Other Expenses	1,320.58	1,320.58	-	1,320.58	-
Code Enforcement Officer					
Other Expenses	410.00	410.00	-	410.00	-
Zoning Officer					
Other Expenses	500.00	500.00	-	500.00	-

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
DEPARTMENT OF REVENUE AND FINANCE					
Insurance					
General Liability	8,543.00	8,543.00	-	8,543.00	-
Historic Preservation					
Other Expenses	500.00	500.00	-	500.00	-
Construction Code Enforcement					
Other Expenses	1,550.00	1,550.00	-	1,550.00	-
DEPARTMENT OF PUBLIC WORKS, PARKS AND PUBLIC PROPERTY					
Director's Office					
Salaries and Wages	1.47	1.47	-	1.47	-
Other Expenses	890.82	890.82	303.00	587.82	-
Public Building and Grounds					
Other Expenses	14,299.87	14,299.87	6,879.73	7,420.14	-
Road Repairs and Maintenance					
Other Expenses	7,728.57	7,728.57	3,407.30	4,321.27	-
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	15,915.03	15,915.03	9,083.56	6,831.47	-
Recycling					
Salaries and Wages	463.58	463.58	-	463.58	-
Other Expenses	6,668.73	6,668.73	4,092.05	2,576.68	-
Environmental Commission (NJS 40:56A-1, et seq.)					
Other Expenses	500.00	500.00	-	500.00	-
Shade Tree Commission					
Other Expenses	395.04	395.04	-	395.04	-
Parks and Playgrounds					
Other Expenses	500.00	500.00	-	500.00	-
UNCLASSIFIED					
General Office Operations	1,301.58	1,301.58	1,195.59	105.99	-
Other Expenses					

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
UTILITY EXPENSES AND BULK PURCHASES					
Electricity	6,330.88	6,330.88	-	6,330.88	-
Street Lighting	3,661.49	3,661.49	-	3,661.49	-
Telephone	1,994.40	1,994.40	-	1,994.40	-
Fuel Oil & Gasoline	5,375.38	5,375.38	-	5,375.38	-
Postage	1,000.00	1,000.00	-	1,000.00	-
STATUTORY EXPENDITURES					
Contributions to:					
Unemployment Compensation Insurance	282.77	282.77	-	282.77	-
Defined Contribution Retirement Program	757.42	757.42	-	757.42	-
\$	215,476.19	215,476.19	55,062.41	160,413.78	-

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

Balance December 31, 2016			
School Tax Payable	\$	8,919.46	
School Tax Deferred		512,701.00	
		521,620.46	\$ 521,620.46
Increased by:			
Levy - School Year July 1, 2016 to June 30, 2017			1,068,583.00
			1,590,203.46
Decreased by:			
Payments			1,055,911.98
Balance December 31, 2017			
School Tax Payable		-	
School Tax Deferred		534,291.48	
		534,291.48	534,291.48
Current Year Liability for Local School District School Tax:			
Tax Paid			1,055,911.98
Tax Payable Ending			-
			1,055,911.98
Less: Tax Payable Beginning			8,919.46
Amount charged to Current Year Operations			\$ 1,046,992.52

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

Balance December 31, 2016			
School Tax Payable	\$	103,787.76	
School Tax Deferred		803,392.50	
		<u>803,392.50</u>	\$ 907,180.26
Increased by:			
Levy - School Year July 1, 2016 to June 30, 2017			<u>1,708,117.00</u>
			2,615,297.26
Decreased by:			
Adjustment of the Payable Payments			<u>1,761,240.00</u>
Balance December 31, 2017			
School Tax Payable		-	
School Tax Deferred		854,057.26	
		<u>854,057.26</u>	<u>854,057.26</u>
Current Year Liability for Local School District School Tax:			
Tax Paid			1,761,240.00
Tax Payable Ending			<u>-</u>
			1,761,240.00
Less: Tax Payable Beginning			<u>103,787.76</u>
Amount charged to Current Year Operations			<u>\$ 1,657,452.24</u>

