

**CITY OF CAPE MAY  
REPORT OF AUDIT  
FOR THE YEAR ENDED  
DECEMBER 31, 2010**

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**CITY OF CAPE MAY**  
**PART I**  
**REPORT ON AUDIT OF**  
**FINANCIAL STATEMENTS - STATUTORY BASIS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2010**



# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheets – statutory basis of the various funds and account groups of the City of Cape May, State of New Jersey (the “City”), as of December 31, 2010 and the related statements of operations and changes in fund balance – statutory basis for the year then ended and the related statement of revenues – statutory basis and statement of expenditures – statutory basis for the year ended December 31, 2010, as listed in the accompanying table of contents. These financial statements – statutory basis are the responsibility of the City’s management. 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, the City, prepares its financial statements on a basis of accounting prescribed by the Division that demonstrates compliance with a modified accrual basis, with certain exceptions, and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the City’s policy to prepare its financial statements on the prescribed basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the various funds and account groups of the City, as of December 31, 2010 and the results of operations and changes in fund balance of such funds for the years then ended, and the statement of revenues and statement of expenditures of the various funds for the year ended December 31, 2010.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City, as of December 31, 2010 and the results of operations and changes in fund balances of such funds for the years then ended and the statement of revenues and statement of expenditures of the various funds for the year ended December 31, 2010 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 29, 2011 on our consideration of the City's internal control structure over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the City. The supplemental schedules and the schedule of federal awards as listed in the table of contents has been subjected to the auditing procedures applied to the audit of financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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



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

**July 29, 2011**

**EXHIBIT - A  
CURRENT FUND**

**CITY OF CAPE MAY**  
**CURRENT FUND**  
**COMPARATIVE BALANCE SHEET - STATUTORY BASIS**

	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
<b><u>Assets</u></b>			
Regular Fund:			
Cash:			
Treasurer	A-4	\$ 4,440,037.06	\$ 4,693,587.31
Change and Petty Cash Funds		1,200.00	1,200.00
		<u>4,441,237.06</u>	<u>4,694,787.31</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-7	335,518.48	310,641.82
Tax Title Liens Receivable	A-8	35,769.23	17,084.23
Property Acquired for Taxes at Assessed Valuation		83,316.00	83,316.00
Revenue Accounts Receivable	A-9	7,728.06	10,211.41
Interfunds Receivable:			
Due from Animal Control Fund		-	49.64
Due from General Capital Fund		-	16,110.58
		<u>462,331.77</u>	<u>437,413.68</u>
Deferred Charges:			
Special Emergencies (40A:4-53)		285,000.00	380,000.00
Emergency		17,382.13	-
Overexpenditure of Appropriation Reserves		1,443.50	-
		<u>303,825.63</u>	<u>380,000.00</u>
		<u>5,207,394.46</u>	<u>5,512,200.99</u>
Federal and State Grant Fund:			
Cash	A-4	2,695.40	2,656.26
Due from Current Fund		66,170.51	178,238.88
Revolving Loan Receivable		600,000.00	600,000.00
Grant Receivables	A-11	404,179.73	393,154.89
		<u>1,073,045.64</u>	<u>1,174,050.03</u>
		<u>\$ 6,280,440.10</u>	<u>\$ 6,686,251.02</u>

**CITY OF CAPE MAY**  
**CURRENT FUND**  
**COMPARATIVE BALANCE SHEET - STATUTORY BASIS**

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
<b>Regular Fund:</b>			
<b>Liabilities:</b>			
Appropriation Reserves	A-3:A-10	\$ 730,276.90	\$ 818,402.61
Reserve for Encumbrances	A-3	283,194.27	348,087.22
Due to State of New Jersey:			
Marriage Licenses		375.00	550.00
DCA Training Fees		2,638.00	4,262.00
Chapter 20 P.L. 1971		1,593.24	2,977.98
Prepaid Taxes		330,663.32	326,640.24
Tax Overpayments		7,339.08	9,774.22
Payroll Taxes Payable		14,921.28	4,971.35
County Added Tax Payable		4,756.95	12,054.72
Local School Tax Payable (Overpaid)		(4.24)	(4.24)
Regional School Tax (Overpaid)		(0.07)	(0.06)
Tax Title Lien Exchange		732.58	732.58
Reserve for Section 8		16,394.81	16,394.81
Reserve for Codification of Ordinances		353.16	353.16
Reserve for Purchase of Ambulance		160.71	160.71
Reserve for Payment of Bonds and Coupons		15,080.51	15,080.51
Reserve for Escrow Deposits		164,550.50	192,299.82
Reserve for Garden State Preservation Trust		-	1,159.37
Reserve for State Tax Appeal		4,558.48	4,558.48
Reserve for Revaluation		48,455.00	94,501.00
Reserve for Master Plan		27,744.12	43,091.62
Interfunds Payable:			
Federal and State Grant Fund		66,170.51	178,238.88
		<u>1,719,954.11</u>	<u>2,074,286.98</u>
Reserve for Receivables and Other Assets		462,331.77	437,413.68
Fund Balance	A-1	<u>3,025,108.58</u>	<u>3,000,500.33</u>
		<u>5,207,394.46</u>	<u>5,512,200.99</u>
<b>Federal and State Grant Fund:</b>			
Unappropriated Reserves	A-12	39,921.93	17,680.83
Appropriated Reserves	A-13	433,123.71	412,846.02
Encumbrances Payable		-	143,523.18
Reserve for Revolving Loans Receivable		600,000.00	600,000.00
		<u>1,073,045.64</u>	<u>1,174,050.03</u>
		<u>\$ 6,280,440.10</u>	<u>\$ 6,686,251.02</u>

**CITY OF CAPE MAY**  
**CURRENT FUND**  
**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE**  
**STATUTORY BASIS**

	<u>Ref.</u>	<u>Year 2010</u>	<u>Year 2009</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$	2,050,000.00	\$ 2,000,000.00
Miscellaneous Revenue Anticipated		5,360,757.58	5,958,969.62
Receipts from Delinquent Taxes		311,163.05	237,077.08
Receipts from Current Taxes		20,320,697.53	18,818,942.48
Non-Budget Revenue		208,473.77	151,005.19
Other Credits to Income:			
Interfunds Returned		16,160.22	21,143.98
Prior Year Encumbrance Canceled		-	18.99
Unexpended Balance of Appropriation Reserves		667,698.55	711,104.52
Total Income		<u>28,934,950.70</u>	<u>27,898,261.86</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Appropriations Within "CAP"			
Operations:			
Salaries and Wages		5,651,318.00	5,571,826.00
Other Expenses		3,935,722.13	3,871,615.00
Deferred Charges & Statutory Expenditures		1,229,450.40	1,220,010.00
Appropriations Excluded from "CAP"			
Operations:			
Salaries and Wages		634,082.00	615,613.00
Other Expenses		260,982.08	144,620.24
Capital Improvements		462,000.00	242,000.00
Municipal Debt Service		1,997,883.16	1,896,982.85
Deferred Charges & Judgments		145,000.00	605,000.00
County Taxes		5,926,327.47	5,591,561.64
County Added and Omitted Taxes		4,756.95	12,054.72
Local District School Tax		1,483,921.00	1,483,921.00
Regional High School District School Tax		5,145,760.16	4,897,751.17
Refund of Prior Year Revenue		521.23	500.00
Interfund Created		-	9,371.37
Overexpenditure of Appropriation Reserves		1,443.50	-
Total Expenditures		<u>26,879,168.08</u>	<u>26,162,826.99</u>

**CITY OF CAPE MAY**  
**CURRENT FUND**  
**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE**  
**STATUTORY BASIS**

	<u>Ref.</u>	<u>Year 2010</u>	<u>Year 2009</u>
Excess In Revenue		\$ <u>2,055,782.62</u>	\$ <u>1,735,434.87</u>
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by			
Statute Deferred Charges to Budget of			
Succeeding Year		<u>18,825.63</u>	<u>-</u>
		<u>18,825.63</u>	<u>-</u>
Statutory Excess to Fund Balance		2,074,608.25	1,735,434.87
Fund Balance January 1	A	<u>3,000,500.33</u>	<u>3,265,065.46</u>
		5,075,108.58	5,000,500.33
Decreased by:			
Utilization as Anticipated Revenue		<u>2,050,000.00</u>	<u>2,000,000.00</u>
Fund Balance December 31	A	<u>\$ <u>3,025,108.58</u></u>	<u>\$ <u>3,000,500.33</u></u>

CITY OF CAPE MAY  
CURRENT FUND  
STATEMENT OF REVENUES - STATUTORY BASIS

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated		\$ 2,050,000.00	\$ -	\$ 2,050,000.00	\$ -
		<u>2,050,000.00</u>	<u>-</u>	<u>2,050,000.00</u>	<u>-</u>
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages		54,000.00		55,759.99	1,759.99
Other		300,000.00		292,952.00	(7,048.00)
Fees and Permits		160,000.00		154,872.11	(5,127.89)
Fines and Costs:					
Municipal Court		210,000.00		249,466.49	39,466.49
Interest and Costs on Taxes		45,000.00		70,661.00	25,661.00
Parking Meters		925,000.00		1,013,553.24	88,553.24
Interest on Investments and Deposits		90,000.00		37,799.16	(52,200.84)
Hotel Room Tax		1,000,000.00		1,087,430.24	87,430.24
Lease and Rent Contracts		330,000.00		433,005.41	103,005.41
TV Cable Receipts		37,000.00		37,504.64	504.64
Victorian Towers - In Lieu of Taxes		180,000.00		161,853.68	(18,146.32)
Emergency Medical Services		285,000.00		297,695.14	12,695.14
Energy Receipts Tax (P.L. 1997, Ch. 162 & 167)		337,632.00		337,468.51	(163.49)
Garden State Trust		1,159.37		1,159.37	-
Uniform Construction Code Fees		222,000.00		194,527.00	(27,473.00)
Interlocal Services Agreement -					
West Cape May - Police Protection		395,235.00		395,235.12	0.12
Cape May Point - Police Protection		238,847.00		238,847.00	-

CITY OF CAPE MAY  
CURRENT FUND  
STATEMENT OF REVENUES - STATUTORY BASIS

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	N.J.S. 40A:4-87		
Miscellaneous Revenues (continued):					
Special Items:					
State and Federal Programs Off-Set by Revenues:					
COPS in Shops		\$ 1,024.84	\$	1,024.84	\$ -
Enforcing Underage Drinking		6,469.50		6,469.50	-
Housing Inspections			1,170.00	1,170.00	-
Clean Communities			15,552.12	15,552.12	-
Drunk Driving		4,510.83		4,510.83	-
Body Armor			1,061.61	1,061.61	-
Alcohol Education & Rehabilitation		974.60	150.82	1,125.42	-
Green Communities - 2010			3,000.00	3,000.00	-
2009 Stimulus Fund			7,000.00	7,000.00	-
NJLPS Underage Drinking			1,358.16	1,358.16	-
Other Special Items:					
Beach Utility Debt Service		18,694.00		18,695.00	1.00
Water & Sewer Utility Contribution to Street					
Improvements		50,000.00		50,000.00	-
General Capital Surplus		190,000.00		190,000.00	-
Total Miscellaneous Revenues	A-1	5,082,547.14	29,292.71	5,360,757.58	248,917.73
Receipts from Delinquent Taxes	A-1:A-2	259,500.00		311,163.05	51,663.05

CITY OF CAPE MAY  
CURRENT FUND  
**STATEMENT OF REVENUES - STATUTORY BASIS**

Ref.	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
	\$ 7,737,194.81	\$ -	\$ 8,282,677.48	\$ 545,482.67
	<u>7,737,194.81</u>	<u>-</u>	<u>8,282,677.48</u>	<u>545,482.67</u>
	15,129,241.95	29,292.71	16,004,598.11	846,063.45
	<u>-</u>	<u>-</u>	<u>208,473.77</u>	<u>208,473.77</u>
	<u>\$ 15,129,241.95</u>	<u>\$ 29,292.71</u>	<u>\$ 16,213,071.88</u>	<u>\$ 1,054,537.22</u>

Amount to be Raised by Taxes for Support of Municipal Budget:

Local Tax for Municipal Purposes

Total Amount to be Raised by Taxes for Support

of Municipal Budget

Budget Totals

Non-Budget Revenues

**CITY OF CAPE MAY**  
**CURRENT FUND**  
**STATEMENT OF REVENUES - STATUTORY BASIS**

Analysis of Realized RevenuesAllocation of Current Tax Collections:

Revenues from Collections	\$ 20,320,697.53
Less:	
Reserve for State Tax Appeal	-
Plus:	
Prior Year State Tax Appeal Withdrawn	-
Allocated to:	
School, County and Other Taxes	<u>12,896,382.23</u>
Balance for Support of Municipal Budget Appropriations	7,424,315.30
Add: Appropriation	
"Reserve for Uncollected Taxes"	<u>858,362.18</u>
Amount for Support of Municipal	
Budget Appropriations	<u>\$ 8,282,677.48</u>

Receipts from Delinquent Taxes:

Delinquent Tax Collections	\$ 311,163.05
Tax Title Lien Collections	-
	<u>\$ 311,163.05</u>

Analysis of Non-Budget Revenues:

## Miscellaneous Revenue Not Anticipated:

Accident Reports	\$ 906.69
Marriage Donation	16,650.00
Clerk's Office	95.00
Polling Place	230.00
Tax Sale Costs	815.36
Shade Tree	900.00
Geographic Info System	24,684.00
Copy Machine	468.35
Parking Fees	9,610.00
Cape May Point - Court	9,166.67
Restitution	5,660.00
Sale of Municipal Assets	108,322.61
NSF Fees	392.13
Tax / Fin Miscellaneous	<u>30,572.96</u>
	<u>\$ 208,473.77</u>

**CITY OF CAPE MAY  
CURRENT FUND  
STATEMENT OF EXPENDITURES - STATUTORY BASIS**

	Appropriations		Paid or Charged	Expended		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification		Encumbered	Reserved	
<b>OPERATIONS WITHIN "CAPS"</b>						
<b>GENERAL GOVERNMENT FUNCTIONS:</b>						
General Administration						
Salaries and Wages	\$ 130,850.00	\$ 130,850.00	\$ 112,198.72	\$	\$ 18,651.28	\$
Other Expenses	122,000.00	122,000.00	100,435.00	4,060.06	17,504.94	
Mayor and Council						
Salaries and Wages	45,500.00	45,500.00	43,375.85		2,124.15	
Other Expenses	3,725.00	3,725.00	3,158.82	415.22	150.96	
City Clerk						
Salaries and Wages	155,000.00	155,000.00	154,265.27		734.73	
Other Expenses	38,475.00	33,475.00	21,016.71	6,022.84	6,435.45	
Emergency	-	30,000.00	17,382.13		-	12,617.87
Financial Administration						
Salaries and Wages	149,200.00	132,200.00	101,233.19		30,966.81	
Other Expenses	10,600.00	10,600.00	6,915.82	933.13	2,751.05	
Audit Services						
Other Expenses	27,000.00	27,000.00	26,000.00		1,000.00	
Assessment of Taxes						
Salaries and Wages	93,000.00	93,500.00	93,144.00		356.00	
Other Expenses	16,095.00	16,095.00	6,373.62	445.67	9,275.71	
Collection of Taxes						
Salaries and Wages	106,000.00	106,000.00	91,912.24		14,087.76	
Other Expenses	5,910.00	5,910.00	2,918.15	79.84	2,912.01	
Legal Services						
Other Expenses	180,000.00	180,000.00	120,739.73	760.00	58,500.27	
Miscellaneous Other Expenses						
Engineering Services						
Other Expenses	18,000.00	18,000.00	577.50		17,422.50	
Economic Development						
Other Expenses	15,000.00	15,000.00	15,000.00		-	
Emergency Medical Services - Collection						
Contractual Expenses	17,500.00	17,500.00	12,091.74		5,408.26	
<b>INSURANCE:</b>						
General Liability	129,000.00	129,000.00	110,181.90		18,818.10	
Workers Compensation Insurance	305,000.00	305,000.00	292,592.05		12,407.95	
Employee Group Health	1,456,000.00	1,456,000.00	1,241,076.14	159,679.39	55,244.47	

**CITY OF CAPE MAY  
CURRENT FUND  
STATEMENT OF EXPENDITURES - STATUTORY BASIS**

	Appropriations		Paid or Charged	Expended		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification		Encumbered	Reserved	
<b>LAND USE ADMINISTRATION:</b>						
Planning Board						
Salaries and Wages	5,000.00	5,000.00	2,520.00		2,480.00	\$
Other Expenses	14,700.00	14,700.00	9,781.74	2,263.97	2,654.29	
Zoning Board of Adjustment						
Salaries and Wages	5,000.00	5,000.00	1,824.91		3,175.09	
Other Expenses	11,750.00	11,750.00	6,230.06	3,797.56	1,722.38	
<b>PUBLIC SAFETY:</b>						
Fire						
Salaries and Wages	1,194,000.00	1,194,000.00	1,145,010.22		48,989.78	
Other Expenses	42,500.00	44,500.00	40,724.21	1,249.90	2,525.89	
Aid to Volunteer Fire Company						
Other Expenses	25,000.00	25,000.00	25,000.00		-	
Police						
Salaries and Wages	2,023,418.00	1,986,418.00	1,922,069.38		64,348.62	
Other Expenses	113,160.00	113,160.00	95,047.04	12,020.09	6,092.87	
Emergency Management Services						
Salaries and Wages	5,750.00	5,750.00	5,115.44		634.56	
Other Expenses	4,285.00	4,285.00	764.35	56.14	3,464.51	
Parking and Traffic Maintenance						
Salaries and Wages	96,500.00	96,500.00	86,063.33		10,436.67	
Other Expenses	52,300.00	52,300.00	46,937.87	504.85	4,857.28	
Public Safety						
Salaries and Wages	5,000.00	5,000.00	-		5,000.00	
Other Expenses	1,000.00	1,000.00	-		1,000.00	
Municipal Court						
Salaries and Wages	160,500.00	160,500.00	154,905.65		5,594.35	
Other Expenses	25,620.00	25,620.00	17,188.45	3,339.68	5,091.87	
Public Defender						
Other Expenses	8,300.00	8,300.00	7,500.00		800.00	

**CITY OF CAPE MAY  
CURRENT FUND  
STATEMENT OF EXPENDITURES - STATUTORY BASIS**

	Appropriations		Budget After Modification	Paid or Charged	Expended		Reserved	(Overexpended) Unexpended Balance Cancelled
	Budget				Encumbered			
<b>PUBLIC WORKS FUNCTIONS:</b>								
Road Repair and Maintenance								
Salaries and Wages	\$ 462,500.00	\$	497,500.00	\$ 489,644.48	\$	7,855.52	\$	
Other Expenses	183,425.00		191,425.00	179,299.45	5,448.79	6,676.76		
Sanitary Landfill - Contractual								
Other Expenses	25,500.00		29,000.00	25,500.00	1,518.33	1,981.67		
Recycling								
Salaries and Wages	37,000.00		37,000.00	30,256.84		6,743.16		
Other Expenses	302,135.00		303,963.00	291,350.53	3,559.74	9,052.73		
Public Buildings and Grounds								
Salaries and Wages	564,000.00		564,000.00	538,272.85		25,727.15		
Other Expenses	309,050.00		309,222.00	260,596.14	35,280.04	13,345.82		
Shade Tree Commission								
Salaries and Wages	1,800.00		1,800.00	1,260.00		540.00		
Other Expenses	30,950.00		30,950.00	19,123.32	225.50	11,601.18		
Property Maintenance Enforcement								
Other Expenses	2,500.00		2,500.00	600.00		1,900.00		
<b>HEALTH AND HUMAN SERVICES:</b>								
Board of Health								
Other Expenses	50.00		50.00	-		50.00		
Administration of Public Assistance								
Other Expenses	100.00		100.00	-		100.00		
Services of Visiting Nurse								
Other Expenses	50.00		50.00	-		50.00		
Environmental Commission								
Salaries and Wages	1,800.00		1,800.00	810.00		990.00		
Other Expenses	5,450.00		5,450.00	320.00	23.20	5,106.80		

