

**NEW ISSUE (BOOK-ENTRY-ONLY)**

*In the opinion of Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel to the County ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Bonds (as defined herein) (i) is not includable in gross income for Federal income tax purposes pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) will not be treated as a preference item under section 57 of the Code for purposes of calculating the Federal alternative minimum tax. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See "TAX MATTERS" herein.*

**\$50,000,000\***  
**COUNTY OF CAPE MAY**  
**STATE OF NEW JERSEY**  
**GENERAL OBLIGATION BONDS, SERIES 2019**  
**(CALLABLE)**

**Dated: Date of Delivery**

**Due: October 1, as shown on the inside front cover**

The \$50,000,000\* General Obligation Bonds, Series 2019 (the "Bonds") are general obligations of the County of Cape May, State of New Jersey (the "County") and pledge the full faith and credit of the County to levy *ad valorem* taxes on all taxable property in the County without limitation as to rate or amount for the payment of the principal thereof and the interest thereon.

The Bonds will be in fully registered book-entry only form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC, an automated depository for securities and clearing house for securities transactions, will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 each, or any integral multiple thereof, through book entries made on the books and records of DTC and its participants.

The Bonds shall bear interest from their date of delivery, payable semiannually on the first day of April and October of each year, commencing April 1, 2020, at such rates of interest as shown on the inside front cover hereof. The Bonds will be payable as to principal upon presentation and surrender thereof at the offices of the County or a duly designated paying agent. Interest on the Bonds will be paid by check, draft or wire transfer, mailed, delivered or transmitted by the County to the registered owner thereof as of the Record Dates (as defined herein). As long as DTC is acting as securities depository for the Bonds, principal and interest will be payable by wire transfer to DTC or its nominee, which is obligated to remit such principal and interest to DTC Participants. DTC Participants and Indirect Participants will be responsible for remitting such payments to the Beneficial Owners of the Bonds. See "THE DEPOSITORY TRUST COMPANY ("DTC") INFORMATION" herein.

The Bonds are authorized by and issued pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), various bond ordinances of the County duly adopted on the dates set forth herein and published as required by law and by a resolution duly adopted by the Board of Chosen Freeholders of the County on August 13, 2019 (the "Resolution").

The proceeds of the Bonds will be used to (i) currently refund the County's \$23,000,000 Bond Anticipation Notes, Series 2018, dated October 30, 2018 and maturing on October 30, 2019; (ii) permanently finance the acquisition and undertaking of \$27,000,000 of various capital improvements in and by the County; and (iii) pay the costs and expenses incidental to the issuance and delivery of the Bonds.

The Bonds are subject to redemption prior to their stated maturities. See "DESCRIPTION OF THE BONDS – Redemption" herein.

The Bonds are not a debt or obligation, legal, moral or otherwise of the State of New Jersey, or any county, municipality or political subdivision thereof other than the County.

*The Bonds are offered when, as and if issued and delivered subject to the approval of the legality thereof by Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel, and certain other conditions. Phoenix Advisors, LLC, Bordentown, New Jersey has served as municipal advisor to the County in connection with the issuance of the Bonds. It is anticipated that the Bonds will be available for delivery through DTC on or about October 3, 2019.*

**All bids for the Bonds must be submitted in their entirety on Grant Street Group's MuniAuction website ("MuniAuction") prior to 11:15 a.m., prevailing New Jersey time on Thursday, September 12, 2019, unless otherwise extended by the two-minute rule. The auction will begin at 11:00 a.m., prevailing New Jersey time on Thursday, September 12, 2019. All Bids for the Bonds must be in conformance with the Full Notice of Sale for the Bonds which can be viewed in electronic format, along with this Preliminary Official Statement, on the MuniAuction website located at [www.GrantStreet.com](http://www.GrantStreet.com).**

\* Preliminary, subject to change.

**COUNTY OF CAPE MAY  
STATE OF NEW JERSEY**

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS**

**\$50,000,000\***  
**GENERAL OBLIGATION BONDS, SERIES 2019**  
**(CALLABLE)**

<u>Maturity</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rates</u>	<u>Yields</u>	<u>CUSIP</u> <u>Numbers**</u>
2020	\$2,000,000	%	%	
2021	2,250,000			
2022	2,500,000			
2023	2,750,000			
2024	3,000,000			
2025	3,500,000			
2026	3,500,000			
2027	3,500,000			
2028	3,500,000			
2029	3,500,000			
2030	4,000,000			
2031	4,000,000			
2032	4,000,000			
2033	4,000,000			
2034	4,000,000			

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\* Preliminary, subject to change.