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

Purpose	Balance Dec. 31, 2016	Transferred From 2016 Revenues	Received	Adjustments	Balance Dec. 31, 2017
STATE GRANTS:					
Clean Communities - 2017-18	\$ -	5,351.82	5,351.82	-	-
DOT Bike Path Grant - 2012-13	22,721.00	-	-	-	22,721.00
DOT Bike Path Grant - 2014-15	9,957.70	-	-	-	9,957.70
DOT Bike Path Grant - 2015-16	175,000.00	-	148,553.00	-	26,447.00
NJ Forest Service Community Forestry Program - 2017	-	3,000.00	-	-	3,000.00
ANJEC Open Space Stewardship - 2016	1,000.00	-	-	-	1,000.00
Title DCA - Small Cities Block Grant - 2015/2016	19,087.00	-	19,087.00	-	-
Recycling Tonnage - 2012-2013	1,752.87	-	1,635.65	-	117.22
Total State	<u>229,518.57</u>	<u>8,351.82</u>	<u>174,627.47</u>	<u>-</u>	<u>63,242.92</u>
	\$	8,351.82	174,627.47	-	63,242.92
		Cash	174,627.47		
		Unappropriated Reserves	-		
			<u>174,627.47</u>		

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

	Balance December 31, 2016		2017		Encumbrances	Disbursed	Canceled	Balance Dec. 31, 2017
		Reserve for Encumbrances	Appropriations					
STATE GRANTS:	\$							
Clean Communities - 2016	6,166.55	3,245.56	-	3,245.56	825.32	-	-	5,341.23
Clean Communities - 2017	-	-	5,351.82	4,024.82	575.00	-	-	752.00
Alcohol Education and Rehabilitation - 2007	174.58	-	-	-	-	-	-	174.58
Alcohol Education and Rehabilitation - 2008	1,538.70	-	-	-	-	-	-	1,538.70
Alcohol Education and Rehabilitation - 2010	796.10	-	-	-	-	-	-	796.10
Alcohol Education and Rehabilitation - 2011	776.06	-	-	-	-	-	-	776.06
Alcohol Education and Rehabilitation - 2013	539.63	-	-	-	-	-	-	539.63
Alcohol Education and Rehabilitation - 2015	295.40	-	-	-	-	-	-	295.40
Comprehensive Alcoholism & Drug Abuse - 2016	423.04	-	-	-	-	-	-	423.04
Drunk Driving Enforcement Fund 2015	633.30	-	-	-	-	-	-	633.30
Drunk Driving Enforcement Fund 2016	471.47	-	-	300.00	-	-	-	171.47
Solid Waste Recycling - Prior	438.59	-	-	-	-	-	-	438.59
Solid Waste Recycling 2007	4,158.76	-	-	-	-	-	-	4,158.76
Solid Waste Recycling 2008	3,043.08	-	-	-	-	-	-	3,043.08
Recycling Tonnage - 2015	14,583.70	-	-	-	-	-	-	14,583.70
Recycling Tonnage - 2016	915.30	-	-	-	-	-	-	915.30
NJ DOT Bike Path - 2016	-	47.00	-	-	-	-	47.00	-
Emergency Management Relief - Prior	543.99	-	-	-	-	-	-	543.99
Municipal Alliance - Local Share	6,039.90	-	2,000.00	-	-	-	-	8,039.90
Title DCA - Small Cities Block Grant	4,887.25	2,700.00	-	2,700.00	-	-	-	4,887.25
Cape May County Recycling - Prior	268.32	-	-	-	-	-	-	268.32
Cape May County MUJA - 2008	3,959.45	-	-	-	-	-	-	3,959.45
ANJEC Open Space Stewardship - 2016	1,000.00	-	-	-	-	-	-	1,000.00
NJ Forest Service Community Forestry Program - 2015	108.25	-	-	-	-	-	-	108.25
NJ Forest Service Community Forestry Program - 2016	3,775.00	-	-	-	-	-	-	3,775.00
NJ Forest Service Community Forestry Program - 2017	-	-	3,000.00	-	-	-	-	3,000.00
Total State	<u>55,536.42</u>	<u>5,992.56</u>	<u>10,351.82</u>	<u>10,270.38</u>	<u>1,447.32</u>	<u>-</u>	<u>-</u>	<u>60,163.10</u>
	<u>55,536.42</u>	<u>5,992.56</u>	<u>10,351.82</u>	<u>10,270.38</u>	<u>1,447.32</u>	<u>-</u>	<u>-</u>	<u>60,163.10</u>