**CITY OF CAPE MAY  
CURRENT FUND  
STATEMENT OF EXPENDITURES - STATUTORY BASIS**

	Appropriations		Budget After Modification	Paid or Charged	Expended		Reserved	(Overexpended) Unexpended Balance Cancelled
	Budget				Encumbered			
<b>PARKS AND RECREATION:</b>								
Civic Affairs								
Salaries and Wages	\$ 87,500.00	\$	\$ 87,500.00	\$ 83,676.64	\$	\$ 3,823.36	\$	
Other Expenses	51,800.00		54,800.00	50,029.82	1,205.68	3,564.50		
Historic Preservation Commission								
Salaries and Wages	11,000.00		11,000.00	8,718.23	95.98	2,281.77		
Other Expenses	20,600.00		23,600.00	14,242.58		9,261.44		
Grants Coordinator								
Other Expenses	25,000.00		25,000.00	17,792.50	3,907.50	3,300.00		
<b>UNIFORM CONSTRUCTION CODE:</b>								
State Uniform Construction Code								
Construction Official								
Salaries and Wages	329,500.00		329,500.00	317,746.99		11,753.01		
Other Expenses	17,210.00		17,210.00	12,865.48	656.04	3,688.48		
<b>UNCLASSIFIED:</b>								
Celebration of Public Events, Anniversary or Holiday	25,000.00		25,000.00	24,029.18	500.00	470.82		
<b>UTILITY EXPENSES AND BULK PURCHASES:</b>								
General Office Operations	107,100.00		107,100.00	89,537.20	3,750.33	13,812.47		
Street Lighting	113,000.00		115,000.00	103,910.66	2,783.80	8,305.54		
Gas Lighting	23,000.00		23,000.00	19,829.50	1,270.17	1,900.33		
Gas Lighting - Parts	14,000.00		14,000.00	13,659.17	340.83	-		
<b>TOTAL OPERATIONS WITHIN "CAPS"</b>	<u>9,568,658.00</u>		<u>9,598,658.00</u>	<u>8,732,342.79</u>	<u>256,194.27</u>	<u>597,503.07</u>	<u>1,000.00</u>	<u>12,617.87</u>
Contingent	1,000.00		1,000.00	-				
<b>TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"</b>	<u>9,569,658.00</u>		<u>9,599,658.00</u>	<u>8,732,342.79</u>	<u>256,194.27</u>	<u>598,503.07</u>	<u>598,503.07</u>	<u>12,617.87</u>
Detail:								
Salaries and Wages	5,669,818.00		5,651,318.00	5,384,024.23	-	267,293.77		
Other Expenses	3,899,840.00		3,948,340.00	3,348,318.56	256,194.27	331,209.30		12,617.87
<b>DEFERRED CHARGES:</b>								
None	-		-	-	-	-		-

**CITY OF CAPE MAY  
CURRENT FUND  
STATEMENT OF EXPENDITURES - STATUTORY BASIS**

	Appropriations		Budget After Modification	Paid or Charged	Expended		Reserved	(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification			Encumbered	Reserved		
<b>STATUTORY EXPENDITURES:</b>								
Contributions to:								
Public Employees' Retirement System	\$ 290,329.52	\$ 290,329.52	\$ 290,329.52	\$ 290,329.52	\$ -	\$ -	\$ 4,773.83	\$ -
Social Security System (O.A.S.I.)	285,000.00	285,000.00	285,000.00	280,226.17	-	-	-	-
Police and Firemen's Retirement System	618,120.88	618,120.88	618,120.88	618,120.88	-	-	-	-
Defined Contribution Retirement Program (DCRP)	2,000.00	2,000.00	2,000.00	-	2,000.00	-	-	-
Unemployment Compensation Insurance	14,000.00	14,000.00	14,000.00	14,000.00	-	-	-	-
Retirement Trust	20,000.00	20,000.00	20,000.00	20,000.00	-	-	-	-
<b>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES WITHIN "CAPS"</b>	<b>1,229,450.40</b>	<b>1,229,450.40</b>	<b>1,229,450.40</b>	<b>1,222,676.57</b>	<b>2,000.00</b>	<b>2,000.00</b>	<b>4,773.83</b>	<b>-</b>
<b>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</b>	<b>10,799,108.40</b>	<b>10,829,108.40</b>	<b>10,829,108.40</b>	<b>9,955,019.36</b>	<b>258,194.27</b>	<b>258,194.27</b>	<b>603,276.90</b>	<b>12,617.87</b>
<b>OPERATIONS EXCLUDED FROM "CAPS"</b>								
Employee Group Health	112,000.00	112,000.00	112,000.00	-	-	-	112,000.00	-
Public Employees' Retirement System	20,328.48	20,328.48	20,328.48	20,328.48	-	-	-	-
Police and Firemen's Retirement System	14,078.12	14,078.12	14,078.12	14,078.12	-	-	-	-
Length of Service Award Program - Fire	25,000.00	25,000.00	25,000.00	-	25,000.00	-	-	-
Interlocal Service Agreement								
Contractual - West Cape May - Police Protection	395,235.00	395,235.00	395,235.00	395,235.00	-	-	-	-
Contractual - Cape May Point - Police Protection	238,847.00	238,847.00	238,847.00	238,847.00	-	-	-	-
Rental of Property - West Cape May	32,303.00	32,303.00	32,303.00	32,303.00	-	-	-	-
<b>TOTAL OTHER OPERATIONS EXCLUDED FROM "CAPS"</b>	<b>837,791.60</b>	<b>837,791.60</b>	<b>837,791.60</b>	<b>700,791.60</b>	<b>25,000.00</b>	<b>25,000.00</b>	<b>112,000.00</b>	<b>-</b>
<b>ADDITIONAL APPROPRIATIONS OFFSET BY REVENUES</b>								
None								
<b>TOTAL ADDITIONAL APPROPRIATIONS OFFSET BY REVENUES</b>								

**CITY OF CAPE MAY  
CURRENT FUND  
STATEMENT OF EXPENDITURES - STATUTORY BASIS**

	Appropriations		Budget After Modification	Paid or Charged	Expended		Reserved	(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification			Encumbered	Reserved		
<b>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</b>								
Drunk Driving Enforcement Fund	4,510.83	4,510.83	4,510.83	4,510.83	-	-	-	\$
Alcohol Education and Rehab Fund	974.60	1,125.42	1,125.42	1,125.42	-	-	-	
NJLPS Enforcing Underage Drinking Laws	6,469.50	7,827.66	7,827.66	7,827.66	-	-	-	
NJLPS COPS in Shops	1,024.84	1,024.84	1,024.84	1,024.84	-	-	-	
Housing Inspections	-	1,170.00	1,170.00	1,170.00	-	-	-	
Clean Communities	-	15,552.12	15,552.12	15,552.12	-	-	-	
Body Armor	-	1,061.61	1,061.61	1,061.61	-	-	-	
Green Communities	-	3,000.00	3,000.00	3,000.00	-	-	-	
2009 Business Stimulus Fund	-	7,000.00	7,000.00	7,000.00	-	-	-	
Matching Funds for Grants	15,000.00	15,000.00	15,000.00	15,000.00	-	-	15,000.00	
<b>TOTAL PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</b>	<b>27,979.77</b>	<b>57,272.48</b>	<b>42,272.48</b>	<b>42,272.48</b>	<b>-</b>	<b>15,000.00</b>	<b>15,000.00</b>	<b>-</b>
<b>TOTAL OPERATIONS EXCLUDED FROM "CAPS"</b>	<b>865,771.37</b>	<b>895,064.08</b>	<b>743,064.08</b>	<b>743,064.08</b>	<b>25,000.00</b>	<b>127,000.00</b>	<b>127,000.00</b>	<b>-</b>
Detail:								
Salaries and Wages	634,082.00	634,082.00	634,082.00	634,082.00	-	-	-	
Other Expenses	231,689.37	260,982.08	108,982.08	108,982.08	25,000.00	127,000.00	127,000.00	-
<b>CAPITAL IMPROVEMENTS</b>								
Capital Improvement Fund	240,000.00	240,000.00	240,000.00	240,000.00	-	-	-	
Reserve for Open Space	222,000.00	222,000.00	222,000.00	222,000.00	-	-	-	
<b>TOTAL CAPITAL IMPROVEMENTS</b>	<b>462,000.00</b>	<b>462,000.00</b>	<b>462,000.00</b>	<b>462,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DEBT SERVICE</b>								
Payment of Bond Principal	1,322,740.00	1,322,740.00	1,322,735.20	1,322,735.20	-	-	-	4.80
Interest on Bonds	476,645.00	476,645.00	476,453.42	476,453.42	-	-	-	191.58
Interest on Notes	28,000.00	28,000.00	27,720.00	27,720.00	-	-	-	280.00
Green Trust Loan Program:								
Loan Repayments for Principal & Interest	149,200.00	149,200.00	149,166.45	149,166.45	-	-	-	33.55
NJFIT Loans and Bonds								
Series 2001A								
Principal	5,460.00	5,460.00	5,460.00	5,460.00	-	-	-	-
Interest	2,230.00	2,230.00	2,230.00	2,230.00	-	-	-	-
Series 2001B								
Principal	10,725.00	10,725.00	10,725.00	10,725.00	-	-	-	-
Interest	4,000.00	4,000.00	3,993.09	3,993.09	-	-	-	606.91
<b>TOTAL DEBT SERVICE</b>	<b>1,999,000.00</b>	<b>1,999,000.00</b>	<b>1,997,883.16</b>	<b>1,997,883.16</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,116.84</b>

**CITY OF CAPE MAY  
CURRENT FUND  
STATEMENT OF EXPENDITURES - STATUTORY BASIS**

	Appropriations		Paid or Charged	Expended		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification		Encumbered	Reserved	
Special Emergencies 5 Year: Revaluation Master Plan	\$ 75,000.00 20,000.00	\$ 75,000.00 20,000.00	\$ 75,000.00 20,000.00	\$ - -	\$ - -	
<b>TOTAL DEFERRED CHARGES EXCLUDED FROM "CAPS"</b>	<u>95,000.00</u>	<u>95,000.00</u>	<u>95,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Judgments	50,000.00	50,000.00	50,000.00	-	-	
<b>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"</b>	<u>3,471,771.37</u>	<u>3,501,064.08</u>	<u>3,347,947.24</u>	<u>25,000.00</u>	<u>127,000.00</u>	<u>1,116.84</u>
<b>SUBTOTAL GENERAL APPROPRIATIONS</b>	<u>14,270,879.77</u>	<u>14,330,172.48</u>	<u>13,302,966.60</u>	<u>283,194.27</u>	<u>730,276.90</u>	<u>13,734.71</u>
Reserve for Uncollected Taxes	858,362.18	858,362.18	858,362.18	-	-	
<b>TOTAL GENERAL APPROPRIATIONS</b>	<u>\$ 15,129,241.95</u>	<u>\$ 15,188,534.66</u>	<u>\$ 14,161,328.78</u>	<u>\$ 283,194.27</u>	<u>\$ 730,276.90</u>	<u>\$ 13,734.71</u>

Adopted Budget  
Emergency  
Appropriation by N.J.S.A. 40A:4-87

\$ 15,129,241.95  
30,000.00  
29,292.71

\$ 15,188,534.66

Reserve for Uncollected Taxes \$ 858,362.18  
Federal and State Grants 42,272.48  
Deferred Charges 95,000.00  
Police Interlocal 32,303.00  
Cash Disbursed 13,133,391.12

\$ 14,161,328.78

**EXHIBIT - B  
TRUST FUND**

**CITY OF CAPE MAY**  
**TRUST FUND**  
**COMPARATIVE BALANCE SHEET - STATUTORY BASIS**

<u>Assets</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
<u>Animal Control Fund</u>			
Cash and Investments	B-1	\$ <u>2,650.36</u>	\$ <u>2,905.00</u>
		<u>2,650.36</u>	<u>2,905.00</u>
<u>Other Funds</u>			
Cash and Investments	B-2	<u>1,912,563.21</u>	<u>1,774,465.82</u>
		<u>1,912,563.21</u>	<u>1,774,465.82</u>
		\$ <u><u>1,915,213.57</u></u>	\$ <u><u>1,777,370.82</u></u>

**CITY OF CAPE MAY**  
**TRUST FUND**  
**COMPARATIVE BALANCE SHEET - STATUTORY BASIS**

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
<u>Animal Control Fund</u>			
Reserve for Animal Control Expenditures	B-3	\$ 2,644.36	\$ 2,850.56
Due to Current Fund		-	49.64
Due to State of New Jersey		6.00	4.80
		<u>2,650.36</u>	<u>2,905.00</u>
<u>Other Funds</u>			
Reserve for:			
Recreation Dedicated Trust		129,023.78	161,807.34
Unemployment Compensation		2,010.15	1,544.60
Retirement Fund		177,719.94	175,626.90
Parking Offense Adjudication Act		18,732.49	18,069.14
Street Openings		32,356.52	26,273.06
Tax Lien Premiums		5,964.87	2,651.24
Parking Escrow		19,544.56	19,450.22
Lifeguard Pension		328,786.23	286,686.22
Police Forfeiture		576.56	573.79
Library Commission		-	5,363.53
Neighborhood Revitalization		139,972.17	139,296.50
Security Deposits		10,874.39	19,012.45
DARE		704.31	1,639.15
Small Cities Block Grant		632,552.83	629,499.39
Public Assistance		3,500.14	3,483.25
Performance Bond		337,912.15	235,243.00
Police Off-Duty		3,899.21	3,880.38
Tourism Development		66,471.94	43,438.35
Fishermen's Memorial		1,960.97	927.31
		<u>1,912,563.21</u>	<u>1,774,465.82</u>
		\$ <u>1,915,213.57</u>	\$ <u>1,777,370.82</u>

**EXHIBIT - C**  
**GENERAL CAPITAL FUND**

**CITY OF CAPE MAY**  
**GENERAL CAPITAL FUND**  
**COMPARATIVE BALANCE SHEET - STATUTORY BASIS**

<u>Assets</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2010</u>	<u>Balance Dec. 31, 2009</u>
Cash and Investments		\$ 3,917,083.84	\$ 3,875,586.04
Total Cash	C-2,C-3	<u>3,917,083.84</u>	<u>3,875,586.04</u>
State Grant Receivable		30,436.17	30,436.17
NJEIT Loans Receivable		35,670.53	35,670.53
Deferred Charges to Future Taxation:			
Funded	C-5	10,307,825.47	11,781,196.13
Unfunded	C-6	33,166,250.00	31,480,000.00
		<u>\$ 47,457,266.01</u>	<u>\$ 47,202,888.87</u>
 <u>Liabilities, Reserves and Fund Balance</u>			
Serial Bonds Payable	C-8	\$ 9,459,200.85	\$ 10,781,936.05
Bond Anticipation Notes Payable	C-9	4,800,000.00	2,100,000.00
Green Trust Loan Payable	C-8A	634,228.70	768,690.30
Environmental Infrastructure Trust Loans Payable	C-8C	214,395.92	230,569.78
Improvement Authorizations:			
Funded	C-7	1,099,909.92	425,159.45
Unfunded	C-7	27,905,903.66	28,363,276.19
Encumbrances Payable		926,322.82	2,484,750.50
Reserve to Pay Bonds or Notes		577,074.17	542,074.17
Reserve for Open Space		1,610,569.00	1,388,569.00
Reserves Other		11,575.60	11,562.10
Due to Current Fund		-	16,110.58
Capital Improvement Fund	C-4	191,250.00	40,000.00
Fund Balance	C-1	26,835.37	50,190.75
		<u>\$ 47,457,266.01</u>	<u>\$ 47,202,888.87</u>

**CITY OF CAPE MAY**  
**GENERAL CAPITAL FUND**  
**STATEMENT OF FUND BALANCE - STATUTORY BASIS**

Balance December 31, 2009	<u>Ref.</u> C		\$	50,190.75
Increased By:				
Bond Premium		\$		23,318.40
Cancellation				143,326.22
				166,644.62
				216,835.37
Decreased By:				
Funded Improvement Authorization				190,000.00
				190,000.00
Balance December 31, 2010	C		\$	26,835.37

**EXHIBIT - D**  
**WATER AND SEWER UTILITY FUND**

**CITY OF CAPE MAY**  
**WATER AND SEWER UTILITY FUND**  
**COMPARATIVE BALANCE SHEET - STATUTORY BASIS**

	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
<b><u>Assets</u></b>			
<b>Operating Fund:</b>			
Cash and Investments	D-5	\$ 1,741,466.87	\$ 877,393.64
Due to Utility Capital		-	1,108.85
		<u>1,741,466.87</u>	<u>878,502.49</u>
<b>Receivables With Full Reserves:</b>			
Water & Sewer Rents Receivable	D-7	54,402.69	440,480.11
		<u>54,402.69</u>	<u>440,480.11</u>
<b>Deferred Charges:</b>			
Overexpenditure of Appropriation		6,118.56	10,315.43
		<u>6,118.56</u>	<u>10,315.43</u>
<b>Total Operating Fund</b>		<u>1,801,988.12</u>	<u>1,329,298.03</u>
<b>Capital Fund:</b>			
Cash and Investments		1,065,522.20	1,035,365.60
Due from Utility Operating		97,782.30	-
<b>Total Cash</b>	D-5	<u>1,163,304.50</u>	<u>1,035,365.60</u>
Loans Receivable		52,126.47	52,126.47
<b>Fixed Capital:</b>			
Completed		18,975,433.85	18,975,433.85
Authorized and Uncompleted		17,025,155.99	16,025,155.99
<b>Total Capital Fund</b>		<u>37,216,020.81</u>	<u>36,088,081.91</u>
		<u>\$ 39,018,008.93</u>	<u>\$ 37,417,379.94</u>

**CITY OF CAPE MAY**  
**WATER AND SEWER UTILITY FUND**  
**COMPARATIVE BALANCE SHEET - STATUTORY BASIS**

	Ref.	Balance Dec. 31, 2010	Balance Dec. 31, 2009
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserves	D-4	\$ 379,931.73	\$ 241,063.56
Encumbrances Payable		116,392.41	85,538.10
Sales Tax Payable		190.71	190.71
Accrued Interest on Bonds and Notes	D-11	133,469.74	138,782.14
Reserve for Sewer Treatment Plant		809.71	809.71
Due to Utility Capital		97,782.30	-
		<u>728,576.60</u>	<u>466,384.22</u>
Reserve for Receivables	D	54,402.69	440,480.11
Fund Balance	D-1	1,019,008.83	422,433.70
Total Operating Fund		<u>1,801,988.12</u>	<u>1,329,298.03</u>
Capital Fund:			
Serial Bonds Payable	D-13	5,425,315.75	6,155,804.52
Bond Anticipation Notes Payable	D-14	3,383,500.00	2,000,000.00
Loans Payable	D-13a	4,165,773.77	4,301,747.04
Due from Utility Operating		-	1,108.85
Reserve for Debt Service		104,061.10	104,061.10
Encumbrances Payable		2,930,710.18	1,452,050.55
Improvement Authorizations			
Funded	D-12	217,967.31	40,697.06
Unfunded	D-12	2,802,248.22	4,798,313.13
Reserve for Amortization		16,134,809.09	15,251,847.05
Deferred Reserve for Amortization		1,789,655.23	1,789,655.23
Capital Improvement Fund	D-10	140,000.00	120,000.00
Fund Balance	D-2	121,980.16	72,797.38
Total Capital Fund		<u>37,216,020.81</u>	<u>36,088,081.91</u>
		<u>\$ 39,018,008.93</u>	<u>\$ 37,417,379.94</u>

**CITY OF CAPE MAY**  
**WATER AND SEWER UTILITY FUND**  
**COMPARATIVE STATEMENT OF OPERATIONS**  
**AND CHANGES IN FUND BALANCE - STATUTORY BASIS**

	Ref.	<u>Year 2010</u>	<u>Year 2009</u>
Revenue and Other Income Realized			
Fund Balance Utilized	\$	265,506.43	\$ 360,803.91
Water and Sewer Rents		6,503,633.57	5,602,472.50
Miscellaneous		55,028.43	88,955.32
Miscellaneous Revenue not Anticipated			318.00
Reserve to Pay Bonds and Notes			297,250.28
Other Credits to Income:			
Unexpended Balance of Appropriation			
Reserves		219,013.62	265,574.82
Total Income		<u>7,043,182.05</u>	<u>6,615,374.83</u>
Expenditures:			
Operations:			
Salaries and Wages		934,750.00	925,000.00
Other Expenses		3,726,520.00	3,501,245.00
Capital Improvements		70,000.00	60,000.00
Debt Service		1,358,633.62	1,344,803.96
Deferred Charges and Statutory Expenditures		97,315.43	423,709.19
Total Expenditures		<u>6,187,219.05</u>	<u>6,254,758.15</u>
Excess in Revenue		855,963.00	360,616.68
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by			
Statute Deferred Charges to Budgets of			
Succeeding Years		6,118.56	10,315.43
		<u>862,081.56</u>	<u>370,932.11</u>
Fund Balance January 1	D	<u>422,433.70</u>	<u>412,305.50</u>
		1,284,515.26	783,237.61
Decreased By:			
Utilization as Anticipated Revenue		265,506.43	360,803.91
Balance December 31	D	<u>\$ 1,019,008.83</u>	<u>\$ 422,433.70</u>