\*\* Registered trademark of American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers listed above are being provided solely for the convenience of holders of the Bonds only at the time of issuance of the Bonds and the County does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**COUNTY OF CAPE MAY  
STATE OF NEW JERSEY**

**THE BOARD OF CHOSEN FREEHOLDERS**

Gerald M. Thornton, Freeholder Director  
Leonard C. Desiderio, Freeholder Vice-Director  
E. Marie Hayes, Freeholder  
Will Morey, Freeholder  
Jeffrey L. Pierson, Freeholder

**COUNTY OFFICIALS**

Elizabeth Bozzelli,  
Administrator/Clerk of the Board of Chosen Freeholders

Brittany M. Smith,  
Acting Chief Financial Officer/County Treasurer

**COUNTY COUNSEL**

Jeffrey R. Lindsay, Esquire

**AUDITOR**

Ford, Scott & Associates, LLC  
Ocean City, New Jersey

**BOND COUNSEL**

Archer & Greiner P.C.  
Red Bank, New Jersey

**MUNICIPAL ADVISOR**

Phoenix Advisors, LLC  
Bordentown, New Jersey

No dealer, broker, salesperson or other person has been authorized by the County or the Underwriter to give any information, or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds referred to herein by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information which is set forth herein has been provided by the County and by other sources, but the information provided by such other sources is not guaranteed as to accuracy or completeness by the County. References in this Official Statement to statutes, laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All such references are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Copies of such above-mentioned documents may be inspected at the offices of the County during normal business hours. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The order and the placement of materials in this Official Statement, including the Appendices, are not deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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**OFFICIAL STATEMENT  
OF THE**

**COUNTY OF CAPE MAY  
STATE OF NEW JERSEY**

**RELATING TO**

**\$50,000,000\*  
COUNTY OF CAPE MAY  
STATE OF NEW JERSEY  
GENERAL OBLIGATION BONDS, SERIES 2019  
(CALLABLE)**

**INTRODUCTION**

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the County of Cape May (the “County”), State of New Jersey (the “State”), in connection with the sale and issuance of its \$50,000,000\* General Obligation Bonds, Series 2019 (the “Bonds”). This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared and compiled on behalf of the County by the Acting Chief Financial Officer/County Treasurer of the County, with the assistance of the Municipal Advisor (as defined herein), Bond Counsel (as defined herein), County Counsel (as defined herein) and the Auditor (as defined herein) as further described under the heading “PREPARATION OF OFFICIAL STATEMENT” herein and has been authorized by the County to be distributed in connection with the sale and issuance of the Bonds.

This Official Statement contains specific information relating to the Bonds, including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to these issues. This Official Statement should be read in its entirety.

All financial and other information presented herein has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts and disbursements, is intended to show recent historical information and, but only to the extent specifically provided herein, certain projections of the immediate future, and is not necessarily indicative of future or continuing trends in the financial position or other affairs of the County.

**DESCRIPTION OF THE BONDS**

The Bonds are dated the date of delivery and shall mature in the principal amounts on October 1 in each of the years set forth in the table appearing on the inside front cover hereof. The Bonds shall bear interest at the rates shown on the inside front cover page hereof from their date of delivery, which interest shall be payable semiannually on the first day of April and October (each an “Interest Payment Date”), commencing April 1, 2020, in each year until maturity or prior redemption, as applicable. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year and will be paid by check, draft or wire transfer mailed, delivered or transmitted to the registered owners of the Bonds as of each respective March 15 and September 15 preceding an Interest Payment Date

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\* Preliminary, subject to change.

(the “Record Dates”), at the address shown on the registration books for the Bonds kept for that purpose by the Acting Chief Financial Officer/County Treasurer, as Registrar and Paying Agent.

The Bonds, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds (the “Securities Depository”). Purchases of beneficial interests in the Bonds will be made in book-entry only form, without certificates, in denominations of \$5,000 each, or any integral multiple thereof, through book entries made on the books and records of DTC and its participants. Under certain circumstances, such beneficial interests in the Bonds are exchangeable for one or more fully registered Bond certificates of like series, maturity and tenor in authorized denominations.

So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payment of the principal of and interest on the Bonds will be made directly by the County as Paying Agent, or some other paying agent as may be designated by the County, to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the owners of beneficial interests in the Bonds is the responsibility of the DTC Participants (as hereinafter defined). *See* “THE DEPOSITORY TRUST COMPANY (“DTC”) INFORMATION” herein.