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

<u>Purpose</u>	<u>Balance Dec. 31, 2016</u>	<u>Transferred To 2016 Appropriations</u>	<u>Received</u>	<u>Adjustments</u>	<u>Balance Dec. 31, 2017</u>
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:					
Recycling Tonnage 2017-18	-		2,058.88		2,058.88
Stormwater Management Grant 2008-2009	1,705.00				1,705.00
Total State	<u>1,705.00</u>	<u>-</u>	<u>2,058.88</u>	<u>-</u>	<u>3,763.88</u>
	<u>\$ 17,350.00</u>	<u>-</u>	<u>2,058.88</u>	<u>-</u>	<u>19,408.88</u>

TRUST FUND
SCHEDULE OF ANIMAL CONTROL CASH - TREASURER

Balance December 31, 2016		\$	2,012.17
Increased By Receipts:			
Dog Licenses Fees	\$	722.40	
State License Fees		69.60	
Interest Earned		1.03	
			793.03
			2,805.20
Decreased By Disbursements:			
Interest to Current		1.02	
			1.02
Balance December 31, 2017		\$	2,804.18

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

Balance December 31, 2016		\$	1,113,147.27
Increased By Receipts:			
Tax Lien Redemptions	\$		31,043.60
Tax Lien Premiums			2,300.00
Site Plan Escrow Deposits			82,111.35
COAH Fees			205,437.16
Due to Current			238.72
POAA			12.00
Reserve for Fire Dedicated Trust			3,500.10
Reserve for Farmers Market			19,692.75
Reserve for Wilbraham Park			6,632.50
Reserve for Lima Bean Festival			9,755.00
Reserve for Jersey Tomato			5,840.00
Reserve for Shade Tree			12,215.00
Reserve for Environmental Trust			10,130.00
Reserve for Christmas Parade			25,173.61
			414,081.79
			1,527,229.06
Decreased By Disbursements:			
Tax Lien Redemptions			37,965.87
Tax Lien Premiums			-
Site Plan Escrow Deposits Returned			92,799.75
COAH Fees			41,956.78
Due to Current			4,028.36
Liquor License Trust			45,000.00
Reserve for Farmers Market			31,598.74
Reserve for Wilbraham Park			2,348.13
Reserve for Lima Bean Festival			4,364.02
Reserve for Jersey Tomato			3,669.60
Reserve for Shade Tree			4,925.34
Reserve for Environmental Trust			8,365.86
Reserve for Christmas Parade			29,773.25
			306,795.70
Balance December 31, 2017		\$	1,220,433.36

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

Balance December 31, 2016		\$	1,299.40
Increased By:			
Dog Licenses Fees Collected	\$	722.40	
Due from Current		66.60	
			789.00
			2,088.40
Decreased By Disbursements:			
Due to Current		66.69	
Excess to Current Fund		563.71	
			630.40
Balance December 31, 2017		\$	1,458.00
License Fees Collected	<u>Year</u>		
	2015	681.00	
	2016	777.00	
		\$	1,458.00

SCHEDULE OF AMOUNT DUE TO STATE OF NEW JERSEY

Balance December 31, 2016		\$	-
Increased By:			
Collected in 2017	\$	69.60	
			69.60
			69.60
Decreased By:			
Paid to State of New Jersey		66.60	
			66.60
Balance December 31, 2017		\$	3.00

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

Balance December 31, 2016	\$	339,017.87
Increased by:		
Due to Current Fund - Lowe's purchase PO#17-00392	4,582.42	
Due to Current Fund - Interest Earned	128.50	
Budget Appropriation :		
Capital Improvement Fund	10,000.00	
	14,710.92	14,710.92
		353,728.79
Decreased by:		
Improvement Authorizations	60,456.30	
	60,456.30	60,456.30
Balance December 31, 2017	\$	293,272.49