**CITY OF CAPE MAY**  
**WATER AND SEWER UTILITY FUND**  
**STATEMENT OF CAPITAL FUND BALANCE - STATUTORY BASIS**

Balance December 31, 2009	<u>Ref.</u> D	\$	72,797.38
Increased By:			
Cancellation of Improvement Authorizations		\$	38,980.98
Note Premium			<u>10,201.80</u>
			<u>49,182.78</u>
			121,980.16
Decreased By:			
None			-
			<u>-</u>
Balance December 31, 2010	D	\$	<u><u>121,980.16</u></u>

**CITY OF CAPE MAY**  
**WATER AND SEWER UTILITY FUND**  
**STATEMENT OF REVENUES - STATUTORY BASIS**

	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Operating Fund Balance Anticipated	\$ 265,506.43	\$ 265,506.43	\$ -
Anticipated Revenue:			
Water and Sewer Rents	5,590,000.00	6,494,950.40	904,950.40
Miscellaneous	93,250.00	63,711.60	(29,538.40)
Rents - Water & Sewer rate Increase	282,000.00	-	(282,000.00)
	<u>5,965,250.00</u>	<u>6,558,662.00</u>	<u>593,412.00</u>
Total Revenue	\$ <u>6,230,756.43</u>	\$ <u>6,824,168.43</u>	\$ <u>593,412.00</u>

Analysis of Realized Revenue:

Water and Sewer Rents			
Accounts Receivable	\$ 6,494,950.40		
Total Water & Sewer Rents		<u>\$ 6,494,950.40</u>	
Miscellaneous Revenue			
Interest on Investments	8,591.35		
Penalties and Interest	5,655.96		
Sewer Connection Fees	3,031.00		
Fire Sprinkler Fee	875.00		
Meter Installations	17,400.00		
Reconnection Fees	6,544.42		
Special Reading Charge	4,075.00		
Shut Off Notice Fee	6,555.00		
Disconnection Fees	2,400.00		
Miscellaneous	8,583.87		
Total Miscellaneous		<u>\$ 63,711.60</u>	

**CITY OF CAPE MAY  
WATER AND SEWER UTILITY FUND  
STATEMENT OF EXPENDITURES - STATUTORY BASIS**

	Appropriations		Expended		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations:					
Salaries and Wages	\$ 934,750.00	\$ 934,750.00	\$ 842,681.55	\$ 92,068.45	\$ -
Other Expenses	3,726,520.00	3,726,520.00	3,443,629.45	282,890.55	-
	<u>4,661,270.00</u>	<u>4,661,270.00</u>	<u>4,286,311.00</u>	<u>374,959.00</u>	
Capital Improvements:					
Capital Improvement Fund	20,000.00	20,000.00	20,000.00	-	-
Cape May City Roads	50,000.00	50,000.00	50,000.00	-	-
	<u>70,000.00</u>	<u>70,000.00</u>	<u>70,000.00</u>	<u>-</u>	<u>-</u>
Debt Service:					
Payment of Bond Principal	730,500.00	730,500.00	730,488.77	-	11.23
Payment on Bond Anticipation Notes & Capit:	16,500.00	16,500.00	16,500.00	-	-
Interest on Bonds	278,671.00	278,671.00	266,948.00	-	11,723.00
Interest on Notes	33,500.00	33,500.00	39,618.56	-	(6,118.56)
USDA & NJEIT Loans and Bonds	343,000.00	343,000.00	305,078.29	-	37,921.71
	<u>1,402,171.00</u>	<u>1,402,171.00</u>	<u>1,358,633.62</u>	<u>-</u>	<u>43,537.38</u>
Deferred Charges and Statutory Expenditures					
Overexpenditure of Appropriations	10,315.43	10,315.43	10,315.43	-	-
PERS	9,000.00	9,000.00	9,000.00	-	-
Social Security System (O.A.S.I.)	72,000.00	72,000.00	67,027.27	4,972.73	-
Unemployment Compensation Insurance	3,000.00	3,000.00	3,000.00	-	-
Retirement Trust	3,000.00	3,000.00	3,000.00	-	-
	<u>97,315.43</u>	<u>97,315.43</u>	<u>92,342.70</u>	<u>4,972.73</u>	<u>-</u>
	<u>\$ 6,230,756.43</u>	<u>\$ 6,230,756.43</u>	<u>\$ 5,807,287.32</u>	<u>\$ 379,931.73</u>	<u>\$ 43,537.38</u>
Ref.	D				D
		Cash Disbursed	\$ 5,068,934.63	Overexpended	\$ (6,118.56)
		Deferred Charge	10,315.43	Unexpended Balance	
		Accrued Interest	611,644.85	Cancelled	49,655.94
		Encumbered	116,392.41		
			<u>\$ 5,807,287.32</u>		<u>\$ 43,537.38</u>

See Accompanying Notes to Financial Statements - Statutory Basis

**EXHIBIT - E**  
**BEACH UTILITY FUND**

**CITY OF CAPE MAY**  
**BEACH UTILITY FUND**  
**COMPARATIVE BALANCE SHEET - STATUTORY BASIS**

	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
<b><u>Assets</u></b>			
<b>Operating Fund:</b>			
Cash and Investments	E-5	\$ 529,016.16	\$ 607,299.56
		<u>529,016.16</u>	<u>607,299.56</u>
<b>Total Operating Fund</b>		<u>529,016.16</u>	<u>607,299.56</u>
<b>Capital Fund:</b>			
Cash and Investments		920,766.70	326,928.90
Total Cash	E-5	<u>920,766.70</u>	<u>326,928.90</u>
Fixed Capital:			
Authorized and Uncompleted		2,847,800.00	2,582,800.00
<b>Total Capital Fund</b>		<u>3,768,566.70</u>	<u>2,909,728.90</u>
		<u>\$ 4,297,582.86</u>	<u>\$ 3,517,028.46</u>

**CITY OF CAPE MAY**  
**BEACH UTILITY FUND**  
**COMPARATIVE BALANCE SHEET - STATUTORY BASIS**

	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
<b><u>Liabilities, Reserves and Fund Balance</u></b>			
<b>Operating Fund:</b>			
Appropriation Reserves	E-4	\$ 82,849.14	\$ 107,165.67
Encumbrances Payable		14,520.48	29,366.73
Accrued Interest on Bonds and Notes	E-11	11,723.44	9,355.50
		<u>109,093.06</u>	<u>145,887.90</u>
Fund Balance	E-1	<u>419,923.10</u>	<u>461,411.66</u>
<b>Total Operating Fund</b>		<u><b>529,016.16</b></u>	<u><b>607,299.56</b></u>
<b>Capital Fund:</b>			
Bond Anticipation Notes Payable	E-14	2,501,000.00	1,701,000.00
Encumbrances Payable		-	554,040.39
Reserve for Amortization		174,000.00	74,000.00
Reserve for Debt Service		654,143.00	45,088.00
Improvement Authorizations			
Funded	E-12	164,831.41	28,638.00
Unfunded	E-12	239,203.86	433,723.94
Capital Improvement Fund	E-10	14,000.00	64,000.00
Fund Balance	E-2	21,388.43	9,238.57
		<u>3,768,566.70</u>	<u>2,909,728.90</u>
<b>Total Capital Fund</b>		<u><b>3,768,566.70</b></u>	<u><b>2,909,728.90</b></u>
		<u><b>\$ 4,297,582.86</b></u>	<u><b>\$ 3,517,028.46</b></u>

**CITY OF CAPE MAY**  
**BEACH UTILITY FUND**  
**COMPARATIVE STATEMENT OF OPERATIONS**  
**AND CHANGES IN FUND BALANCE - STATUTORY BASIS**

	<u>Ref.</u>	<u>Year 2010</u>	<u>Year 2009</u>	
Revenue and Other Income Realized				
Fund Balance Utilized	\$	315,139.00	\$	229,907.92
Beach Fees		1,955,300.83		1,915,616.70
Other Credits to Income:				
Miscellaneous Revenue not Anticipated		18,169.29		15,700.47
Unexpended Balance of Appropriation Reserves		109,001.46		147,033.44
<b>Total Income</b>		<u>2,397,610.58</u>		<u>2,308,258.53</u>
 Expenditures:				
Operations:				
Salaries and Wages		1,277,744.00		1,193,716.00
Other Expenses		466,700.00		440,550.00
Capital Improvements		100,000.00		50,000.00
Debt Service		143,516.14		127,819.55
Deferred Charges and Statutory Expenditures		136,000.00		130,057.92
<b>Total Expenditures</b>		<u>2,123,960.14</u>		<u>1,942,143.47</u>
 Excess in Revenue		273,650.44		366,115.06
 Adjustments to Income Before Fund Balance:				
Expenditures Included Above Which are by Statute Deferred Charges to Budgets of Succeeding Years		<u>273,650.44</u>		<u>366,115.06</u>
 Fund Balance January 1	E	<u>461,411.66</u>		<u>325,204.52</u>
		735,062.10		691,319.58
 Decreased By:				
Utilization as Anticipated Revenue		315,139.00		229,907.92
 Balance December 31	E	<u>\$ 419,923.10</u>	\$	<u>461,411.66</u>

**CITY OF CAPE MAY**  
**BEACH UTILITY FUND**  
**STATEMENT OF CAPITAL FUND BALANCE - STATUTORY BASIS**

Balance December 31, 2009	<u>Ref.</u> E		\$	9,238.57
Increased By:				
Bond Premium		\$		12,149.86
				12,149.86
				21,388.43
Decreased By:				
None		-		
				-
Balance December 31, 2010	E		\$	21,388.43

**CITY OF CAPE MAY**  
**BEACH UTILITY FUND**  
**STATEMENT OF REVENUES - STATUTORY BASIS**

	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Operating Fund Balance Anticipated	\$ 315,139.00	\$ 315,139.00	\$ -
Anticipated Revenue:			
Beach Fees	1,799,500.00	1,955,300.83	155,800.83
Miscellaneous	9,500.00	18,169.29	8,669.29
	<u>1,809,000.00</u>	<u>1,973,470.12</u>	<u>164,470.12</u>
Total Revenue	\$ <u>2,124,139.00</u>	\$ <u>2,288,609.12</u>	\$ <u>164,470.12</u>

**Analysis of Realized Revenue:**

Beach Fees			
Collections	\$ 1,955,300.83		
Total Beach Fees		<u>\$ 1,955,300.83</u>	
Miscellaneous Revenue			
Interest on Investments:			
Operating Fund	6,483.17		
Miscellaneous	11,686.12		
Total Miscellaneous		<u>\$ 18,169.29</u>	

CITY OF CAPE MAY  
BEACH UTILITY FUND  
STATEMENT OF EXPENDITURES - STATUTORY BASIS

	Appropriations		Expended		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations:					
Salaries and Wages	\$ 1,280,244.00	\$ 1,277,744.00	\$ 1,231,192.68	\$ 46,551.32	\$ -
Other Expenses	466,700.00	466,700.00	443,713.98	22,986.02	-
	<u>1,746,944.00</u>	<u>1,744,444.00</u>	<u>1,674,906.66</u>	<u>69,537.34</u>	<u>-</u>
Capital Improvements:					
Capital Improvement Fund	100,000.00	100,000.00	100,000.00	-	-
	<u>100,000.00</u>	<u>100,000.00</u>	<u>100,000.00</u>	<u>-</u>	<u>-</u>
Debt Service:					
Interest on Notes	25,000.00	25,000.00	24,821.14	178.86	-
Bond Principal	18,695.00	18,695.00	18,695.00	-	-
Payment on BAN's & Capital Notes	100,000.00	100,000.00	100,000.00	-	-
	<u>143,695.00</u>	<u>143,695.00</u>	<u>143,516.14</u>	<u>-</u>	<u>178.86</u>
Deferred Charges and Statutory Expenditures					
Social Security System (O.A.S.I.)	98,500.00	98,500.00	85,188.20	13,311.80	-
Unemployment Compensation Insurance	10,000.00	12,500.00	12,500.00	-	-
Lifeguard Pension	25,000.00	25,000.00	25,000.00	-	-
	<u>133,500.00</u>	<u>136,000.00</u>	<u>122,688.20</u>	<u>13,311.80</u>	<u>-</u>
	<u>\$ 2,124,139.00</u>	<u>\$ 2,124,139.00</u>	<u>\$ 2,041,111.00</u>	<u>\$ 82,849.14</u>	<u>\$ 178.86</u>
Ref.	E				E
		Cash Disbursed	\$ 2,071,988.58		
		Accrued Interest	2,367.94		
		Reimbursements	(47,766.00)		
		Encumbered	14,520.48		
			<u>\$ 2,041,111.00</u>		

**EXHIBIT - F**  
**GENERAL FIXED ASSET ACCOUNT GROUP**

**CITY OF CAPE MAY**  
**GENERAL FIXED ASSET ACCOUNT GROUP**  
**COMPARATIVE BALANCE SHEET - STATUTORY BASIS**

<u>General Fixed Assets</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2010</u>	<u>Balance Dec. 31, 2009</u>
Land, Buildings and Improvements	\$	13,347,025.06	\$ 13,347,025.06
Machinery and Equipment		9,316,068.69	8,768,901.07
	\$	<u>22,663,093.75</u>	<u>\$ 22,115,926.13</u>
 <u>Investment in General Fixed Assets</u>			
Investment in General Fixed Assets	\$	22,663,093.75	\$ 22,115,926.13
	\$	<u>22,663,093.75</u>	<u>\$ 22,115,926.13</u>

**CITY OF CAPE MAY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**STATUTORY BASIS**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements – statutory basis of the City of Cape May have been prepared in conformity with an “Other Comprehensive Basis of Accounting” (OCBOA) as established by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. This basis of accounting differs from Accounting Principles Generally Accepted in the United States of America (GAAP). The more significant of the City's accounting policies are described below.

**Description of Financial Reporting Entity**

The City of Cape May is a shore community located at the southern tip of the State of New Jersey in the County of Cape May. The population according to the 2000 census is 4,034.

The City of Cape May is governed by the Faulkner Act Council-Manager form of government, providing for the election of a five-member City Council. The Mayor is a member of the Council and directly elected by the voters. The Council is the policy maker for the municipality. The Manager, as chief executive and administrative officer of the municipality, is appointed by the Council. The City Manager is responsible for personnel, enforcement of ordinances and overall administration.

**Component Units**

The financial statements of the component units of the City of Cape May are not presented in accordance with Governmental Accounting Standards Board Statement (GASB) No. 14. If the provisions of GASB 14 had been complied with the other entity's financial statements would have to be either blended or discretely presented with the financial statements – statutory basis of the City of Cape May, the primary government.

**Basis of Presentation, Fund Accounting**

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

**CITY OF CAPE MAY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**STATUTORY BASIS**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Current Fund**

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

**Trust Funds**

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

**General Capital Funds**

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

**Water and Sewer Utility Operating and Capital Funds**

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

**Beach Utility Operating and Capital Funds**

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

**Budgets and Budgetary Accounting**

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

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

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

**CITY OF CAPE MAY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**STATUTORY BASIS**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Investments**

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

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

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

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

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

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

**Interfunds**

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

**Inventories of Supplies**

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

**CITY OF CAPE MAY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**STATUTORY BASIS**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**General Fixed Assets**

Property and Equipment purchased by the Current and General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized.

Accounting for Governmental Fixed Assets, as promulgated by Technical Accounting Directive No. 2 as issued by the Division of Local Government Services, differs in certain respects from GAAP. The following is a brief description of the provisions of the Directive. Fixed Assets used in governmental operations ("general fixed assets") are accounted for in the General Fixed Assets Account Group. Public Domain ("Infrastructure") fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems, are not capitalized.

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

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

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

Fixed assets acquired through grants – in – aid or contributed capital have not been accounted for separately.

**Utility Fixed Assets**

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

**Foreclosed Property**

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

**CITY OF CAPE MAY**  
**NOTES TO FINANCIAL STATEMENTS –**  
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**YEARS ENDED DECEMBER 31, 2010 AND 2009**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Charges**

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

**Appropriation Reserves**

Appropriation Reserves covering unexpended appropriation balance are automatically created at year end and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation Reserves are available, until lapsed at the close of the succeeding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriation Reserves are not established under GAAP.

**Liens Sold for Other Governmental Units**

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

**Fund Balance**

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

**Revenues**

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

**Property Tax Revenues**

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

**CITY OF CAPE MAY**  
**NOTES TO FINANCIAL STATEMENTS –**  
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**YEARS ENDED DECEMBER 31, 2010 AND 2009**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**School Taxes**

The City is responsible for levying, collecting and remitting school taxes for the City of Cape May School District as well as for the City's share of the Lower Cape May Regional High School District. Fund Balance is charged for the full amount required to be raised from taxation to operate the school districts from January 1<sup>st</sup> through December 31<sup>st</sup>. Deferred school taxes arises due to the differences in the municipal and school district fiscal year ends. As of December 31, 2010, the following is a breakdown of the school tax payable and year end tax deferral:

<b>Category</b>	<b>Local District</b>	<b>Regional District</b>
School Tax Payable	\$ 741,960.50	\$ 2,740,688.41
School Tax Deferred	741,964.74	2,740,688.48
	<b>\$ (4.24)</b>	<b>\$ (0.07)</b>

**County Taxes**

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

**Reserve for Uncollected Taxes**

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

**CITY OF CAPE MAY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**STATUTORY BASIS**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Expenditures**

Expenditures are recorded on the “budgetary” basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance system. Outstanding encumbrances at December 31<sup>st</sup> are recorded as a cash liability. Appropriations for principal payments on outstanding General Capital and Utility Capital Fund bonds and notes are provided on the cash basis; interest on General Capital Fund indebtedness is on the cash basis, whereas interest on Utility Fund indebtedness is on the accrual basis. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

**Compensated Absences and Post – Employment Benefits**

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

**CITY OF CAPE MAY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**STATUTORY BASIS**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**  
**(CONTINUED)**

**NOTE 2: LONG-TERM DEBT**

**Summary of Municipal Debt**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 15,107,825.47	\$ 13,881,196.13	\$ 15,223,692.97
Water and Sewer Utility:			
Bonds, Loans and Notes	12,974,589.52	12,457,551.56	13,289,738.80
Beach Utility:			
Bonds, Loans and Notes	2,501,000.00	1,701,000.00	1,771,000.00
 Total Issued	 <u>30,583,414.99</u>	 <u>28,039,747.69</u>	 <u>30,284,431.77</u>
 Less:			
Funds Temporarily Held to Pay Bonds and Notes:			
General	577,074.17	542,074.17	1,061,445.54
Water and Sewer Utility	104,061.10	104,061.10	401,311.38
Beach Utility	654,143.00	45,088.00	-
Net Debt Issued	<u>29,248,136.72</u>	<u>27,348,524.42</u>	<u>28,821,674.85</u>
 <u>Authorized but not Issued</u>			
Bonds and Notes:			
General	28,366,250.00	29,380,000.00	28,940,000.00
Water and Sewer Utility	5,116,536.00	5,516,536.00	4,916,536.00
Beach Utility	172,800.00	807,800.00	232,800.00
 Total Authorized but not Issued	 <u>33,655,586.00</u>	 <u>35,704,336.00</u>	 <u>34,089,336.00</u>
 Net Bonds and Notes Issued, and Authorized but not Issued	 <u>\$ 62,903,722.72</u>	 <u>\$ 63,052,860.42</u>	 <u>\$ 62,911,010.85</u>

**CITY OF CAPE MAY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**STATUTORY BASIS**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**  
**(CONTINUED)**

**NOTE 2: LONG-TERM DEBT (Continued)**

**Summary of Statutory Debt Condition – Annual Debt Statement**

The summarized statement of debt condition that follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.54%.

	<u>Gross Debt</u>		<u>Deductions</u>		<u>Net Debt</u>
Regional High School Debt	\$ 3,396,383.02	\$	3,396,383.02	\$	-
Water and Sewer Utility Debt	19,441,125.52		19,441,125.52		-
Beach Utility Debt	2,873,800.00		2,873,800.00		-
General Debt	43,474,075.47		577,074.17		42,897,001.30
	<u>\$ 69,185,384.01</u>	\$	<u>26,288,382.71</u>	\$	<u>42,897,001.30</u>

Net Debt of \$42,897,001.30 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$2,780,983,232 = 1.54%

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

3 1/2% of Equalized Valuation Basis	\$ 97,334,413.12
Net Debt	(42,897,001.30)
Remaining Borrowing Power	<u>\$ 54,437,411.82</u>

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

**Description of Bonds and Loans Payable**

At December 31, 2010, bonds payable in the General Capital Fund Consisted of the following individual issues:

\$4,500,000 General Bonds dated November 1, 2004, due in annual installments through November 1, 2014, bearing interest at various rates. The balance remaining as of December 31, 2010 is \$1,975,000.00.

\$2,097,000 General Bonds dated January 23, 1981, due in annual installments through January 23, 2020, bearing interest at 5.00% per annum. The balance remaining as of December 31, 2010 is \$959,200.85.

\$3,250,000 General Bonds dated October 1, 2001, due in annual installments through October 1, 2013, bearing interest at various rates. The balance remaining as of December 31, 2010 is \$950,000.00.

\$6,340,000 General Bonds dated October 1, 2008, due in annual installments through October 1, 2019, bearing interest at various rates. The balance remaining as of December 31, 2010 is \$5,575,000.00.

\$1,851,041.48 Green Trust Loan dated February 28, 1997, due in annual installments through February 28, 2013, bearing interest at 2.00% per annum. The balance remaining as of December 31, 2010 is \$373,751.60.

**CITY OF CAPE MAY**  
**NOTES TO FINANCIAL STATEMENTS –**  
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**(CONTINUED)**

**NOTE 2: LONG-TERM DEBT (Continued)**

**Description of Bonds and Loans Payable (Continued)**

\$324,621.37 Green Trust Loan dated November 9, 2005, due in annual installments through August 9, 2025, bearing interest at 2.00% per annum. The balance remaining as of December 31, 2010 is \$260,477.10.

\$61,250 Environmental Infrastructure Trust Bond dated October 17, 2001, due in annual installments through October 17, 2021, bearing interest at various rates. The balance remaining as of December 31, 2010 is \$41,650.00.

\$63,932.75 Environmental Infrastructure Trust Loan dated October 17, 2001, due in annual installments through October 17, 2021, bearing interest at 0.00% per annum. The balance remaining as of December 31, 2010 is \$35,883.92.

\$115,970.26 Environmental Infrastructure Trust Loan dated October 17, 2001, due in annual installments through October 17, 2021, bearing interest at 0.00% per annum. The balance remaining as of December 31, 2010 is \$63,362.00.

\$110,250 Environmental Infrastructure Trust Bond dated October 17, 2001, due in annual installments through October 17, 2021, bearing interest at various rates. The balance remaining as of December 31, 2010 is \$73,500.00.

At December 31, 2010, bonds payable in the Water and Sewer Utility Fund Consisted of the following individual issues:

\$1,903,000 Water and Sewer Utility Bonds dated January 20, 1981, due in annual installments through January 20, 2020, bearing interest at 5.00% per annum. The balance remaining as of December 31, 2010 is \$870,500.75.

\$142,500 Water and Sewer Utility Bonds dated June 24, 1983, due in annual installments through June 24, 2022, bearing interest at 5.00% per annum. The balance remaining as of December 31, 2010 is \$74,815.00.

\$1,540,000 Water and Sewer Utility Bonds dated October 1, 2001, due in annual installments through October 1, 2013, bearing interest at various rates. The balance remaining as of December 31, 2010 is \$520,000.00.

\$690,000 New Jersey Environmental Infrastructure Trust Bond, dated October 15, 1998, due in annual installments through October 15, 2018, bearing interest at various rates. The balance remaining as of December 31, 2010 is \$360,000.00.

\$675,000 New Jersey Environmental Infrastructure Trust Loan dated October 15, 1998, due in annual installments through October 15, 2018, bearing interest at 0.00% per annum. The balance remaining as of December 31, 2010 is \$277,903.97.

\$63,750 Environmental Infrastructure Trust Bond dated October 17, 2001, due in annual installments through October 17, 2021, bearing interest at various rates. The balance remaining as of December 31, 2010 is \$43,350.00.

\$66,542.25 Environmental Infrastructure Trust Loan dated October 17, 2001, due in annual installments through October 17, 2021, bearing interest at 0.00% per annum. The balance remaining as of December 31, 2010 is \$37,348.57.

**CITY OF CAPE MAY**  
**NOTES TO FINANCIAL STATEMENTS –**  
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**(CONTINUED)**

**NOTE 2: LONG-TERM DEBT (Continued)**

**Description of Bonds and Loans Payable (Continued)**

\$120,703.74 Environmental Infrastructure Trust Loan dated October 17, 2001, due in annual installments through October 17, 2021, bearing interest at 0.00% per annum. The balance remaining as of December 31, 2010 is \$65,948.21.

\$114,750 Environmental Infrastructure Trust Bond dated October 17, 2001, due in annual installments through October 17, 2021, bearing interest at various rates. The balance remaining as of December 31, 2010 is \$76,500.00.

\$1,200,000 Environmental Infrastructure Trust Bond dated October 12, 2007, due in semi annual installments through October 12, 2047, bearing interest at various rates. The balance remaining as of December 31, 2010 is \$1,163,095.53.

\$2,500,000 FmHA Loan dated December 15, 1998, due in annual installments through December 15, 2038, bearing interest at 4.50% per annum. The balance remaining as of December 31, 2010 is \$2,141,627.49.

\$1,970,000 Water and Sewer Utility Bonds dated November 1, 2004, due in annual installments through November 1, 2014, bearing interest at various rates. The balance remaining as of December 31, 2010 is \$910,000.00.

\$3,630,000 Water and Sewer Utility Bonds dated November 1, 2008, due in annual installments through November 1, 2020, bearing interest at various rates. The balance remaining as of December 31, 2010 is \$3,050,000.00.

**Changes in Long-Term Debt**

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

	<u>Outstanding 12/31/09</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Outstanding 12/31/10</u>
<b>General Capital Fund:</b>				
Bonds Payable	\$ 10,904,436.05	\$	\$ 1,330,085.20	\$ 9,574,350.85
Loans Payable	876,760.08		143,285.46	733,474.62
Total General Capital Fund	<u>11,781,196.13</u>	<u>-</u>	<u>1,473,370.66</u>	<u>10,307,825.47</u>
<b>Utility Capital Fund:</b>				
Bonds Payable	6,678,304.52		773,138.77	5,905,165.75
Loans Payable	3,779,247.04		93,323.27	3,685,923.77
Total Utility Capital Fund	<u>10,457,551.56</u>	<u>-</u>	<u>866,462.04</u>	<u>9,591,089.52</u>
<b>Beach Utility Capital Fund:</b>				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total All Funds	<u>\$ 22,238,747.69</u>	<u>\$ -</u>	<u>\$ 2,339,832.70</u>	<u>\$ 19,898,914.99</u>

**CITY OF CAPE MAY**  
**NOTES TO FINANCIAL STATEMENTS –**  
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**YEARS ENDED DECEMBER 31, 2010 AND 2009**  
**(CONTINUED)**

**NOTE 2: LONG-TERM DEBT (Continued)**

**Schedule of Annual Debt Service for Principal and Interest for Serial Bonds Issued and Outstanding**

Year Ending December 31,	General Capital Fund		Utility Capital Fund	
	Principal	Interest	Principal	Interest
2011	\$ 1,413,721.96	\$ 427,882.24	\$ 811,663.96	\$ 268,358.93
2012	1,467,540.56	368,913.93	855,364.16	233,294.98
2013	1,521,550.08	307,349.92	879,247.62	196,241.44
2014	1,213,210.09	242,680.41	760,878.00	157,938.80
2015	747,630.59	189,034.39	525,164.40	123,612.74
2016-2020	3,198,447.57	380,578.81	2,044,507.61	245,347.61
2021-2022	12,250.00	581.87	28,340.00	1,391.38
	<u>\$ 9,574,350.85</u>	<u>\$ 1,917,021.57</u>	<u>\$ 5,905,165.75</u>	<u>\$ 1,226,185.88</u>

**Schedule of Annual Debt Service for Principal and Interest for Loans**

Year Ending December 31,	General Capital Fund		Utility Capital Fund	
	Principal	Interest	Principal	Interest
2011	\$ 145,725.05	\$ 12,002.17	\$ 97,497.41	\$ 145,225.72
2012	148,218.95	9,245.17	98,445.04	142,857.68
2013	150,768.27	6,432.75	99,498.93	140,383.36
2014	25,352.76	4,208.71	105,518.33	137,797.97
2015	25,354.53	3,887.57	106,597.47	135,096.53
2016-2020	134,119.74	14,390.14	513,219.75	630,520.60
2021-2025	103,935.32	5,336.17	456,466.74	542,285.22
2026-2030			557,689.19	432,380.81
2031-2035			694,587.79	295,482.21
2036-2040			581,405.31	134,546.76
2041-2045			257,288.42	56,031.58
2046-2047			117,709.39	6,277.03
	<u>\$ 733,474.62</u>	<u>\$ 55,502.68</u>	<u>\$ 3,685,923.77</u>	<u>\$ 2,798,885.47</u>

**NOTE 3: COMPENSATED ABSENCES**

The City has permitted employees to accrue unused vacation, personal and sick time, which may be taken as time off or paid at a later date at an agreed upon rate. Employees are only eligible to receive 50% of the sick time they have accrued, and the maximum dollar amount of sick time that may be earned is \$12,000. The monetary value of these earned and unused employee benefits has not been accrued by either charges to operations or to budgets of prior years, although in some cases they might be material, since the realization of this liability may be affected by conditions which preclude an employee from receiving full payment of the accrual. At December 31, 2010, the City estimates this liability to approximate \$1,477,642.54 based on 2010 pay rates and compensated absence balances.

**CITY OF CAPE MAY**  
**NOTES TO FINANCIAL STATEMENTS –**  
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**YEARS ENDED DECEMBER 31, 2010 AND 2009**  
**(CONTINUED)**

**NOTE 4: DEFERRED COMPENSATION ACCOUNT**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. In 1998 the City of Cape May amended the plan by resolution to comply with a private letter ruling of the Internal Revenue Service that requires assets of deferred compensation plans be held in trust under the beneficial ownership of the Trustee, (City of Cape May) serving as Trustee, for the exclusive benefit of the plan participants and their beneficiaries, and that the assets shall not be diverted to any other purpose. The plan administrator is as follows:

ING Life Insurance and Annuity Company

**NOTE 5: TAXES COLLECTED IN ADVANCE**

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

		Balance December 31, 2010		Balance December 31, 2009
Prepaid Taxes - Cash Liability	\$	330,663.32	\$	326,640.24

**NOTE 6: RETIREMENT PLANS**

**Plan Descriptions**

All eligible employees participate in the Public Employees' Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS) contributory defined benefit public employee retirement systems that have been established by State Statute. These systems are sponsored and administered by the State of New Jersey.

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:14A to provide coverage including post-retirement health care to substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another state-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/60<sup>th</sup> of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one-quarter of one percent for each month the member lacks of attaining the age 55).

The Police and Firemen's Retirement System was established in July 1944 under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full-time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

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

**CITY OF CAPE MAY**  
**NOTES TO FINANCIAL STATEMENTS –**  
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**YEARS ENDED DECEMBER 31, 2010 AND 2009**  
**(CONTINUED)**

**NOTE 6: RETIREMENT PLANS (Continued)**

**Significant Legislation**

During the year ended June 30, 1997, legislation was enacted authorizing the New Jersey Economic Development Authority (the "Authority") to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. On June 30, 1997, the Authority issued bonds pursuant to this legislation and \$241,106,642 from the proceeds of the bonds were deposited into the investment accounts of PERS.

As a result of additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) the asset valuation method was changed from market related value to full market value for the valuation reports dated March 31, 1996. This legislation also contains a provision to reduce the employee contribution rates under PERS by ½ of 1 percent to 4.5 percent for calendar years 1998 and 1999, and to allow for a similar reduction in the employee's rate after calendar year 2001, providing excess valuation assets are available. The rate for the year 2003 was 3%. The legislation also provides for a reduction in the normal contributions of the State to the System from excess assets for fiscal years 1997 and 1998, and local employers for fiscal year 1998, and, thereafter, authorizes the State Treasurer to reduce the normal contributions of the State and local employers to the systems, to the extent possible, from up to 100% of excess assets through fiscal year 2003, and on a declining maximum percentage of excess thereafter.

Due to enactment of the legislation described above, the State of New Jersey's portion of the unfunded accrued liability under each retirement system was eliminated.

**Vesting and Benefit Provisions**

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

The vesting and benefit provisions for PFRS are set by N.J.S.A. 43:16A and 43:3B. All benefits vest after ten years of service, except for disability benefits, which vest after four years of service. Retirement benefits for age and service are available at age 55 and generally determined to be 2% of final average compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Final average compensation equals the average compensation for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek special retirement after achieving 20 or 25 years of creditable service or they may elect deferred retirement after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final average compensation for each year of service.

**CITY OF CAPE MAY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**STATUTORY BASIS**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**  
**(CONTINUED)**

**NOTE 6: RETIREMENT PLANS (Continued)**

**Funding Policy**

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate. In accordance with Chapter 415, P.L. 1999, the member rate was set at 5.5% of base salary. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. Members contribute at a uniform rate of 8.5% of base salary.

For the Public Employees' Retirement System, the City's contribution was \$319,658.00 for 2010 and \$279,163.00 for 2009.

For the Police and Firemens' Retirement System, the City's contribution was \$632,199.00 for 2010 and \$594,347.00 for 2009.

**Three Year Trend Information for PERS**

<b>Funding Year</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
12/31/10	\$ 319,658.00	100%	\$ 319,658.00
12/31/09	279,163.00	100%	279,163.00
12/31/08	284,475.25	80%	227,580.20

**Three Year Trend Information for PFRS**

<b>Funding Year</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
12/30/10	\$ 632,199.00	100%	\$ 632,199.00
12/30/09	594,347.00	100%	594,347.00
12/30/08	559,393.00	100%	559,393.00

**CITY OF CAPE MAY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**STATUTORY BASIS**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**  
**(CONTINUED)**

**NOTE 7: CASH AND INVESTMENTS**

**Cash**

Operating cash, in the form of checking and savings, is held in the City's name by a commercial banking institution. At December 31, 2010, the carrying amount of the City's deposits was \$14,531,801.80 and the bank balance was \$14,699,881.40. Of the bank balance, \$250,000.00 was insured with Federal Deposit Insurance Corporation. The remaining balance was insured under the Governmental Unit Deposit Protection Act (GUDPA).

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the City's bank accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the City would not be able to recover the value of its deposits or investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2010, all of the City's deposits were insured by FDIC or GUDPA, and accordingly are not exposed to custodial credit risk. The City does not have a policy for custodial credit risk.

**Investments**

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

As of December 31, 2010, the City did not have any investments.

**NOTE 8: PROPERTY TAXES**

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

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

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

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

**CITY OF CAPE MAY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**STATUTORY BASIS**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**  
**(CONTINUED)**

**NOTE 8: PROPERTY TAXES (Continued)**

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

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

<b>Comparative Schedule of Tax Rates</b>			
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Tax Rate	\$ 0.740	\$ 0.853	\$ 0.833
Apportionment of Tax Rate:			
Municipal	0.277	0.320	0.307
County	0.214	0.251	0.233
Local School	0.053	0.067	0.067
Regional School	0.196	0.215	0.226

<b>Assessed Valuation</b>	
2010	\$ 2,799,904,065.00
2009	2,239,290,369.00
2008	2,214,924,882.00

<b>Comparison of Tax Levies and Collections</b>			
<b>Year</b>	<b>Tax Levy</b>	<b>Collections</b>	<b>Percentage of Collections</b>
2010	\$ 20,735,739.26	\$ 20,320,697.53	98.00%
2009	19,142,115.57	18,818,942.48	98.31%
2008	18,488,643.14	18,245,387.73	98.68%

**CITY OF CAPE MAY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**STATUTORY BASIS**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**  
**(CONTINUED)**

**NOTE 8: PROPERTY TAXES (Continued)**

<b>Delinquent Taxes and Tax Title Liens</b>				
<b>Year</b>	<b>Tax Title Liens</b>	<b>Delinquent Taxes</b>	<b>Total Delinquent</b>	<b>Percentage of Tax Levy</b>
2010	\$ 35,769.23	\$ 335,518.48	\$ 371,287.71	1.79%
2009	17,084.23	310,641.82	327,726.05	1.71%
2008	3,283.64	241,691.61	244,975.25	1.33%

**Property Acquired by Tax Title Lien Liquidation**

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

<b>Year</b>	<b>Amount</b>
2010	\$ 83,316.00
2009	83,316.00
2008	83,316.00

**NOTE 9: POST-RETIREMENT HEALTH BENEFITS**

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

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

The SHBP is established under the authority of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. The required contribution rate is determined on an annual pay as you go basis. During 2010, the City provided post-employment health care benefits of \$349,749.54 to thirty two (32) retired employee.

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

**CITY OF CAPE MAY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**STATUTORY BASIS**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**  
**(CONTINUED)**

**NOTE 10: FUND BALANCES APPROPRIATED**

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

	<u>Year</u>	<u>Balance December 31st</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percent Utilized</u>
Current Fund	2010	\$ 3,025,108.58	\$ 2,050,000.00	67.77%
	2009	3,000,500.33	2,050,000.00	68.32%
	2008	3,265,065.46	2,000,000.00	61.25%
	2007	3,081,193.06	2,000,000.00	64.91%
	2006	3,187,046.63	2,000,000.00	62.75%
Water & Sewer Utility	2010	1,019,008.83	198,467.00	19.48%
	2009	422,433.70	265,506.43	62.85%
	2008	412,305.50	360,803.91	87.51%
	2007	849,527.65	549,524.51	64.69%
	2006	696,329.41	600,000.00	86.17%
Beach Utility	2010	419,923.10	332,658.00	79.22%
	2009	461,411.66	315,139.00	68.30%
	2008	325,204.52	229,907.92	70.70%
	2007	185,050.79	115,776.33	62.56%
	2006	202,674.99	133,198.05	65.72%

**NOTE 11: RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY**

Receivables and payables at December 31, 2010 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ -	\$ 66,170.51
Grant Fund	66,170.51	-
Utility Capital	97,782.30	-
Utility Operating	-	97,782.30
	<u>\$ 163,952.81</u>	<u>\$ 163,952.81</u>

**CITY OF CAPE MAY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**STATUTORY BASIS**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**  
**(CONTINUED)**

**NOTE 12: BUDGETARY DATA**

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

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

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

**NOTE 13: FEDERAL AND STATE GRANTS**

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

**NOTE 14: GENERAL FIXED ASSETS**

The following schedule is a summarization of the changes in General Fixed Assets for the year ended December 31, 2010:

	<u>December 31,</u> <u>2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Adjustments</u>	<u>December 31,</u> <u>2010</u>
Land, Building and Improvements	\$ 13,347,025.06	\$	\$	\$	\$ 13,347,025.06
Machinery & Equipment	8,768,901.07	941,788.93	395,117.31	496.00	9,316,068.69
Total	<u>\$ 22,115,926.13</u>	<u>\$ 941,788.93</u>	<u>\$ 395,117.31</u>	<u>\$ 496.00</u>	<u>\$ 22,663,093.75</u>

**NOTE 15: ECONOMIC DEPENDENCY**

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

**CITY OF CAPE MAY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**STATUTORY BASIS**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**  
**(CONTINUED)**

**NOTE 16: RISK MANAGEMENT**

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

**Property and Liability Insurance**

The City maintains commercial insurance coverage for property, liability and surety bonds.

**NOTE 17: LITIGATION**

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

**NOTE 18: DEFINED CONTRIBUTION RETIREMENT PROGRAM**

**Plan Description**

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

**Vesting and Benefits Provisions**

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

Retirement benefits for members are determined according to the applicable Tier level:

Tier 1 Membership: The retirement age is 60 for a Service or Deferred Retirement. For an Early Retirement, a member must have at least 25 years of service credit; however, if a member is under the age of 55 at the time of retirement, the retirement allowance is reduced 3 percent per year (1/4 of 1 percent per month) for each year the member is under age 55.

Tier 2 Membership: The retirement age is 60 for a Service or Deferred Retirement. For an Early Retirement a member must have at least 25 years of service credit; however, if a member is under the age of 60 at the time of retirement, the retirement allowance is reduced 1 percent per year (1/12 of 1 percent per month) for each year the member is under age 60 but over age 55, and 3 percent per year (1/4 of 1 percent per month) for each year the member is under age 55.