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance		Receipts		Disbursements		Transfers		Balance Dec. 31, 2017
	Dec. 31, 2016		Debt Issued		Improvement		Miscellaneous		
	Miscellaneous				Authorizations		From	To	
Fund Balance	-	202.39	-	-	-	-	-	-	202.39
Capital Improvement Fund	10,000.00	23,400.00	-	-	-	-	-	-	33,400.00
Contracts Payable	-	-	-	-	-	-	-	-	4,681.25
Reserve to Pay Notes	-	190,756.00	-	-	-	-	40,756.00	-	150,000.00
Due to/(from) Current Fund	4,710.92	(12,987.30)	-	-	-	-	-	-	32,479.62
Due to/(from) Trust Other Fund	-	(40,000.00)	-	-	-	-	-	-	(40,000.00)
Reserve for Wilbraham Park	-	5,000.00	-	-	-	-	-	-	5,000.00
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	-	117.67	-	-	-	-	-	-	117.67
349-05 Public Safety Equipment	-	2.89	-	-	-	-	-	-	2.89
367-06 Various Improvements	-	2,114.90	-	-	-	-	-	-	2,114.90
390-07 Various Improvements	-	1,247.67	-	-	-	-	-	-	1,247.67
406-07 Various Improvements	-	25,698.00	-	-	-	-	-	-	25,698.00
389-07 Solar Panels - County	-	734.00	-	-	734.00	-	-	-	-
413-08 Various Improvements - County	-	2,007.00	-	-	-	-	-	-	2,007.00
471-12 Various Improvements	-	41,520.00	-	-	-	-	-	-	41,520.00
483-13 Acquisition of Fire Truck/PW Vehicle	-	(9,318.25)	-	-	-	-	-	-	(9,318.25)
499-15 Various Improvements	-	94,541.23	-	-	59,722.30	-	4,681.25	-	30,137.68
511-16 Litigation Settlement	-	13,164.29	-	-	-	-	-	-	13,164.29
513-16 Acquisition of Tractor	-	105.00	-	-	-	-	-	-	105.00
		339,017.87	14,710.92	-	60,456.30	-	45,437.25	45,437.25	293,272.49

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

Balance December 31, 2016		\$	23,400.00
Increased by:			
Budget Appropriation	<u>10,000.00</u>		<u>10,000.00</u>
Balance December 31, 2017		\$	<u><u>33,400.00</u></u>

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

Ord #	Improvement Description	Balance Dec. 31, 2016	2017 Authorizations	Raised in 2017 Budget	Debt Issued	Balance Dec. 31, 2017	Analysis of Balance		
							Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
406-07	Various Improvements	\$ 2,202.00	-	-	-	2,202.00	-	-	2,202.00
471-12	Various Improvements	80,000.00	-	50,000.00	-	30,000.00	30,000.00	-	-
483-13	Acquisition of Fire Truck/PW Vehicle	424,750.00	-	50,000.00	-	374,750.00	350,000.00	9,318.25	15,431.75
499-15	Various Improvements	166,750.00	-	10,000.00	-	156,750.00	155,000.00	-	1,750.00
511-16	Litigation Settlement	300,000.00	-	60,000.00	-	240,000.00	240,000.00	-	-
		<u>\$ 973,702.00</u>	<u>-</u>	<u>170,000.00</u>	<u>-</u>	<u>803,702.00</u>	<u>775,000.00</u>	<u>9,318.25</u>	<u>19,383.75</u>

Improvement Authorizations Unfunded \$ 104,205.72
Less:
Unexpended Proceeds of Bond
Anticipation Notes Issued:
Ord. Number
471-12 41,520.00
499-15 30,137.68
511-16 13,164.29
84,821.97
\$ 19,383.75

**GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord #	Improvement Description	Ord. Date	Amount	Balance December 31, 2016		Authorizations		Balance December 31, 2017	
				Funded	Unfunded	Other Funding	Deferred Charges to Future Taxation	Paid or Charged	Funded
292-01	Improvements to Municipal Buildings	4/3/2001	125,000	\$ 177.10	-	-	-	177.10	-
324-03	Various Improvements	3/4/2004	250,000	117.67	-	-	-	117.67	-
349-05	Public Safety Equipment	10/4/2005	8,243	2.89	-	-	-	2.89	-
367-06	Various Improvements	12/13/2006	61,300	2,114.90	-	-	-	2,114.90	-
389-07	Solar Panels - County	7/25/2007	50,000	734.00	-	-	-	-	-
390-07	Various Improvements	7/25/2007	70,000	1,247.67	-	-	-	1,247.67	-
406-07	Various Improvements	12/19/2007	36,000	25,698.00	2,202.00	-	-	25,698.00	2,202.00
413-08	Various Improvements - County	7/23/2008	120,000	2,007.00	-	-	-	2,007.00	-
471-12	Various Improvements	5/23/2012	200,000	-	41,520.00	-	-	-	41,520.00
483-13	Acquisition of Fire Truck/Public Works	1/8/2014	574,750	-	15,431.75	-	-	-	15,431.75
499-15	Various Improvements	5/13/2015	251,750	-	96,291.23	-	-	64,403.55	31,887.68
511-16	Litigation Settlement	6/22/2016	300,000	-	13,164.29	-	-	-	13,164.29
513-16	Acquisition of Tractor	6/22/2016	26,368	105.00	-	-	-	105.00	-
				\$ 32,204.23	168,609.27	-	-	31,470.23	104,205.72

**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, 2016	Increased	Decreased	Balance Dec. 31, 2017
Rehabilitation of Small Cities Housing	471-12	5/23/2012	9/22/2016	9/22/2017	1.190%	80,000.00	-	80,000.00	-
			9/21/2017	9/22/2018	1.820%	-	30,000.00	-	30,000.00
Acquisition of Fire Truck/PW Vehicle	483-13	9/25/2014	9/22/2016	9/22/2017	1.190%	400,000.00	-	400,000.00	-
			9/21/2017	9/22/2018	1.820%	-	350,000.00	-	350,000.00
Various Capital Improvements	499-15	5/13/2015	9/22/2016	9/22/2017	1.190%	165,000.00	-	165,000.00	-
			9/21/2017	9/22/2018	1.820%	-	155,000.00	-	155,000.00
Litigation Settlement	511-16	7/28/2016	9/22/2016	9/22/2017	1.190%	300,000.00	-	300,000.00	-
			9/21/2017	9/22/2018	1.820%	-	240,000.00	-	240,000.00
\$						945,000.00	775,000.00	945,000.00	775,000.00

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2016	2017 Authorizations	Debt Issued	Other	Balance Dec. 31, 2017
406-07	Various Improvements	\$ 2,202.00	-	-	-	2,202.00
483-13	Acquisition of Fire Truck/PW Vehicle	24,750.00	-	-	-	24,750.00
499-15	Various Improvements	1,750.00	-	-	-	1,750.00
		<u>\$ 28,702.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,702.00</u>

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

	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance December 31, 2016	\$ 1,176,635.19	-
Increased by Receipts:		
Water & Sewer Rent Collected	981,962.59	-
Water & Sewer Prepaid	14,699.73	-
Water & Sewer Overpaid	3,693.15	-
USDA Loan Proceeds	-	2,260,000.00
Miscellaneous	643.51	-
Reserve for Amortization	-	150,000.00
Bond Anticipation Notes	-	75,000.00
Due from Current	-	2,485,000.00
Due from Utility Capital	-	-
Due from Utility Operating	-	142,065.92
	<u>1,000,998.98</u>	<u>5,112,065.92</u>
	2,177,634.17	5,112,065.92
Decreased by Disbursements:		
Current Year Appropriation	896,678.66	-
Prior Year Appropriations	22,613.97	-
Improvement Authorizations	-	142,065.92
Accrued Interest on Bonds and Notes	171,925.50	-
Bond Anticipation Notes	-	2,485,000.00
Due to Current	-	2,485,000.00
Due to Utility Capital	142,065.92	-
	<u>1,233,284.05</u>	<u>5,112,065.92</u>
Balance December 31, 2017	\$ <u>944,350.12</u>	<u>-</u>