**CITY OF CAPE MAY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**STATUTORY BASIS**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**  
**(CONTINUED)**

**NOTE 18: DEFINED CONTRIBUTION RETIREMENT PROGRAM (Continued)**

**Vesting and Benefits Provisions (Continued)**

Tier 3 Membership: The retirement age is 62 for a Service or Deferred Retirement. For an Early Retirement a member must have at least 25 years of service credit; however, if a member is under the age of 62 at the time of retirement, the retirement allowance is reduced 1 percent per year (1/12 of 1 percent per month) for each year the member is under age 62 but over age 55, and 3 percent per year (1/4 of 1 percent per month) for each year the member is under age 55.

**Funding Policy**

Members contribute at a uniform rate of 5.5% of their base salary. Employers are required to contribute at a set rate of 3.0% of base salary. There were no employees enrolled in the DCRP for the year ended December 31, 2010.

**NOTE 19: LIFEGUARD PENSION PLAN**

The Pension Plan is established to provide retirement, disability, and survivor pension benefits for individuals who are employed by the City of Cape May in the lifeguard force. It is promulgated pursuant to the requirements of *N.J.S.A. 43:13-23, et seq.* It shall be effective January 1, 1994 ("Effective Date") and applied to members of the City of Cape May Beach Patrol employed as a lifeguard or lieutenant on or after the Effective Date.

There shall be deducted from every payment of salary to each Plan Member four (4%) percent of the amount thereof for all pay periods subsequent to January 1, 2000. The City shall raise by taxation and pay into the Fund, yearly, an amount equal to four (4%) percent of the total salaries paid to Plan Members. If at any time there is not sufficient money in the Fund for the purposes thereof, the governing body shall include in any tax levy the sum in addition to an amount therefore contributed which shall be sufficient to meet the requirements of the Fund. Whenever the Fund exceeds an amount which the governing body from time to time determines to be adequate for the Fund, no monies, except the four (4%) percent of salaries and the fines, donations and rewards specified in this Section, shall be paid into the Fund, unless and until the Fund falls below the amount so determined to be adequate.

The Commission shall manage and control the Fund and shall make all necessary rules and regulations not inconsistent with *N.J.S.A. 43:13-23, et seq.* All monies belonging to the Fund shall be paid over to the Chief Financial Officer of the City, who shall give bond in such amount, from time to time, as the governing body of the City determines. All monies not needed for the immediate payment of the pensions shall be invested by the Commission in interest bearing bonds of the City or in other interest bearing securities in which savings banks of the State of New Jersey may invest their funds. No monies shall be paid out of the fund by the Chief Financial Officer except upon the warrant of the Commission, to be signed by such member or members of the Commission as shall be designated by the Commission.

The balance in the Lifeguard Pension account at December 31, 2010 was \$328,728.23 and \$286,686.22 at December 31, 2009.

**CITY OF CAPE MAY**  
**NOTES TO FINANCIAL STATEMENTS –**  
**STATUTORY BASIS**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**  
**(CONTINUED)**

**NOTE 20: SUBSEQUENT EVENTS**

Management has reviewed and evaluated all events and transactions that occurred December 31, 2010 through July 29, 2011, the date that the financial statements were issued, for possible disclosure and recognition in the financial statements.

## **SUPPLEMENTARY INFORMATION**

CITY OF CAPE MAY  
CURRENT FUND  
SCHEDULE OF CASH - TREASURER

Ref.	Current Fund	Federal and State Grant Fund
Balance December 31, 2009	\$ 4,693,587.31	\$ 2,656.26
Increased By Receipts:		
Taxes Receivable	\$ 20,266,599.58	
Tax Title Liens	-	
Prepaid Taxes	330,663.32	
Due from State - Seniors and Veterans	58,978.77	
Miscellaneous Revenue Anticipated	5,284,992.59	
Miscellaneous Revenue Not Anticipated	208,473.77	
Due from Current		39.14
Due from Other Trusts	13,011.00	
Due from Tourism Commission	63,750.00	
Due from Grant Fund	53,488.74	
Due from General Capital	128,440.08	
Due from Utility Operating	114.06	
Due from Beach Operating Fund	12,585.00	
Due to COAH	51,080.75	
Due from Street Opening Trust	6,300.00	
Due to P.O.A.A. Trust	3,232.00	
Elections	13,635.00	
Due from Performance Bond	162,581.10	
Payroll & Payroll Taxes Payable	9,231,977.53	
Due from Animal Control	49.64	
Reserve for Escrow Trust	57,071.85	
TTL Exchange	82,608.34	
Due to Third Party for TTL	3,300.00	
Due to the State of New Jersey:		
Marriage Licenses	5,800.00	
DCA Training Fees	10,213.00	
	36,048,946.12	39.14
	\$ 40,742,533.43	\$ 2,695.40

CITY OF CAPE MAY  
CURRENT FUND  
SCHEDULE OF CASH - TREASURER

Ref.	Current Fund	Federal and State Grant Fund
Decreased By Disbursements:		
2010 Appropriations	\$ 13,133,391.12	
2009 Appropriation Reserves	152,147.56	
Reserve for Encumbrances	348,087.22	
County Taxes	5,926,327.47	
County Added and Omitted Taxes	12,054.72	
Local District School Tax	1,483,921.00	
Regional District School Tax	5,145,760.17	
Tax Overpayments	24,699.12	
Due to Other Trusts	13,011.00	
Due to TTL Premium	3,300.00	
Due to Federal and State Grant Fund		\$
Due to General Capital	165,517.97	
Due to Beach Utility Operating	112,329.50	
Due to Utility Operating	12,585.00	
Due to Street Opening	114.06	
Due to P.O.A.A. Trust	6,300.00	
Due to Performance Bond	3,232.00	
Elections	162,581.10	
Due to COAH	13,635.00	
Due to Tourism Commission	51,080.75	
TTL Exchange Account	63,750.00	
Reserve for Escrow Trust	82,608.34	
Reserve for Revaluation	84,821.17	
Reserve for Master Plan	46,046.00	
Payroll & Payroll Taxes Payable	15,347.50	
Due to the State of New Jersey:	9,222,027.60	
Marriage Licenses	5,975.00	
DCA Training Fees	11,846.00	
	36,302,496.37	
Balance December 31, 2010	\$ 4,440,037.06	\$ 2,695.40

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

Year	Balance Dec. 31, 2009	2010 Levy	Collections		Added Taxes	Adjustments	Transferred To Tax Title Liens	Balance Dec. 31, 2010
			2009	2010				
Arrears	\$	\$	\$	\$	\$	\$	\$	\$
2009	310,641.82			311,163.05		(521.23)		-
	310,641.82			311,163.05		(521.23)		0.00
2010	-	20,735,739.26	326,640.24	19,994,057.29		60,838.25	18,685.00	335,518.48
	310,641.82	20,735,739.26	326,640.24	20,305,220.34		60,317.02	18,685.00	335,518.48
Ref.	A							A

\$ 20,266,599.58 Cash Receipts  
 60,884.74 Senior Citizens and Veterans  
 (22,263.98) Overpayments Applied(Created)  
\$ 20,305,220.34

\$ 20,735,739.26  
\$ 20,735,739.26

**Analysis of 2010 Property Tax Levy**

**Tax Yield:**

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

**Tax Levy:**

Local District School Tax Levy  
 Regional District School Tax Levy

County Taxes  
 County Taxes Added and Omitted  
 Local Tax for Municipal Purposes  
 Add: Additional Tax Levied

\$ 1,483,921.00  
 5,481,376.81  
 \$ 6,965,297.81  
 5,926,327.47  
 4,756.95  
7,737,194.81  
102,162.22  
7,839,357.03  
\$ 20,735,739.26

**CITY OF CAPE MAY**  
**CURRENT FUND**  
**SCHEDULE OF TAX TITLE LIENS**

Balance December 31, 2009	<u>Ref.</u> A		\$	17,084.23
Increased By:				
Transfers from Taxes Receivable		\$	<u>18,685.00</u>	<u>18,685.00</u>
				35,769.23
Decreased By:				
None		-		<u>-</u>
Balance December 31, 2010	A		\$	<u><u>35,769.23</u></u>

CITY OF CAPE MAY  
CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2009	Accrued In 2010	Collected	Balance Dec. 31, 2010
<u>Miscellaneous Revenue Anticipated:</u>				
Licenses:				
Alcoholic Beverages	-	\$ 55,759.99	\$ 55,759.99	-
Other	-	292,952.00	292,952.00	-
Fees and Permits	-	154,872.11	154,872.11	-
Fines and Costs:				
Municipal Court	10,211.41	246,983.14	249,466.49	7,728.06
Interest and Costs on Taxes	-	70,661.00	70,661.00	-
Parking Meters	-	1,013,553.24	1,013,553.24	-
Interest on Investments and Deposits	-	37,799.16	37,799.16	-
Hotel Room Tax	-	1,087,430.24	1,087,430.24	-
Lease and Rent Contracts	-	433,005.41	433,005.41	-
TV Cable Receipts	-	37,504.64	37,504.64	-
Victorian Towers - In Lieu of Taxes	-	161,853.68	161,853.68	-
Emergency Medical Services	-	297,695.14	297,695.14	-
Energy Receipts Tax (P.L. 1997, Ch. 162 & 167)	-	337,468.51	337,468.51	-
Garden State Trust	-	1,159.37	1,159.37	-
Uniform Construction Code Fees	-	194,527.00	194,527.00	-
Interlocal Services Agreement -				
West Cape May - Police Protection	-	395,235.12	395,235.12	-
Cape May Point - Police Protection	-	238,847.00	238,847.00	-
Beach Utility Debt Service	-	18,695.00	18,695.00	-
Water & Sewer Utility Contribution to Street Repairs	-	50,000.00	50,000.00	-
General Capital Surplus	-	190,000.00	190,000.00	-
Miscellaneous Revenue Not Anticipated	-	208,473.77	208,473.77	-
<b>TOTALS</b>	<b>\$ 10,211.41</b>	<b>\$ 5,524,475.52</b>	<b>\$ 5,526,958.87</b>	<b>\$ 7,728.06</b>
	A			A

Ref.

CITY OF CAPE MAY  
CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2009	Balance After Transfers	Paid or Charged	Balance Lapsed	Overexpended
General Administration					
Salaries and Wages	\$ 8,851.64	\$ 8,851.64	\$ 3,435.00	\$ 5,416.64	\$
Other Expenses	24,093.28	24,093.28	19,921.31	4,171.97	
Mayor and Council					
Salaries and Wages	5,825.10	5,825.10	-	5,825.10	
Other Expenses	1,132.79	1,132.79	101.64	1,031.15	
City Clerk					
Salaries and Wages	17,948.00	17,948.00	2,681.12	15,266.88	
Other Expenses	5,718.15	5,718.15	366.96	5,351.19	
Financial Administration					
Salaries and Wages	23,983.99	23,983.99	2,213.69	21,770.30	
Other Expenses	1,789.66	1,789.66	1,180.96	608.70	
Audit Services					
Other Expenses	350.00	350.00	-	350.00	
Assessment of Taxes					
Salaries and Wages	565.44	565.44	-	565.44	
Other Expenses	9,792.60	9,792.60	8,728.31	1,064.29	
Collection of Taxes					
Salaries and Wages	15,187.13	15,187.13	2,041.62	13,145.51	
Other Expenses	6,482.06	6,482.06	2,904.99	3,577.07	
Legal Services					
Miscellaneous Other Expenses	41,310.45	41,310.45	27,147.20	14,163.25	
Engineering Services					
Other Expenses	17,277.50	17,277.50	522.50	16,755.00	
Emergency Medical Services - Collection					
Contractual Expenses	6,006.21	6,006.21	2,263.65	3,742.56	
General Liability	24,997.98	24,997.98	-	24,997.98	
Workers Compensation Insurance	35,563.25	35,563.25	-	35,563.25	
Employee Group Health	286,784.41	286,784.41	136,544.11	150,240.30	

CITY OF CAPE MAY  
CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2009	Balance After Transfers	Paid or Charged	Balance Lapsed	Overexpended
Planning Board					
Salaries and Wages	\$ 1,580.00	\$ 1,580.00	\$ -	\$ 1,580.00	
Other Expenses	1,526.08	1,526.08	1,296.08	230.00	
Zoning Board of Adjustment					
Salaries and Wages	2,200.00	2,200.00	-	2,200.00	
Other Expenses	1,346.67	1,346.67	1,139.89	206.78	
Fire					
Salaries and Wages	9,180.70	9,180.70	-	9,180.70	
Other Expenses	3,250.04	3,250.04	3,256.05		6.01
Police					
Salaries and Wages	61,543.82	61,543.82	9,540.08	52,003.74	
Other Expenses	19,857.16	19,857.16	14,178.12	5,679.04	
Emergency Management Services					
Salaries and Wages	749.93	749.93	-	749.93	
Other Expenses	2,300.56	2,300.56	1,615.43	685.13	
Parking and Traffic Maintenance					
Salaries and Wages	6,075.02	6,075.02	2,908.80	3,166.22	
Other Expenses	9,756.57	9,756.57	6,362.17	3,394.40	
Public Safety					
Other Expenses	996.02	996.02	996.02	-	
Municipal Court					
Salaries and Wages	8,607.23	8,607.23	5,014.42	3,592.81	
Other Expenses	11,634.49	11,634.49	940.30	10,694.19	
Public Defender					
Other Expenses	800.00	800.00	-	800.00	
Road Repair and Maintenance					
Salaries and Wages	29,604.23	29,604.23	21,575.71	8,028.52	
Other Expenses	27,811.16	27,811.16	29,248.65		1,437.49

CITY OF CAPE MAY  
CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2009	Balance After Transfers	Paid or Charged	Balance Lapsed	Overexpended
Sanitary Landfill - Contractual					
Other Expenses	\$ 5,796.67	\$ 5,796.67	\$ 780.90	\$ 5,015.77	\$
Recycling					
Salaries and Wages	2,224.97	2,224.97	-	2,224.97	
Other Expenses	71,143.83	71,143.83	45,742.08	25,401.75	
Public Buildings and Grounds					
Salaries and Wages	41,830.31	41,830.31	17,229.18	24,601.13	
Other Expenses	50,361.45	50,361.45	45,282.59	5,078.86	
Shade Tree Commission					
Salaries and Wages	900.00	900.00	-	900.00	
Other Expenses	20,870.53	20,870.53	3,655.00	17,215.53	
Property Maintenance Enforcement					
Other Expenses	2,500.00	2,500.00	-	2,500.00	
Board of Health					
Other Expenses	50.00	50.00	-	50.00	
Administration of Public Assistance					
Other Expenses	100.00	100.00	-	100.00	
Services of Visiting Nurse					
Other Expenses	50.00	50.00	-	50.00	
Environmental Commission					
Salaries and Wages	990.00	990.00	-	990.00	
Other Expenses	5,170.00	5,170.00	4,737.00	433.00	
Civic Affairs					
Salaries and Wages	14,339.70	14,339.70	2,878.41	11,461.29	
Other Expenses	15,283.38	15,283.38	1,312.08	13,971.30	
Historic Preservation Commission					
Salaries and Wages	434.44	434.44	-	434.44	
Other Expenses	11,788.95	11,788.95	8,437.48	3,351.47	
Grants Coordinator					
Other Expenses	28,400.00	28,400.00	-	28,400.00	
State Uniform Construction Code					
Construction Official					
Salaries and Wages	18,282.46	18,282.46	7,576.66	10,705.80	
Other Expenses	7,623.33	7,623.33	2,134.55	5,488.78	

CITY OF CAPE MAY  
CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance	Balance	Balance	Paid or	Balance	Overexpended
	Dec. 31, 2009	After Transfers	Charged	Lapsed		
Celebration of Public Events, Anniversary or Holiday	\$ 683.62	\$ 683.62	\$ -	\$ 683.62	\$	
General Office Operations	22,359.98	22,359.98	14,028.37	8,331.61		
Street Lighting	13,761.30	13,761.30	11,533.84	2,227.46		
Gas Lighting	3,310.99	3,310.99	1,789.91	1,521.08		
Gas Lighting - Parts	1,751.52	1,751.52	1,692.28	59.24		
Contingent	1,000.00	1,000.00	-	1,000.00		
Public Employees' Retirement System	8,000.00	8,000.00	-	8,000.00		
Social Security System (O.A.S.I.)	38,003.08	38,003.08	5,687.67	32,315.41		
Defined Contribution Retirement Program (DCRP)	2,000.00	2,000.00	-	2,000.00		
Length of Service Award Program - Fire	30,000.00	30,000.00	17,612.00	12,388.00		
Matching Funds for Grants	15,000.00	15,000.00	-	15,000.00		
<b>TOTALS</b>	<b>\$ 1,166,489.83</b>	<b>\$ 1,166,489.83</b>	<b>\$ 500,234.78</b>	<b>\$ 667,698.55</b>	<b>\$ 1,443.50</b>	
Ref. A						
Appropriation Reserves	\$ 818,402.61		Cash Disbursed \$ 500,234.78			
Encumbrances Payable	348,087.22					
	<b>\$ 1,166,489.83</b>		<b>\$ 500,234.78</b>			

CITY OF CAPE MAY  
CURRENT FUND  
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

Purpose	Balance Dec. 31, 2009	Anticipated Revenues	Received	Cancelled	Balance Dec. 31, 2010
State:					
Housing Inspections	\$ 3,843.00	\$	\$		3,843.00
NJDEP - Certified Local Government	17,448.00				17,448.00
Environmental Services Program	130.00				130.00
Green Communities Program	2,000.00				2,000.00
New Jersey Forest Service Grant (CSIP)	2,700.00				2,700.00
DEPE Harborview Wildlife Enhancement Grant	2,500.00				2,500.00
Green Communities 2010	-	3,000.00			3,000.00
2009 Business Stimulus Fund	-	7,000.00			7,000.00
DEP 2006 Historic Resource Survey #2	19,860.00				19,860.00
NJ Transportation Trust Fund - NJ Ave	32,821.93				32,821.93
NJ Dept Law & P S - Underage Drinking	2,365.94		1,358.16		2,365.94
Smart Growth Planning	2,000.00				2,000.00
Cape May County MUA	1,725.80				1,725.80
Smart Future Trust	40,000.00				40,000.00
NJ Trans Trust - 2006	928.07				928.07
NJ Trans Trust - 2007	3,587.72				3,587.72
NJ Trans Trust - 2008	35,000.00				35,000.00
NJ Highway Safety - Click It or Ticket	855.43				855.43
COPS in Shops	-	1,024.84			1,024.84
NJLPS COPS in Shops	2,000.00				2,000.00
Federal:					
Small Cities - Housing Rehabilitation	20,832.00				20,832.00
Small Cities - Public Facilities	2,650.00				2,650.00
Small Cities - Public Facilities - 1999	199,907.00				199,907.00
Other:					
None	-				-
<b>TOTALS</b>	<b>\$ 393,154.89</b>	<b>\$ 12,383.00</b>	<b>\$ 1,358.16</b>	<b>\$ -</b>	<b>\$ 404,179.73</b>
Ref.	A				A

CITY OF CAPE MAY  
CURRENT FUND  
SCHEDULE OF RESERVES FOR FEDERAL AND STATE GRANTS - UNAPPROPRIATED

<u>Purpose</u>	<u>Balance Dec. 31, 2009</u>	<u>Received</u>	<u>Anticipated Revenues</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2010</u>
State:					
Housing Inspections	\$ 3,379.00	\$ 9,195.00	\$ 1,170.00	\$	\$ 11,404.00
NJ Environmental Protection	2,346.90				2,346.90
Alcohol Education and Rehabilitation	974.60	150.82	1,125.42		-
Drunk Driving Enforcement	4,510.83	9,852.27	4,510.83		9,852.27
Body Armor Grant	-	4,228.97	1,061.61		3,167.36
Clean Communities	-	15,552.12	15,552.12		-
Recycling Tonnage	-	11,576.71			11,576.71
NJ Dept Law & Public Safety - Underage Drinking	6,469.50	1,574.69	6,469.50		1,574.69
Federal:					
None	-				-
Other:					
None	-				-
<b>TOTALS</b>	<b>\$ 17,680.83</b>	<b>\$ 52,130.58</b>	<b>\$ 29,889.48</b>	<b>\$ -</b>	<b>\$ 39,921.93</b>
Ref.	A				A

CITY OF CAPE MAY  
CURRENT FUND  
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS

<u>Purpose</u>	<u>Balance</u>	<u>Budget</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Balance</u>
	<u>Dec. 31, 2009</u>	<u>Appropriations</u>			<u>Dec. 31, 2010</u>
State:					
Clean Communities	\$ 7,351.38	\$ 15,552.12	\$ 17,507.90	\$	\$ 5,395.60
New Jersey Forest Service Grant (CSIP)	115.51				115.51
Supplemental Fire Services Program	1,948.20				1,948.20
Solid Waste Management Grant	26,351.44		3,249.52		23,101.92
NJDEP Certified Local Government Program	18,689.58				18,689.58
DOT Local Aid for Centers of Place Program	15,374.85				15,374.85
Green Communities Program	2,520.00	3,000.00	3,000.00		2,520.00
Special Legislative Grant - Convention Hall	14,412.00				14,412.00
Environmental Services Program	260.00				260.00
NJDOT - 2003 Shade Tree Sidewalk	4,559.50				4,559.50
DEP 2006 Historic Resource Survey #1	21,360.00				21,360.00
NJ Environmental Protection	306.90				306.90
Tree Planting Grant	117.65				117.65
Body Armor Grant	2,563.17	1,061.61			3,624.78
Coastal Planning Grant	10.00				10.00
Housing Inspections	15,909.00	1,170.00	1,054.00		16,025.00
Drunk Driving Enforcement	929.55	4,510.83			5,440.38
Alcohol Education and Rehabilitation	160.64	1,125.42			1,286.06
Rutgers University - Municipal Incentive Program	1,733.00				1,733.00
Community Forestry Council	3,190.00				3,190.00
Smart Future Program	40,000.00				40,000.00
NJ Dept Law & P S - Underage Drinking	3,055.22	1,358.16			4,413.38
2009 Business Stimulus Fund	-	7,000.00			7,000.00
Enforcing Underage Drinking	-	6,469.50			6,469.50
NJ Highway Safety - Click It or Ticket	855.43				855.43
NJLPS COPS in Shops	2,000.00	1,024.84			3,024.84
NJ Trans Trust - 2008	-		(5,030.00)		5,030.00

CITY OF CAPE MAY  
CURRENT FUND  
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS

<u>Purpose</u>	<u>Balance</u> Dec. 31, 2009	<u>Budget</u> Appropriations	<u>Expended</u>	<u>Cancelled</u>	<u>Balance</u> Dec. 31, 2010
Federal:					
Small Cities - Public Facilities	\$ 184,862.38	\$	\$		\$ 184,862.38
Small Cities - Housing Rehabilitation	24,089.08				24,089.08
Small Cities - Housing Rehabilitation - 1997	116.00				116.00
Small Cities - Public Facilities - 1997	4,700.00				4,700.00
Other:					
Geraldine R. Dodge Foundation	15,305.54		2,213.37		13,092.17
<b>TOTALS</b>	<u>\$ 412,846.02</u>	<u>\$ 42,272.48</u>	<u>\$ 21,994.79</u>	<u>\$ -</u>	<u>\$ 433,123.71</u>
Ref.	A				A
		Cash Disbursed	\$ 165,517.97		
		Encumbered	(143,523.18)		
			<u>\$ 21,994.79</u>		

**CITY OF CAPE MAY**  
**TRUST FUND**  
**SCHEDULE OF ANIMAL CONTROL CASH - TREASURER**

	<u>Ref.</u>		
Balance December 31, 2009	<u>B</u>		\$ 2,905.00
Increased By Receipts:			
Dog License Fees		\$ 952.00	
Late Fees		125.00	
State License Fees		211.20	
Interest Earned		<u>15.96</u>	
			<u>1,304.16</u>
			4,209.16
Decreased By Disbursements:			
Paid to State of NJ		210.00	
Dog Fund Expenditures		<u>1,348.80</u>	
			<u>1,558.80</u>
Balance December 31, 2010	B		<u><u>\$ 2,650.36</u></u>

**CITY OF CAPE MAY**  
**TRUST FUND**  
**SCHEDULE OF OTHER TRUST CASH - TREASURER**

	<u>Ref.</u>		
Balance December 31, 2009	B		\$ 1,774,465.82
Increased By Receipts:			
Unemployment Contributions	\$	29,502.92	
Retirement Contributions		23,800.72	
Lifeguard Pensions		55,204.67	
Tax Premiums		3,313.63	
Police Forfeiture Account		2.77	
POAA Receipts		3,316.35	
Parking Escrow		94.34	
Fishermen's Memorial Account		1,033.66	
Police Off-Duty Account		18.83	
Recreation		347,946.65	
Neighborhood Revitalization		675.67	
Security Deposits		5,561.94	
DARE Receipts		561.68	
SCBG Loan		3,053.44	
Public Assistance		16.89	
Performance Bond		163,679.57	
Street Opening		6,433.46	
Tourism Development		64,050.31	
Library Commission		0.18	
		<hr/>	
			708,267.68
			<hr/>
			2,482,733.50
Decreased By Disbursements:			
Retirement Fund		21,707.68	
Recreation Program		380,730.21	
Unemployment		29,037.37	
POAA Disbursements		2,653.00	
Street Opening		350.00	
Lifeguard Pension		13,104.66	
Security Deposits		13,700.00	
DARE		1,496.52	
Performance Bond		61,010.42	
Tourism Development		41,016.72	
Library Commission		5,363.71	
		<hr/>	
			570,170.29
Balance December 31, 2010	B		\$ <u><u>1,912,563.21</u></u>

**CITY OF CAPE MAY**  
**TRUST FUND**  
**SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES**

Balance December 31, 2009	<u>Ref.</u> B		\$	2,850.56
Increased By:				
Dog Licenses Fees Collected		\$		952.00
Late Fees Collected				125.00
Interest Received				15.96
				1,092.96
				3,943.52
Decreased By:				
Animal Control Expenditures				1,299.16
				1,299.16
Balance December 31, 2010	B		\$	2,644.36

License Fees Collected	<u>Year</u>			
	2008	1,548.98		
	2009	1,340.85		
		\$ 2,889.83		

**CITY OF CAPE MAY**  
**GENERAL CAPITAL FUND**  
**SCHEDULE OF CASH - TREASURER**

Balance December 31, 2009	<u>Ref.</u> C		\$ 3,875,586.04
Increased By Receipts:			
Budget Appropriation:			
Capital Improvement Fund		\$ 240,000.00	
Due to Current Fund		27,720.00	
Reserve for Open Space		222,000.00	
Reserve to Pay Bonds		35,000.00	
Bond Premium		23,318.40	
Bond Anticipation Notes		<u>4,800,000.00</u>	
			<u>5,348,038.40</u>
			9,223,624.44
Decreased By Disbursements:			
Improvement Authorizations		2,972,710.02	
Due from Current Fund		43,830.58	
Funded Improvement Authorization		190,000.00	
Bond Anticipation Notes		<u>2,100,000.00</u>	
			<u>5,306,540.60</u>
Balance December 31, 2010	C		\$ <u><u>3,917,083.84</u></u>



**CITY OF CAPE MAY**  
**GENERAL CAPITAL FUND**  
**SCHEDULE OF CAPITAL IMPROVEMENT FUND**

Balance December 31, 2009	<u>Ref.</u> C	\$ 40,000.00
Increased By:		
Current Fund Budget Appropriation	\$ 240,000.00	
		<u>240,000.00</u>
		280,000.00
Decreased By:		
Improvement Authorizations Funded	88,750.00	
		<u>88,750.00</u>
Balance December 31, 2010	C	\$ <u><u>191,250.00</u></u>

Exhibit C-5

**SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED**

Balance December 31, 2009	<u>Ref.</u> C	\$ 11,781,196.13
Increased By:		
None	\$ -	
		<u>-</u>
		11,781,196.13
Decreased By:		
Serial Bonds Paid	1,322,735.20	
Green Trust Loan Principal Paid	134,461.60	
NJEIT Bonds & Loans	16,173.86	
		<u>1,473,370.66</u>
Balance December 31, 2010	C	\$ <u><u>10,307,825.47</u></u>

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

Ord. Number	Improvement Description	Balance Dec. 31, 2009	2010 Authorizations	Bonds and Loans Issued	Notes Paid by Budget Appropriation	Balance Dec. 31, 2010	Analysis of Balance		
							Bond Anticipation Note	Expenditures	Unexpended Improvement Authorization
1261	Property Acquisition	\$ 300,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300,000.00
1264	Property Acquisition	15,985,000.00				15,985,000.00	1,568.62		15,983,431.38
1324	Property Acquisition	850,000.00				850,000.00			-
104-2007	Washington Street Mall	1,565,000.00				1,565,000.00	8,337.47		656,662.53
151-2008	Various Improvements	1,330,000.00				1,330,000.00			80,000.00
161-2008	Construction of New Convention Hall	10,500,000.00				10,500,000.00	256,615.75		10,243,384.25
180-2009	Various Improvements	950,000.00				950,000.00			100,000.00
205-2010	Storm Water Collection	-	261,250.00			261,250.00			61,250.00
206-2010	Various Improvements	-	1,425,000.00			1,425,000.00	193,824.50		481,175.50
		<u>\$ 31,480,000.00</u>	<u>\$ 1,686,250.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,166,250.00</u>	<u>\$ 460,346.34</u>	<u>\$ -</u>	<u>\$ 27,905,903.66</u>
		C					C-3		C

Ref.

**CITY OF CAPE MAY  
GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord. Number	Improvement Description	Ord. Date	Amount	Balance December 31, 2009		2010 Authorizations		Paid or Charged Cancelled	Balance December 31, 2010	
				Funded	Unfunded	Capital Improvement Fund	Deferred Charges to Future Taxation		Other	Funded
759	Rights-of-Way	2/25/1987	\$ 1,500,000.00	\$ 18,344.37	\$ -	\$ -	\$ -	\$ 18,344.37	\$ -	\$ -
937-964	Property Acquisition	3/17/1992	1,500,000.00	61,800.00	-	-	-	61,800.00	-	-
1122	Various Improvements	4/11/1997	392,450.00	823.93	-	-	-	(1,881.87)	2,705.80	-
1153	Bus/Train Station	6/22/1998	600,000.00	30,051.05	-	-	-	-	30,051.05	-
1252	d) Buildings and Grounds	3/19/2002	1,400,000.00	284.15	-	-	-	284.15	-	-
1261	Property Acquisition	5/21/2002	475,000.00	9,666.06	300,000.00	-	-	-	-	300,000.00
1264	Property Acquisition	6/18/2002	16,000,000.00	15,983,883.94	-	-	-	-	9,666.06	15,983,431.38
1290	b) Acquisition of Equipment	4/14/2003	225,000.00	851.55	-	-	-	452.56	-	-
1290	d) Buildings and Grounds	4/14/2003	1,225,000.00	23,440.71	-	-	-	851.55	-	-
1324	Property Acquisition	2/17/2004	1,100,000.00	125,841.30	-	-	-	23,440.71	-	-
01-2004	Various Improvements	7/20/2004	1,000,000.00	3,392.49	-	-	-	(29,254.25)	155,095.55	0.00
04-2004	Pedestrian Ramp/Bike Path	8/17/2004	44,921.45	14,417.07	-	-	-	3,392.39	0.10	-
28-2005	Various Improvements	5/17/2005	2,050,000.00	276,811.99	-	-	-	14,417.07	-	-
72-2006	Entrance Way Improvements	8/15/2006	280,000.00	2,581.50	-	-	-	7,863.21	268,948.78	(0.00)
79-2006	Various Improvements	10/17/2006	1,500,000.00	91,998.80	-	-	-	1,510.56	1,070.94	-
104-2007	Washington Street Mall	5/15/2007	3,500,000.00	646,786.45	-	-	-	37,110.62	54,888.18	-
110-2007	Various Improvements	6/19/2007	1,200,000.00	24,712.97	-	-	-	(9,876.08)	-	-
113-2007	Harborview Park	7/17/2007	102,105.00	1,294.80	-	-	-	2,773.34	-	-
151-2008	Various Improvements	5/20/2008	1,400,000.00	382,852.90	-	-	-	21,939.63	1,294.80	-
161-2008	Construction of a New Convention Hall	8/19/2008	10,500,000.00	10,500,000.00	-	-	-	(70,672.50)	373,525.40	80,000.00
167-2008	Rotary Park	1/6/2009	100,000.00	91,500.00	-	-	-	256,615.75	-	10,243,384.25
180-2009	Various Improvements	5/19/2009	1,000,000.00	50,000.00	-	-	-	-	91,500.00	100,000.00
205-2010	Storm Water Collection	5/18/2010	275,000.00	13,750.00	-	-	-	25,450.33	71,649.28	61,250.00
206-2010	Various Improvements	6/19/2010	1,500,000.00	75,000.00	-	-	-	196,175.65	17,574.35	481,175.50
				\$ 425,159.45	\$ 28,363,276.19	\$ -	\$ -	\$ 1,557,622.06	\$ 1,099,909.92	\$ 27,905,903.66

Ref. \$ 2,972,710.02 Cash Disbursed  
 143,326.22 Cancelled  
 (1,558,414.18) Encumbered  
\$ 1,557,622.06

**CITY OF CAPE MAY  
GENERAL CAPITAL FUND  
SCHEDULE OF GENERAL SERIAL BONDS**

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding			Interest Rate	Balance Dec. 31, 2009	Increased	Decreased	Balance Dec. 31, 2010
			Date	December 31, 2010	Amount					
Storm Drainage Bonds of 1981	1/23/1981	\$ 2,097,000	1/20/2011	\$ 76,371.96	5.000%	\$ 1,031,936.05	\$	\$ 72,735.20	\$ 959,200.85	
			1/20/2012	80,190.56						
			1/20/2013	84,200.08						
			1/20/2014	88,410.09						
			1/20/2015	92,830.59						
			1/20/2016	97,472.12						
			1/20/2017	102,345.73						
			1/20/2018	107,463.01						
			1/20/2019	112,836.16						
			1/20/2020	117,080.55						
General Obligation Bonds of 2001	10/1/2001	3,250,000	10/1/2011	310,000.00	4.000%	1,260,000.00		310,000.00	950,000.00	
			10/1/2012	320,000.00	4.000%					
			10/1/2013	320,000.00	4.125%					

**CITY OF CAPE MAY**  
**GENERAL CAPITAL FUND**  
**SCHEDULE OF GENERAL SERIAL BONDS**

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2010 Date	Interest Rate	Balance Dec. 31, 2009	Increased	Decreased	Balance Dec. 31, 2010
General Obligation Bonds of 2004	11/1/2004	\$ 4,500,000	11/1/2011	3.250%	\$ 2,475,000.00		\$ 500,000.00	\$ 1,975,000.00
			11/1/2012	3.250%				
			11/1/2013	3.250%				
			11/1/2014	3.500%				
General Obligation Bonds of 2008	10/1/2008	6,340,000	10/1/2011	5.000%	6,015,000.00		440,000.00	5,575,000.00
			10/1/2012	5.000%				
			10/1/2013	5.000%				
			10/1/2014	5.000%				
			10/1/2015	5.000%				
			10/1/2016	5.000%				
			10/1/2017	5.000%				
		10/1/2018	5.000%					
		10/1/2019	4.000%					
					\$ 10,781,936.05	C	\$ 1,322,735.20	\$ 9,459,200.85
					Ref.	C	-	C

**CITY OF CAPE MAY  
GENERAL CAPITAL FUND  
SCHEDULE OF GREEN TRUST LOANS PAYABLE**

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding				Interest Rate	Balance Dec. 31, 2009	Increased	Decreased	Balance Dec. 31, 2010
			Date	Amount	Dec. 31, 2010	Amount					
Conservation Area Development	2/8/94	\$ 1,851,041.48	4/21/2011	\$ 60,752.71		2.000%	\$ 493,458.44	\$	\$ 119,706.84	\$ 373,751.60	
			10/21/2011	61,360.24							
			4/21/2012	61,973.84							
			10/21/2012	62,593.58							
			4/21/2013	63,219.52							
			10/21/2013	63,851.71							
Harborview Park	11/3/2005	324,621.37				2.000%	275,231.86		14,754.76	260,477.10	

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

Ref.	\$	768,690.30	\$	-	\$	134,461.60	\$	634,228.70
		C				C		C

**CITY OF CAPE MAY**  
**GENERAL CAPITAL FUND**  
**SCHEDULE OF ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS PAYABLE**

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Loans Outstanding December 31, 2010	Interest Rate	Balance Dec. 31, 2009	Increased	Decreased	Balance Dec. 31, 2010
Various Capital Improvements	10/17/2001	\$ 61,250	\$ 2,450.00	5.500%	\$ 44,100.00	\$	2,450.00	\$ 41,650.00
NJ-EIT			8/1/2011	5.500%				
			8/1/2012	5.500%				
			8/1/2013	5.500%				
			8/1/2014	5.000%				
			8/1/2015	5.000%				
			8/1/2016	5.000%				
			8/1/2017	5.000%				
			8/1/2018	5.000%				
			8/1/2019	5.000%				
			8/1/2020	4.750%				
			8/1/2021	4.750%				

**CITY OF CAPE MAY  
GENERAL CAPITAL FUND  
SCHEDULE OF ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS PAYABLE**

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Loans Outstanding December 31, 2010	Interest Rate	Balance Dec. 31, 2009	Increased	Decreased	Balance Dec. 31, 2010
Various Capital Improvements	10/17/2001	\$ 63,933	\$ 673.56	None	\$ 38,893.28	\$	3,009.36	\$ 35,883.92
NJ-EIT			2,249.14					
			630.23					
			2,205.81					
			586.90					
			2,162.48					
			543.57					
			2,119.16					
			504.19					
			2,079.77					
			464.79					
			3,615.96					
			386.02					
			3,537.18					
			307.23					
			3,458.40					
			228.46					
			3,379.62					
			149.68					
			3,300.84					
			74.84					
			3,226.09					

**CITY OF CAPE MAY  
GENERAL CAPITAL FUND  
SCHEDULE OF ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS PAYABLE**

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Loans Outstanding		Interest Rate	Balance Dec. 31, 2009	Increased	Decreased	Balance Dec. 31, 2010
			Date	December 31, 2010 Amount					
Various Capital Improvements	10/17/2001	\$ 115,970	2/1/2011	\$ 1,215.03	None	\$ 69,176.50	\$	5,814.50	\$ 63,362.00
NJ-EIT			8/1/2011	4,423.03					
			2/1/2012	1,126.81					
			8/1/2012	4,334.81					
			2/1/2013	1,038.59					
			8/1/2013	4,246.59					
			2/1/2014	950.37					
			8/1/2014	5,762.37					
			2/1/2015	830.07					
			8/1/2015	5,642.07					
			2/1/2016	709.77					
			8/1/2016	5,521.77					
			2/1/2017	589.47					
			8/1/2017	5,401.47					
			2/1/2018	469.17					
			8/1/2018	5,281.17					
			2/1/2019	348.87					
			8/1/2019	5,160.87					
			2/1/2020	228.57					
			8/1/2020	5,040.57					
			2/1/2021	114.28					
			8/1/2021	4,926.28					

**CITY OF CAPE MAY  
GENERAL CAPITAL FUND  
SCHEDULE OF ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS PAYABLE**

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Loans Outstanding December 31, 2010 Date	Interest Rate	Balance Dec. 31, 2009	Increased	Decreased	Balance Dec. 31, 2010
Various Capital Improvements	10/17/2001	\$ 110,250	8/1/2011	5.500%	\$ 78,400.00	\$	\$ 4,900.00	\$ 73,500.00
NJ-EIT			8/1/2012	5.500%				
			8/1/2013	5.500%				
			8/1/2014	5.000%				
			8/1/2015	5.000%				
			8/1/2016	5.000%				
			8/1/2017	5.000%				
			8/1/2018	5.000%				
			8/1/2019	5.000%				
			8/1/2020	4.750%				
			8/1/2021	4.750%				
					\$ 230,569.78	C	\$ 16,173.86	\$ 214,395.92
					Ref.	C	\$ -	C

**CITY OF CAPE MAY**  
**GENERAL CAPITAL FUND**  
**SCHEDULE OF BOND ANTICIPATION NOTES**

Ord. Number	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2009	Increased	Decreased	Balance Dec. 31, 2010
1324-2004	Convention Hall Improvements	10/9/2008	7/22/2009 7/21/2010	7/22/2010 7/21/2011	1.320% 1.250%	\$ 850,000.00 -	\$ 850,000.00	\$ 850,000.00	\$ - 850,000.00
104-2007	Washington Street Mall	10/9/2008	7/22/2009 7/21/2010	7/22/2010 7/21/2011	1.320% 1.250%	250,000.00 -	900,000.00	250,000.00	- 900,000.00
151-2008	Various Capital Improvements	10/9/2008	7/22/2009 7/21/2010	7/22/2010 7/21/2011	1.320% 1.250%	1,000,000.00 -	1,250,000.00	1,000,000.00	- 1,250,000.00
180-2009	Various Improvements	7/21/2010	7/21/2010	7/21/2011	1.250%	-	850,000.00	-	850,000.00
205-2010	Storm Water Collection	7/21/2010	7/21/2010	7/21/2011	1.250%	-	200,000.00	-	200,000.00
206-2010	Various Improvements	7/21/2010	7/21/2010	7/21/2011	1.250%	-	750,000.00	-	750,000.00
						Ref.	\$ 4,800,000.00	\$ 2,100,000.00	\$ 4,800,000.00
						C			C
						Cash Receipts	\$ 2,700,000.00	\$ -	\$ -
						Notes Rolled Over	2,100,000.00	2,100,000.00	2,100,000.00
							<u>4,800,000.00</u>	<u>2,100,000.00</u>	<u>2,100,000.00</u>

**CITY OF CAPE MAY  
GENERAL CAPITAL FUND  
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

Ord. Number	Improvement Description	Balance Dec. 31, 2009	2010 Authorizations	Bonds, Notes or Grants Issued	Budget Appropriation	Balance Dec. 31, 2010
1261	Property Acquisition	\$ 300,000.00	\$	\$	\$	300,000.00
1264	Property Acquisition	15,985,000.00				15,985,000.00
104-2007	Washington Street Mall	1,315,000.00		650,000.00		665,000.00
151-2008	Various Improvements	330,000.00		250,000.00		80,000.00
161-2008	Construction of a New Convention Hall	10,500,000.00		850,000.00		10,500,000.00
180-2009	Various Improvements	950,000.00		200,000.00		100,000.00
205-2010	Storm Water Collection	-	261,250.00	200,000.00		61,250.00
206-2010	Various Improvements	-	1,425,000.00	750,000.00		675,000.00
		<u>\$ 29,380,000.00</u>	<u>\$ 1,686,250.00</u>	<u>\$ 2,700,000.00</u>	<u>\$ -</u>	<u>\$ 28,366,250.00</u>
		<u>C</u>				<u>C</u>

Ref.