See Accompanying Auditor's Report

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

	Balance Dec. 31, 2016	Receipts		Debt Issued	Disbursements		Transfers		Balance Dec. 31, 2017
		Miscellaneous			Improvement Authorizations	Miscellaneous	From	To	
Capital Improvement Fund	\$ 110,000.00	-	-	-	-	-	-	-	110,000.00
Capital Fund Balance	225.00	-	-	-	-	-	-	-	225.00
USDA Grant Receivable	(259,532.00)	-	-	-	-	-	258,936.67	-	(595.33)
Due to/(from):									
Water & Sewer Operating Fund	(697,428.80)	142,065.92	-	-	-	-	-	-	(555,362.88)
Current Fund	-	2,485,000.00	-	-	2,485,000.00	-	-	-	(258,936.67)
Encumbrances Payable	25,452.39	-	-	-	-	-	25,452.39	-	2,784.25
Reserve for USDA Receivable	377,452.00	-	-	-	-	-	-	-	377,452.00
Reserve for Debt Service	137,854.00	-	-	-	-	-	-	-	137,854.00
Improvement Authorizations:									
Ord.									
Number									
171-91	(800.00)	-	-	-	-	-	-	-	(800.00)
446-10	-	-	-	-	-	-	2,410.25	-	-
464-11	306,777.41	-	-	-	142,065.92	-	374.00	-	187,379.63
	\$ -	2,627,065.92	-	-	142,065.92	2,485,000.00	287,173.31	287,173.31	-

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

Balance December 31, 2016		\$	40,027.08
Increased by Receipts:			
Consumer Accounts Charges and Levies	1,001,909.54		
			1,001,909.54
			1,041,936.62
Decreased by Disbursements:			
Overpayments & Prepayments Applied	17,097.85		
Collections	981,962.59		
			999,060.44
Balance December 31, 2017		\$	42,876.18

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
Operating:					
Salaries and Wages	\$ 21,983.92	21,983.92	-	21,983.92	-
Other Expenses	25,572.39	25,572.39	22,613.97	2,958.42	-
	<u>\$ 47,556.31</u>	<u>47,556.31</u>	<u>22,613.97</u>	<u>24,942.34</u>	<u>-</u>
Appropriation Reserves	\$ 45,470.95				
Encumbrances Payable	<u>2,085.36</u>				
	<u>47,556.31</u>				

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

Balance December 31, 2016	\$	28,391.27
Increased by:		
USDA & BAN Interest		179,862.75
		179,862.75
		208,254.02
Decreased By:		
USDA & BAN Interest Paid		171,925.50
		171,925.50
Payments to Treasurer		171,925.50
Balance December 31, 2017	\$	36,328.52

Analysis of Accrued Interest December 31, 2017

	Principal Outstanding December 31, 2017	Interest Rate	From	To	Days	Amount
<u>Serial Bonds</u>						
\$	149,284.65	5.00%	12/2/2017	12/31/2017	29	601.29
	484,185.55	4.50%	10/29/2017	12/31/2017	63	3,812.96
	830,590.79	4.125%	7/22/2017	12/31/2017	162	15,417.84
	2,244,570.42	2.750%	9/28/2017	12/31/2017	94	16,117.26
	75,000.00	1.82%	9/22/2017	12/31/2017	100	379.17
						36,328.52
						36,328.52

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2017 Date	Interest Rate	Balance Dec. 31, 2016	Changes		Balance Dec. 31, 2017
						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% \$	158,498.08	-	9,213.43	149,284.65
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%	493,276.21	-	9,090.66	484,185.55
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%	843,314.00	-	12,723.21	830,590.79
Sanitary Sewer System Impro.	3/28/2017	2,260,000.00	***** USDA Bond - semi-annual payments of \$46,760.00 due on March 28 and September 28. Final payment September 28, 2057	2.750%	-	2,260,000.00	15,429.58	2,244,570.42
					\$ 1,495,088.29	2,260,000.00	46,456.88	3,708,631.41

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

Improvement Description	Ordinance Number	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
Sewer Main Replacement - 2002	314-02	10/3/2007	9/22/2016	9/22/2017	1.190%	100,000.00	-	100,000.00	-
Improvements to Water and Sewer Infrastructure	446-10	10/1/2010	9/22/2016	9/22/2017	1.190%	125,000.00	-	125,000.00	-
			9/21/2017	9/21/2018	1.820%	-	75,000.00	-	75,000.00
Water & Sewer Improvements	464-11	11/9/2011	9/22/2016	9/22/2017	1.190%	2,260,000.00	-	2,260,000.00	-
						<u>\$ 2,485,000.00</u>	<u>75,000.00</u>	<u>2,485,000.00</u>	<u>75,000.00</u>