CITY OF CAPE MAY  
WATER AND SEWER UTILITY FUND  
SCHEDULE OF CASH - TREASURER

	Ref.	Operating	Capital
Balance December 31, 2009	D	\$ 877,393.64	\$ 1,035,365.60
Increased by Receipts:			
Water and Sewer Rent Collected			
Capital Improvement Fund		\$ 6,494,950.40	
Due to Utility Operating Fund			20,000.00
Due to Utility Capital Fund		100,000.00	1,108.85
Due to Current Fund		11,822.84	
Bond Anticipation Note Proceeds			2,110,201.80
Miscellaneous Revenue		63,711.60	
		<u>6,670,484.84</u>	<u>2,131,310.65</u>
		7,547,878.48	3,166,676.25
Decreased by Disbursements:			
Current Appropriations		5,068,934.63	
Appropriation Reserves		22,049.94	
Encumbrances		85,538.10	
Reserve to Pay Bond Anticipation Notes			700,000.00
Accrued Interest		616,957.25	
Improvement Authorizations			
Due to Utility Operating Fund			1,301,154.05
Due to Utility Capital Fund		1,108.85	100,000.00
Due to Current Fund		11,822.84	
		<u>5,806,411.61</u>	<u>2,101,154.05</u>
Balance December 31, 2010	D	\$ <u>1,741,466.87</u>	\$ <u>1,065,522.20</u>

**CITY OF CAPE MAY  
WATER AND SEWER UTILITY FUND  
ANALYSIS OF CASH**

	Receipts			Disbursements			Transfers		Balance Dec. 31, 2010
	Balance Dec. 31, 2009	Bonds Issued	Notes Issued	Misc.	Improvement Authorizations	Misc.	From	To	
Fund Balance	\$ 72,797.38	\$ -	\$ -	\$ 10,201.80	\$ -	\$ -	\$ -	\$ 38,980.98	\$ 121,980.16
Capital Improvement Fund	120,000.00			20,000.00					140,000.00
Due to Utility Operating	1,108.85			10,348.85					(97,782.30)
Reserve for Debt Service	104,061.10					109,240.00			104,061.10
Reserve for Amortization	300,000.00								300,000.00
NJEIT Loans Receivable	(37,126.47)								(37,126.47)
Encumbrances Payable	1,452,050.55						1,452,050.55	2,930,710.18	2,930,710.18
Improvement Authorizations									
Ord.									
Number									
1253 Various Utility Improvements	5,922.83				1,561.00		5,922.83		-
1291 Various Utility Improvements	33,441.79						34,714.61	17,517.79	14,683.97
03-2004 Various Utility Improvements	555.17						555.17		0.00
27-2005 Various Utility Improvements	223.37						298.37	75.00	-
36-2005 Various Utility Improvements	(144,428.03)		100,000.00				72,279.22	2,019.47	(114,687.78)
61-2006 System Improvements	553.90						6,730.29	6,730.29	553.90
62-2006 System Improvements (USDA)	(120,077.96)		200,000.00				92,229.80	103,155.88	90,848.12
109-2007 System Improvements	7.17				111,250.00		7,000.00	129,406.07	11,163.24
149-2008 System Improvements	(39,272.75)		200,000.00		739,251.35			660,746.35	82,222.25
154-2008 System Improvements	(225,929.22)		300,000.00		128,627.93		1,800,440.35	154,997.50	(1,700,000.00)
155-2008 System Improvements	(600.00)								(600.00)
179-2009 System Improvements	(487,922.08)		500,000.00		283,463.77		87,520.52	377,402.20	18,495.83
207-2010 System Improvements	-		100,000.00		37,000.00		862,000.00		(799,000.00)
Ref.	\$ 1,035,365.60	\$ -	\$ 1,400,000.00	\$ 40,550.65	\$ 1,301,154.05	\$ 109,240.00	\$ 4,421,741.71	\$ 4,421,741.71	\$ 1,065,522.20
	D								D

**CITY OF CAPE MAY**  
**WATER AND SEWER UTILITY FUND**  
**SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE**

Balance December 31, 2009	<u>Ref.</u> D		\$	440,480.11
Increased By:				
Water and Sewer Rents Levied - Net		\$ 6,108,872.98		
				6,108,872.98
				6,549,353.09
Decreased By:				
Collections		6,494,950.40		
				6,494,950.40
Balance December 31, 2010	D		\$	54,402.69

**SCHEDULE OF UTILITY LIENS**

Balance December 31, 2009	<u>Ref.</u> D		\$	-
Increased By:				
None		\$		
				-
				-
Decreased By:				
None		-		
				-
Balance December 31, 2010	D		\$	-

**CITY OF CAPE MAY**  
**WATER AND SEWER UTILITY FUND**  
**SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2009	Balance After Transfers	Paid or Charged	Balance Lapsed	Overexpended
Operating:					
Salaries and Wages	\$ 72,225.99	\$ 72,225.99	\$ 25,467.29	\$ 46,758.70	\$ -
Other Expenses	249,195.03	249,195.03	80,172.50	169,022.53	
Social Security System	5,180.64	5,180.64	1,948.25	3,232.39	
TOTALS	\$ 326,601.66	\$ 326,601.66	\$ 107,588.04	\$ 219,013.62	\$ -
Ref. D				D-1	
Appropriation Reserves	\$ 241,063.56		\$ 107,588.04		
Encumbrances Payable	85,538.10				
	\$ 326,601.66		\$ 107,588.04		

**CITY OF CAPE MAY**  
**WATER AND SEWER UTILITY FUND**  
**SCHEDULE OF UTILITY CAPITAL IMPROVEMENT FUND**

Balance December 31, 2009	<u>Ref.</u> D		\$	120,000.00
Increased By:				
Budget Appopriation		\$ 20,000.00		
				20,000.00
				140,000.00
Decreased By:				
None		-		
				-
Balance December 31, 2010	D		\$	140,000.00

**CITY OF CAPE MAY**  
**WATER AND SEWER FUND**  
**SCHEDULE OF ACCRUED INTEREST ON BONDS, LOANS**  
**AND NOTES AND ANALYSIS OF BALANCE**

Balance December 31, 2009	<u>Ref.</u> D		\$	138,782.14
Increased By:				
Budget Appropriation:				
Interest on Bonds		\$		266,948.00
Interest on Notes				39,618.56
USDA Rural Development and NJEIT Bonds				<u>305,078.29</u>
				<u>611,644.85</u>
				750,426.99
Decreased By:				
Interest Paid on Bonds				277,478.01
Interest Paid on Notes				33,290.00
USDA Rural Development and NJEIT Bond Payments				<u>306,189.24</u>
				<u>616,957.25</u>
Balance December 31, 2010	D		\$	<u><u>133,469.74</u></u>

**Analysis of Accrued Interest December 31, 2010**

Principal Outstanding Dec. 31, 2010	Interest Rate	From	To	Days	Amount
\$ 910,000.00	Var.	11/1/2009	12/31/2010	426	\$ 5,029.17
870,500.75	5.00%	7/20/2009	12/31/2010	530	19,154.87
74,815.00	5.00%	12/24/2009	12/31/2010	373	70.45
3,050,000.00	3.00%	10/1/2009	12/31/2010	457	56,062.50
520,000.00	3.50%	10/1/2009	12/31/2010	457	5,256.24
2,141,627.49	4.50%	12/15/2009	12/31/2010	382	3,997.28
1,163,095.53	4.50%	12/15/2008	12/31/2010	747	13,691.93
360,000.00	Var.	10/15/2009	12/31/2010	443	6,750.00
277,903.97	0.00%	8/1/2009	12/31/2010	518	-
43,350.00	5.00%	10/17/2009	12/31/2010	441	908.44
37,348.57	0.00%	10/17/2009	12/31/2010	441	-
76,500.00	5.00%	10/17/2009	12/31/2010	441	1,609.69
65,948.21	0.00%	10/17/2009	12/31/2010	441	-
2,100,000.00	Var.	BANS			11,520.83
1,283,500.00	Var.	BANS			9,418.34
<u>\$ 12,974,589.52</u>					<u>\$ 133,469.74</u>



CITY OF CAPE MAY  
WATER AND SEWER UTILITY FUND  
SCHEDULE OF SERIAL BONDS

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Bonds						
			Date	Outstanding December 31, 2010 Amount	Interest Rate	Balance Dec. 31, 2009	Increased	Decreased	Balance Dec. 31, 2010
System Improvements	1/20/1981	\$ 1,903,000	1/20/2011	\$ 69,303.96	5.000%	\$ 936,504.52	\$	\$ 66,003.77	\$ 870,500.75
			1/20/2012	72,769.16					
			1/20/2013	76,407.62					
			1/20/2014	80,228.00					
			1/20/2015	84,239.40					
			1/20/2016	88,451.37					
			1/20/2017	92,873.94					
			1/20/2018	97,517.64					
			1/20/2019	102,393.52					
			1/20/2020	106,316.14					
Improvement to Water Tower	6/24/1983	142,500	6/24/2011	4,710.00	5.000%	79,300.00		4,485.00	74,815.00
			6/24/2012	4,945.00					
			6/24/2013	5,190.00					
			6/24/2014	5,450.00					
			6/24/2015	5,725.00					
			6/24/2016	6,010.00					
			6/24/2017	6,310.00					
			6/24/2018	6,625.00					
			6/24/2019	6,955.00					
			6/24/2020	7,305.00					
Utility Bonds of 2001	10/1/2001	1,540,000	10/1/2011	160,000.00	4.000%	660,000.00		140,000.00	520,000.00
			10/1/2012	180,000.00	4.000%				
			10/1/2013	180,000.00	4.125%				

**CITY OF CAPE MAY**  
**WATER AND SEWER UTILITY FUND**  
**SCHEDULE OF SERIAL BONDS**

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding				Interest Rate	Balance Dec. 31, 2009	Increased	Decreased	Balance Dec. 31, 2010
			Date	Amount	Amount	Amount					
General Improvement Bonds	11/1/2004	\$ 1,970,000.00	11/1/2011	\$ 220,000.00	3.25%	\$ 1,130,000.00	\$	\$ 220,000.00	\$	910,000.00	
			11/1/2012	220,000.00	3.25%						
			11/1/2013	230,000.00	3.25%						
			11/1/2014	240,000.00	3.50%						
Various Capital Improvements	11/1/2008	3,630,000.00	10/1/2011	310,000.00	5.00%	3,350,000.00		300,000.00		3,050,000.00	
			10/1/2012	330,000.00	5.00%						
			10/1/2013	340,000.00	5.00%						
			10/1/2014	380,000.00	5.00%						
			10/1/2015	380,000.00	5.00%						
			10/1/2016	380,000.00	5.00%						
			10/1/2017	390,000.00	5.00%						
			10/1/2018	240,000.00	5.00%						
			10/1/2019	150,000.00	4.00%						
			10/1/2020	150,000.00	4.00%						
							\$ 6,155,804.52	D	\$ 730,488.77	D	\$ 5,425,315.75
							Ref.	D	-	D	-

**CITY OF CAPE MAY  
WATER AND SEWER UTILITY FUND  
SCHEDULE OF WATER AND SEWER LOANS**

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Loans			Interest Rate	Balance Dec. 31, 2009	Increased	Decreased	Balance Dec. 31, 2010
			Date	December 31, 2010	Outstanding					
Water Desalination	12/15/1998	\$ 2,500,000	2011	\$ 39,415.25		4.500%	\$ 2,179,327.17	\$	\$ 37,699.68	\$ 2,141,627.49
USDA-FmHA			2012	41,208.89						
			2013	43,084.15						
			2014	45,044.75						
			2015	47,094.56						
			2016	49,237.66						
			2017	51,478.29						
			2018	53,820.87						
			2019	56,270.06						
			2020	58,830.70						
			2021	61,507.86						
			2022	64,306.86						
			2023	67,233.22						
			2024	70,292.75						
			2025	73,491.50						
			2026	76,835.83						
			2027	80,332.35						
			2028	83,987.98						
			2029	87,809.94						
			2030	91,805.84						
			2031	95,983.58						
			2032	100,351.44						
			2033	104,918.06						
			2034	109,692.48						
			2035	114,684.18						
			2036	119,903.02						
			2037	125,359.36						
			2038	127,646.06						

**CITY OF CAPE MAY  
WATER AND SEWER UTILITY FUND  
SCHEDULE OF WATER AND SEWER LOANS**

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Loans Outstanding		Interest Rate	Balance Dec. 31, 2009	Increased	Decreased	Balance Dec. 31, 2010
			Date	December 31, 2010 Amount					
Water Desalination NJ-EIT	10/15/1998	\$ 690,000	8/1/2011	\$ 40,000.00	Var.	\$ 395,000.00	\$	\$ 35,000.00	\$ 360,000.00
			8/1/2012	40,000.00					
			8/1/2013	40,000.00					
			8/1/2014	45,000.00					
			8/1/2015	45,000.00					
			8/1/2016	50,000.00					
			8/1/2017	50,000.00					
			8/1/2018	50,000.00					
This Loan has a remaining balance that has yet to be drawn down in the amount of \$15,000.00									
Water Desalination NJ-EIT	10/15/1998	675,000	2011	35,798.96	None	311,521.24		33,617.27	277,903.97
			2012	34,652.38					
			2013	33,505.79					
			2014	35,544.16					
			2015	34,254.26					
			2016	36,149.31					
			2017	34,716.08					
			2018	33,283.03					

**CITY OF CAPE MAY  
WATER AND SEWER UTILITY FUND  
SCHEDULE OF WATER AND SEWER LOANS**

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Loans Outstanding		Interest Rate	Balance Dec. 31, 2009	Increased	Decreased	Balance Dec. 31, 2010
			Date	December 31, 2010 Amount					
System Improvements	10/17/2001	\$ 63,750	8/1/2011	\$ 2,550.00	5.500%	\$ 45,900.00	\$	\$ 2,550.00	\$ 43,350.00
NJ-EIT			8/1/2012	2,550.00	5.500%				
			8/1/2013	2,550.00	5.500%				
			8/1/2014	2,550.00	5.000%				
			8/1/2015	2,550.00	5.000%				
			8/1/2016	5,100.00	5.000%				
			8/1/2017	5,100.00	5.000%				
			8/1/2018	5,100.00	5.000%				
			8/1/2019	5,100.00	5.000%				
			8/1/2020	5,100.00	4.750%				
			8/1/2021	5,100.00	4.750%				
NJ-EIT	10/17/2001	66,542	2011	3,041.99	None	40,480.76		3,132.19	37,348.57
			2012	2,951.80					
			2013	2,861.60					
			2014	2,771.41					
			2015	2,689.43					
			2016	4,247.31					
			2017	4,083.33					
			2018	3,919.33					
			2019	3,755.35					
			2020	3,591.36					
			2021	3,435.66					

**CITY OF CAPE MAY  
WATER AND SEWER UTILITY FUND  
SCHEDULE OF WATER AND SEWER LOANS**

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Loans Outstanding			Interest Rate	Balance Dec. 31, 2009	Increased	Decreased	Balance Dec. 31, 2010
			Date	December 31, 2010	Amount					
System Improvements NJ-EIT	10/17/2001	\$ 114,750	8/1/2011	\$ 5,100.00	5,500%	\$ 81,600.00	\$	\$ 5,100.00	\$ 76,500.00	
			8/1/2012	5,100.00	5,500%					
			8/1/2013	5,100.00	5,500%					
			8/1/2014	7,650.00	5,000%					
			8/1/2015	7,650.00	5,000%					
			8/1/2016	7,650.00	5,000%					
			8/1/2017	7,650.00	5,000%					
			8/1/2018	7,650.00	5,000%					
			8/1/2019	7,650.00	5,000%					
			8/1/2020	7,650.00	4,750%					
			8/1/2021	7,650.00	4,750%					
System Improvements NJ-EIT	10/17/2001	120,704	2011	5,868.18	None	72,000.04		6,051.83	65,948.21	
			2012	5,684.54						
			2013	5,500.90						
			2014	6,986.73						
			2015	6,736.31						
			2016	6,485.89						
			2017	6,235.47						
			2018	5,985.05						
			2019	5,734.63						
			2020	5,484.21						
			2021	5,246.30						



**CITY OF CAPE MAY  
WATER AND SEWER UTILITY FUND  
SCHEDULE OF WATER AND SEWER LOANS**

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Loans Outstanding		Interest Rate	Balance Dec. 31, 2009	Increased	Decreased	Balance Dec. 31, 2010
			Date	Amount					
System Improvements	10/12/2007	\$ 1,200,000	4/12/28	\$ 13,523.85	4.250%	\$	\$	\$	\$
USDA			10/12/28	13,811.23	4.250%				
			4/12/29	14,104.72	4.250%				
			10/12/29	14,404.44	4.250%				
			4/12/30	14,710.54	4.250%				
			10/12/30	15,023.14	4.250%				
			4/12/31	15,342.38	4.250%				
			10/12/31	15,668.41	4.250%				
			4/12/32	16,001.36	4.250%				
			10/12/32	16,341.39	4.250%				
			4/12/33	16,688.64	4.250%				
			10/12/33	17,043.28	4.250%				
			4/12/34	17,405.45	4.250%				
			10/12/34	17,775.31	4.250%				
			4/12/35	18,153.04	4.250%				
			10/12/35	18,538.79	4.250%				
			4/12/36	18,932.74	4.250%				
			10/12/36	19,335.06	4.250%				
			4/12/37	19,745.93	4.250%				
			10/12/37	20,165.53	4.250%				
			4/12/38	20,594.05	4.250%				
			10/12/38	21,031.67	4.250%				
			4/12/39	21,478.59	4.250%				
			10/12/39	21,935.01	4.250%				
			4/12/40	22,401.13	4.250%				
			10/12/40	22,877.16	4.250%				
			4/12/41	23,363.30	4.250%				
			10/12/41	23,859.77	4.250%				
			4/12/42	24,366.79	4.250%				
			10/12/42	24,884.58	4.250%				
			4/12/43	25,413.38	4.250%				
			10/12/43	25,953.41	4.250%				
			4/12/44	26,504.92	4.250%				
			10/12/44	27,068.15	4.250%				
			4/12/45	27,643.35	4.250%				
			10/12/45	28,230.77	4.250%				
			4/12/46	28,830.68	4.250%				
			10/12/46	29,443.33	4.250%				
			4/12/47	30,069.00	4.250%				
			10/12/47	29,366.38	4.250%				
Ref.						\$ 4,301,747.04	\$ -	\$ 135,973.27	\$ 4,165,773.77
D									D



**CITY OF CAPE MAY**  
**WATER AND SEWER UTILITY FUND**  
**SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

Ord. Number	Improvement Description	Balance Dec. 31, 2009	2010 Authorizations	Bonds, Notes or Grants Issued	Budget Appropriation	Balance Dec. 31, 2010
36-2005	Various Utility Improvements	\$ 316,536.00	\$	100,000.00	\$	216,536.00
62-2006	System Improvements (USDA)	200,000.00		200,000.00		-
149-2008	System Improvements			200,000.00		(200,000.00)
154-2008	System Improvements	2,000,000.00		300,000.00		1,700,000.00
155-2008	System Improvements	2,100,000.00				2,100,000.00
179-2009	System Improvements	900,000.00		500,000.00		400,000.00
207-2010	System Improvements	-	1,000,000.00	100,000.00		900,000.00
		<u>\$ 5,516,536.00</u>	<u>\$ 1,000,000.00</u>	<u>\$ 1,400,000.00</u>	<u>\$ -</u>	<u>\$ 5,116,536.00</u>
Ref.		D				D

CITY OF CAPE MAY  
BEACH UTILITY FUND  
SCHEDULE OF CASH - TREASURER

	Ref.	Operating	Capital
	E	\$	\$
Balance December 31, 2009		607,299.56	326,928.90
Increased by Receipts:			
Beach Rent Collected	\$	1,955,300.83	
Reimbursements		47,766.00	
Bond Premium			12,149.86
BANS			2,501,000.00
Due to Beach Operating			122,453.20
Reserve for Debt Service			609,055.00
Capital Improvement Fund			100,000.00
Miscellaneous Revenue Not Anticipated		18,169.29	
		2,021,236.12	3,344,658.06
		2,628,535.68	3,671,586.96
Decreased by Disbursements:			
Current Appropriations		2,071,988.58	
Due to Beach Operating			122,453.20
Appropriation Reserves		27,530.94	
BANS			1,601,000.00
Improvement Authorizations			1,027,367.06
		2,099,519.52	2,750,820.26
Balance December 31, 2010	E	529,016.16	920,766.70

**CITY OF CAPE MAY  
BEACH UTILITY FUND  
ANALYSIS OF CASH**

	Receipts		Disbursements			Transfers		Balance Dec. 31, 2010	
	Balance Dec. 31, 2009	Bonds Issued	Notes Issued	Misc.	Improvement Authorizations	Misc.	From		To
Fund Balance	\$ 9,238.57	\$ -	\$ -	\$ 12,149.86	\$ -	\$ -	\$ 150,000.00	\$ -	\$ 21,388.43
Capital Improvement Fund	64,000.00			100,000.00					14,000.00
Reserve for Amortization	74,000.00							100,000.00	174,000.00
Reserve for Debt Service	45,088.00			609,055.00					654,143.00
Encumbrances Payable	554,040.39						554,040.39		-
<u>Improvement Authorizations</u>									
Ord. Number									
29-2005 Various Utility Improvements	(39,728.74)				31,683.50		10,000.00	31,552.91	(49,859.33)
63-2006 Various Utility Improvements	23,180.52		35,000.00		55,292.40		35,000.00		(32,111.88)
108-2007 Various Utility Improvements	(21,750.79)		55,000.00		84,138.85		55,000.00	90,072.31	(15,817.33)
150-2008 Various Utility Improvements	(94,286.36)		130,000.00		239,534.17			239,705.17	35,884.64
178-2009 Various Beach Utility Improvements	(91,302.05)		120,000.00		24,501.20			2,157.12	6,353.87
188-2009 ADA Phase II			400,000.00		384,395.34			190,552.88	10,606.90
208-2010 Various Utility Improvements	(195,550.64)		160,000.00		48,014.00			150,000.00	111,986.00
215-2010 Beach Replenishment	-				159,807.60				(9,807.60)
	\$ 326,928.90	\$ -	\$ 900,000.00	\$ 721,204.86	\$ 1,027,367.06	\$ -	\$ 804,040.39	\$ 804,040.39	\$ 920,766.70
Ref.									E

**CITY OF CAPE MAY**  
**BEACH UTILITY FUND**  
**SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2009	Balance After Transfers	Paid or Charged	Balance Lapsed	Overexpended
Operating:					
Salaries and Wages	\$ 49,081.20	\$ 49,081.20	\$	\$ 49,081.20	\$
Other Expenses	72,384.87	72,384.87	27,530.94	44,853.93	
Social Security System	15,066.33	15,066.33		15,066.33	
<b>TOTALS</b>	<b>\$ 136,532.40</b>	<b>\$ 136,532.40</b>	<b>\$ 27,530.94</b>	<b>\$ 109,001.46</b>	<b>\$ -</b>
	E		E-1		
Appropriation Reserves	\$ 107,165.67		\$ 27,530.94		
Encumbrances Payable	29,366.73				
	<u>\$ 136,532.40</u>		<u>\$ 27,530.94</u>		

**CITY OF CAPE MAY**  
**BEACH UTILITY FUND**  
**SCHEDULE OF UTILITY CAPITAL IMPROVEMENT FUND**

Balance December 31, 2009	<u>Ref.</u> E	\$ 64,000.00
Increased By:		
Budget Appropriation	\$ 100,000.00	
	<hr/>	<hr/>
		100,000.00
		164,000.00
Decreased By:		
Improvement Authorizations Funded	150,000.00	
	<hr/>	<hr/>
		150,000.00
Balance December 31, 2010	E	\$ <u><u>14,000.00</u></u>

**CITY OF CAPE MAY**  
**BEACH FUND**  
**SCHEDULE OF ACCRUED INTEREST ON BONDS, LOANS**  
**AND NOTES AND ANALYSIS OF BALANCE**

Balance December 31, 2009	<u>Ref.</u> E		\$	9,355.50
Increased By:				
Budget Appropriation:				
Interest on Notes		\$ 11,723.44		
				11,723.44
				21,078.94
Decreased By:				
Interest Paid on Notes		9,355.50		
				9,355.50
Balance December 31, 2010	E		\$	11,723.44

**Analysis of Accrued Interest December 31, 2010**

	Principal Outstanding Dec. 31, 2010	Interest Rate	From	To	Days		Amount
\$	591,000.00	1.25%	7/22/2010	12/31/2010	162	\$	2,770.31
	475,000.00	1.25%	7/22/2010	12/31/2010	162		2,226.56
	125,000.00	1.25%	7/22/2010	12/31/2010	162		585.94
	630,000.00	1.25%	7/22/2010	12/31/2010	162		2,953.13
	120,000.00	1.25%	7/22/2010	12/31/2010	162		562.50
	400,000.00	1.25%	7/22/2010	12/31/2010	162		1,875.00
	160,000.00	1.25%	7/22/2010	12/31/2010	162		750.00
	<u>2,501,000.00</u>					\$	<u>11,723.44</u>



**CITY OF CAPE MAY**  
**BEACH UTILITY FUND**  
**SCHEDULE OF BOND ANTICIPATION NOTES**

Ord. Number	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2009	Increased	Decreased	Balance Dec. 31, 2010
29-2005	Various Utility Improvements	7/22/2009 7/21/2010	7/22/2009 7/21/2010	7/22/2010 7/21/2011	1.320% 1.250%	\$ 601,000.00 -	\$ 591,000.00	\$ 601,000.00	- 591,000.00
63-2006	Various Utility Improvements	7/22/2009 7/21/2010	7/22/2009 7/21/2010	7/22/2010 7/21/2011	1.320% 1.250%	475,000.00 -	475,000.00	475,000.00	- 475,000.00
108-2007	Various Utility Improvements	7/22/2009 7/21/2010	7/22/2009 7/21/2010	7/22/2010 7/21/2011	1.320% 1.250%	125,000.00 -	125,000.00	125,000.00	- 125,000.00
150-2008	Various Utility Improvements	7/22/2009 7/21/2010	7/22/2009 7/21/2010	7/22/2010 7/21/2011	1.320% 1.250%	500,000.00 -	630,000.00	500,000.00	- 630,000.00
178-2009	Various Beach Utility Improvermer	7/21/2010	7/21/2010	7/21/2011	1.250%	-	120,000.00	-	120,000.00
188-2009	ADA Phase II	7/21/2010	7/21/2010	7/21/2011	1.250%	-	400,000.00	-	400,000.00
208-2010	Various Utility Improvements	7/21/2010	7/21/2010	7/21/2011	1.250%	-	160,000.00	-	160,000.00
						\$ 1,701,000.00	\$ 2,501,000.00	\$ 1,701,000.00	\$ 2,501,000.00
						Ref. E			
						Cash Receipts	\$ 900,000.00	\$ -	
						Notes Paid (Budget Appropriation)		100,000.00	
						Notes Rolled Over	1,601,000.00	1,601,000.00	
						\$ 2,501,000.00	\$ 1,701,000.00	\$ 1,701,000.00	\$ 2,501,000.00
						E			

CITY OF CAPE MAY  
BEACH UTILITY FUND  
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ord. Number	Improvement Description	Balance Dec. 31, 2009	2010 Authorizations	Bonds, Notes or Grants Issued	Cancelled	Balance Dec. 31, 2010
29-2005	Various Beach Utility Improvements	\$ 12,800.00	\$	\$		12,800.00
63-2006	Various Beach Utility Improvements	35,000.00		35,000.00		-
108-2007	Various Beach Utility Improvements	55,000.00		55,000.00		-
150-2008	Various Beach Utility Improvements	130,000.00		130,000.00		-
178-2009	Various Beach Utility Improvements	175,000.00		120,000.00		55,000.00
188-2009	ADA Phase II	400,000.00		400,000.00		-
208-2010	Various Utility Improvements	-	215,000.00	160,000.00		55,000.00
215-2010	Beach Replenishment	-	50,000.00			50,000.00
		<u>\$ 807,800.00</u>	<u>\$ 265,000.00</u>	<u>\$ 900,000.00</u>	<u>\$ -</u>	<u>\$ 172,800.00</u>
		E				E

Ref.

**CITY OF CAPE MAY**  
**PART II**  
**GENERAL COMMENTS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2010**



# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS – STATUTORY BASIS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements – statutory basis of the City of Cape May, State of New Jersey, as of and for the year ended December 31, 2010, and have issued our report thereon dated July 29, 2011. Our report disclosed that, as described in Note 1 to the financial statements, the City of Cape May prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements prescribed by the Division.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Cape May's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Cape May's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Cape May's internal control over financial reporting.

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 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cape May's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division which are described in the accompanying schedule of findings and responses as item 2010-1 and 2010-2.

We noted certain matters that we reported to the City of Cape May's management in a separate letter dated July 29, 2011.

This report is intended solely for the information and use of management, the City Council, others within the entity, and the Division as well as other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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



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

**July 29, 2011**

**CITY OF CAPE MAY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDING DECEMBER 31, 2010**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: **Unqualified Opinion issued on the Financial Statements – Statutory Basis, presented in accordance with an “Other Comprehensive Basis of Accounting” dated July 29, 2011.**

Internal control over financial reporting:

- |   |                   |
|---|-------------------|
| 1) Material Weakness identified?  | <b>NO</b>         |
| 2) Significant Deficiencies identified that are not considered to be a Material Weakness? | <b>None Noted</b> |

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

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

In accordance with Government Auditing Standards, our audit disclosed two findings relating to the financial statements – statutory basis that are required to be reported. These findings are located on page 118 of this report. In addition, we have issued a Management Letter.

**MANAGEMENT RESPONSES**

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

**STATUS OF PRIOR YEAR FINDINGS**

There was one prior year finding. Finding #2009-1 has not been corrected and is included again as finding #2010-1.

## CITY OF CAPE MAY

### GENERAL COMMENTS

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

N.J.S.A. 40A:11-4 states, "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. Due to the City not having a Qualified Purchasing Agent, pursuant to N.J.S.A. 40A:11-3(a), the maximum bid threshold is \$26,000.

The governing body of the City of Cape May has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in a violation of the statute, the City Counsel's opinion should be sought before a commitment is made.

Our examination of expenditures did not reveal any payments in excess of the bid threshold for the provision or performance of any goods or services, other than those where bids had been previously sought by public advertisement, awarded under state or county cooperative purchasing agreements, or awarded in compliance with other provisions of the "Local Public Contracts Law," N.J.S.A. 40A:11.

The minutes indicate that bids were sought by public advertising for the following items:

Re-BID of 702 Beach Avenue Lease  
Demolition of Existing Convention Hall and Solarium

#### **Collection of Interest on Delinquent Taxes and Assessments**

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

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

**BE IT RESOLVED** by the City Council of the City of Cape May, in accordance with Chapter 75, New Jersey Laws of 1991, and N.J.S.A. 54:4-67, 54:5-32, 54:5-34 and 54:5-35, which authorizes the Governing Body inter alia to fix the rate of interest to be charged, in the City of Cape May, for the nonpayment of taxes, assessments and municipal charges, said rate of interest shall be and is hereby fixed at 8 per cent per annum on the first \$1,500 of delinquency and 18 per cent per annum on any amount in excess of \$1,500 to be calculated from the date when the taxes, assessments and charges become delinquent.

**BE IT FURTHER RESOLVED** by the City Council of the City of Cape May, in accordance with N.J.S.A. 54:4-67, Chapter 75, New Jersey Laws of 1991, and Chapter 32, New Jersey Laws of 1994, which permits a 6 per cent penalty on taxes and municipal charges greater than \$10,000 as of the close of the fiscal year, that said end-of-year penalty shall be fixed for the Year 2010.

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

**CITY OF CAPE MAY**

**GENERAL COMMENTS (CONTINUED)**

**Delinquent Taxes and Tax Title Liens**

Inspection of tax sale certificates on file revealed that all tax sale certificates were available for audit.

The following comparison is made of the number of tax title liens receivable on December 31<sup>st</sup> of the last three years:

<u>Year</u>	<u>Number</u>
2010	2
2009	2
2008	1

It is essential to good management that all means provided by the statutes be utilized to liquidate tax title liens in order to get such properties back on a tax-paying basis.

**Verification of Delinquent Taxes and Other Charges**

A test verification of delinquent taxes and charges as well as current payments was made in accordance with the regulations of the Division of Local Government Services, including the mailing of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payments of 2010 and 2011 Taxes	25
Delinquent Taxes	25
Payment of Water and Sewer Rents	25
Delinquent Water and Sewer Rents	25
Total	<u>100</u>

**Deposit of Municipal Funds**

N.J.S.A. 40A:5-15 states:

"All moneys, including moneys collected by taxation, received from any source by or on behalf of any local unit or any board or department thereof shall, within 48 hours after the receipt thereof, either:

- a. be paid to the officer charged with the custody of the general funds of the local unit, who shall deposit all such funds within 48 hours after the receipt thereof to the credit of the local unit in its designated legal depository, or
- b. be deposited to the credit of the local unit in its designated legal depository."

Our examination revealed that municipal funds were deposited within the mandated time.

**CITY OF CAPE MAY**

**FINDINGS AND RECOMMENDATIONS**

**Finding #2010-1: \***

The City had over expenditures of current year appropriations in the Water Sewer Utility Fund and reserve year appropriations in the Current Fund. Appropriations were over expended by \$6,118.56 and \$1,443.50 respectively.

Criteria:

Local Budget Law and Local Finance Board Regulations do not permit over expenditures of individual budget line items.

Condition:

The City approved \$6,118.56 of Interest expenses in the Water Sewer Utility Fund, \$6.01 of Fire Other Expenses and \$1,437.49 of Road Repair and Maintenance Other Expenses in the Current Fund before verifying that there were sufficient funds available in the budget lines.

Cause:

Expenditures were not properly monitored during 2010.

Effect:

The overexpenditures must be raised in the budget as deferred charges.

Recommendation:

That no commitment be made or expenditure approved for payment unless there is a sufficient balance in the proper budget line item.

**Finding #2010-2:**

Two municipal court receipts were not turned over to the proper agencies on or before the 15<sup>th</sup> of the following month. A June 2010 Fish and Game receipt in the amount of \$60.00 and a November 2010 Weights and Measure receipt in the amount of \$1,200.00 were not disbursed as of December 31, 2010.

Criteria:

Municipal court monies are required to be turned over to the proper agencies on or before the 15<sup>th</sup> of each month.

Condition:

General account bank reconciliations were not properly completed. Both receipts were recorded in the ATS system as being disbursed.

Cause:

The Fish and Game and Weights and Measure receipts were automatically included as being disbursed without verifying that they were.

Effect:

The \$60.00 Fish and Game and the \$1,200.00 Weights and Measure receipts were never disbursed.

Recommendation:

That all municipal court monies be properly disbursed by the 15<sup>th</sup> of the following month and that all general account bank reconciliations be properly completed by court personnel.

CITY OF CAPE MAY

\* Indicates a similar recommendation made in the prior year.

Should any questions arise as to my comments, please do not hesitate to call me.

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



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

**July 29, 2011**

**CITY OF CAPE MAY**  
**SCHEDULE OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant I.D. Number	Grant Period From	To	Program Receipts	Program Expenditures	Cumulative Expenditures
<b>United States Department of Agriculture</b> Utility Improvements Phase III			Open		\$ 600,000.00	\$ 128,628.00	\$ 128,628.00
<b>Department of Community Affairs</b> ARRA - Small Cities CDBG	14.255	09-1810-00	9/1/09 through 6/30/12		271,913.00	384,395.00	384,395.00
<b>Total Federal Awards</b>					<u>\$ 871,913.00</u>	<u>\$ 513,023.00</u>	<u>\$ 513,023.00</u>

**CITY OF CAPE MAY**  
**NOTES TO SCHEDULE OF STATE AWARDS**  
**YEAR ENDED DECEMBER 31, 2010**

**Note 1: General**

The accompanying schedule of financial assistance present the activity of all state financial assistance programs of the City of Cape May. The City is defined in Note 1 to the City's financial statements – statutory basis.

**Note 2: Basis of Accounting**

The accompanying schedule of financial assistance are presented using the modified accrual basis of accounting in accordance with the "Requirements of Audit" as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the City accounts for its financial transactions through separate funds, which differ from the funds required by accounting principles generally accepted in the United States of America (GAAP).

**Note 3: Relationship to General-Purpose Financial Statements**

Amounts reported in the accompanying schedules agree with amounts reported in the City's financial statements – statutory basis. The financial statements – statutory basis present the Grant Fund on a budgetary basis. The Grant Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

	<u>Federal</u>		<u>State</u>		<u>Total</u>
Water Sewer Capital	\$ 128,628.00	\$	-	\$	128,628.00
Beach Capital	384,395.00		-		384,395.00
Total Financial Assistance	<u>\$ 513,023.00</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>513,023.00</u>

**Note 4: Relationship to State Financial Reports**

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.



# FORD - SCOTT

& ASSOCIATES, L.L.C.

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## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

### Compliance

We have audited the compliance of the City of Cape May, State of New Jersey (the "City"), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that is applicable to each of its major federal programs for the year ended December 31, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations and New Jersey OMB 04-04* and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). OMB A-133 standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

## Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's control over compliance.

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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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

This report is intended solely for the information and use of the management of the City, Division of Local Government Services, Department of Community Affairs, State of New Jersey (cognizant audit agency), other state awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

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



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

**July 29, 2011**

**CITY OF CAPE MAY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**I. SUMMARY OF AUDITORS RESULTS**

**Financial Statements**

Type of auditor's report issued: Unqualified Opinion issued on the Financial Statements – Statutory Basis, presented in accordance with an "Other Comprehensive Basis of Accounting" dated July 29, 2011

Internal control over financial reporting:

- 1) Material weakness? No
- 2) Significant Deficiencies? No

Noncompliance material to the basic financial Statements noted? No

**Federal Awards**

Dollar threshold used to distinguish between type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? No

Type of auditor's report issued on compliance with major programs: An Unqualified Opinion was issued on compliance with major programs dated July 29, 2011

Internal Control over major programs:

- 1) Material weakness? No
- 2) Significant Deficiencies? No

Any audit findings disclosed that are required to be reported? No

Identification of major programs:

<b><u>State Grant Number</u></b>	<b><u>Name of State Program</u></b>
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**Not Applicable**

**Federal Awards**

<b>Grant Number – 14.255</b>	<b>Name of Program – ARRA Small Cities CDBG</b>
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**CITY OF CAPE MAY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

**II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS**

In accordance with Government Auditing Standards, our audit disclosed no findings relating to the financial statements statutory basis that are required to be reported under this section.

**III. FEDERAL FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

**Federal:** None

**MANAGEMENT RESPONSES**

Management is required to respond to 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, if any findings and recommendations are noted in the audit report.

**STATUS OF PRIOR YEAR FINDINGS**

**Federal:** None