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2016	2017 Authorizations	Debt Issued	Other	Balance Dec. 31, 2017
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>

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BOROUGH OF WEST CAPE MAY

PART II

GENERAL COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2017

BOROUGH OF WEST CAPE MAY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING DECEMBER 31, 2017

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified Opinion issued on the Financial Statements – Regulatory Basis, presented in accordance with an “Other Comprehensive Basis of Accounting”.**

Internal control over financial reporting:

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

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

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

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

MANAGEMENT RESPONSES

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

Finding No. 2017-1 The General Ledger was not consistently reconciled with sub-ledgers.

Finding No. 2017-2 Payments for Accrued interest were not sufficient resulting in an over-expenditure

A corrective action plan is required for 2017.

STATUS OF PRIOR YEAR FINDINGS

Finding No. 2016-1

Condition:

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

Current Status:

The Condition has not been resolved for 2017 and is listed as item 2017-1 in the current year.

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 Commission'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 4, 2017 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 2017.

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

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Delinquent Taxes and Tax Title Liens

The tax sale was held on December 19, 2017 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>
2017	10
2016	11
2015	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 2017 and 2018 Taxes	25
Delinquent Taxes	5
Current Water and Sewer Utility Rents	25
Delinquent Water and Sewer Rents	5
Total	<u>60</u>

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

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</u>	
		<u>Cash Collections</u>	<u>Percentage of Collections</u>
2017 \$	5,817,554.06	5,672,383.55	97.50%
2016	5,634,406.10	5,474,920.87	97.17%
2015	5,254,799.60	5,112,418.03	97.29%
2014	5,221,503.60	5,081,453.69	97.32%
2013	4,837,452.27	4,696,397.32	97.08%

Comparative Schedule of Tax Rate Information

		<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Tax Rate	\$	1.222	1.222	1.149	1.149	1.067
Apportionment of Tax Rate:						
Municipal		0.356	0.350	0.331	0.330	0.331
County		0.272	0.247	0.240	0.244	0.248
Local & Regional School		0.594	0.625	0.578	0.575	0.488
Assessed Valuation		468,593,823	457,716,036	455,913,896	452,799,922	451,352,424

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>
2017 \$	154,080.24	127,451.94	281,532.18	4.84%
2016	142,941.71	132,255.58	275,197.29	4.88%
2015	162,417.02	124,724.88	287,141.90	5.46%
2014	149,230.99	111,971.73	261,202.72	5.00%
2013	139,693.41	113,081.75	252,775.16	5.23%

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 Borough’s funds were deposited within the mandated time.

RECOMMENDATIONS

Finding #2016-1:*

Criteria:

The Certified Finance Officer is responsible for correctly posting all required transactions and journal entries to the General Ledger in accordance with NJAC 5:30-5.7.

Condition:

The General Ledger did not contain all of the activity for all funds maintained by the Borough.

Cause:

The Borough's CFO has limited time and resources and the General Ledger has not been priority.

Effect:

Not utilizing the General Ledger fully could possibly cause a material misstatement to occur in financial reporting.

Recommendation:

That the Borough's CFO fully utilize the general ledger to record all necessary transactions and entries and that the general ledger be properly closed at year-end.

Finding #2016-2:

Criteria:

The Compliance with Local Budget Law N.J.S.A. 40A:4-22 and fiscal responsibility.

Condition:

The Borough approved payment of \$2,508.75 in accrued interest for the Utility Fund prior to verifying that there were sufficient funds available in the budget line.

Cause:

The Chief Financial Officer did not properly monitor the accrued interest expenditure in 2017.

Effect:

The over-expenditure must be raised in the succeeding budget as a deferred charge.

Recommendation:

The CFO will monitor the appropriation balances on a regular basis to ensure unspent funds are sufficient to cover any future payments. Also, the Chief Financial Officer will ensure that the funds have been appropriated before authorizing any purchase or payment.

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

Leon P. Costello

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

June 1, 2018