### **Optional Redemption**

The Bonds maturing prior to October 1, 2027 are not subject to optional redemption. The Bonds maturing on or after October 1, 2027 shall be subject to redemption at the option of the County, in whole or in part, on any date on or after October 1, 2026 at the par amount of bonds to be refunded, plus unpaid accrued interest to the date fixed for redemption.

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the Owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the County or a duly appointed bond registrar. So long as DTC (or any successor thereto) acts as securities depository for the Bonds, such notice of redemption shall be sent directly to such depository and not to the Beneficial Owners of the Bonds. Any failure of the depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the County determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the County; the Bonds to be redeemed having the same maturity shall be selected by the securities depository in accordance with its regulations.

If notice of redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on and after such redemption date.

### **AUTHORIZATION FOR THE ISSUANCE OF THE BONDS**

The Bonds are authorized by and are issued pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the “Local Bond Law”), the bond ordinances duly adopted by the Board of Chosen Freeholders of the County on the dates set forth in the chart below and published as required by law, and by a resolution duly adopted by the Board of Chosen Freeholders of the County on August 13, 2019 (the “Resolution”).



The bond ordinances authorizing the Bonds were published in full or in summary, as applicable, after their final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinances could be commenced began to run from the date of the first publication of such statement. The Local Bond Law provides, that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the County.

#### **PURPOSE OF BOND ISSUE AND USE OF BOND PROCEEDS**

The proceeds of the Bonds will be used to (i) currently refund the County's \$23,000,000 Bond Anticipation Notes, Series 2018, dated October 30, 2018 and maturing on October 30, 2019; (ii) permanently finance the acquisition and undertaking of \$27,000,000 of various capital improvements in and by the County; and (iii) pay the costs and expenses incidental to the issuance and delivery of the Bonds. The Bonds and the improvements or purposes for which the Bonds are to be issued have been authorized by bond ordinances duly adopted by the Board of Chosen Freeholders of the County on the dates set forth in the following table and published as required by law:

<b>Number of Bond Ordinance</b>	<b>Description of Improvement and Date of Adoption of Ordinance</b>	<b>Amount of Bonds</b>
2-16	Various 2016 Capital Improvements, Finally Adopted August 9, 2016.	\$15,000,000
1-17	Various 2017 Capital Improvements and Purposes, Finally Adopted August 8, 2017.	\$8,000,000
1-18	Various 2018 Capital Improvements, Finally Adopted April 24, 2018.	\$10,000,000
4-18	Various 2019 Capital Improvements, Finally Adopted December 26, 2018.	\$17,000,000
	<b>TOTAL:</b>	<b>\$50,000,000</b>

#### **Security and Payment for the Bonds**

The Bonds are valid and legally binding general obligations of the County for which the full faith and credit of the County are irrevocably pledged for the punctual payment of the principal of and interest on the Bonds. Unless otherwise paid from other sources, the County has the power and is obligated by law to levy ad valorem taxes upon all the taxable property within the County for the payment of the principal of the Bonds and the interest thereon without limitation as to rate or amount.

The County is required by law to include the total amount of principal and interest on all of its general obligation indebtedness, such as the Bonds, for the current year in each annual budget unless provision has been made for payment from other sources. The enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted. See "MUNICIPAL BANKRUPTCY" herein.

The Bonds are not a debt or obligation, legal, moral or otherwise, of the State or any political subdivision thereof, other than the County.

### **THE DEPOSITORY TRUST COMPANY (“DTC”) INFORMATION**

The Depository Trust Company (“DTC”), New York, New York will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, as set forth on the inside front cover hereof, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global rating of AA+. The DTC rules applicable to its Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (a “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial

Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy (the "Omnibus Proxy") to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County or the Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered by the County.

**The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.**

**THE AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.**

**SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.**

## **PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT**

### **Procedure for Authorization**

The County has no constitutional limit on its power to incur indebtedness other than that it may issue obligations only for public purposes pursuant to State statutes. The authorization and issuance of County debt, including the purpose, amount and nature thereof, the method and manner of the incurrence of such debt, the maturity and terms of repayment thereof, and other related matters are statutory. The County is not required to submit the proposed incurrence of indebtedness to a public referendum.

The County, by bond ordinance, may authorize and issue negotiable obligations for the financing of any capital improvement or property which it may lawfully acquire, or any purpose for which it is authorized or required by law to make an appropriation, except current expenses and payment of obligations (other than those for temporary financings). Bond ordinances must be finally approved by the recorded affirmative vote of at least two-thirds of the full membership of the Board of Chosen Freeholders of the County. The Local Bond Law requires publication and posting of the bond ordinance or a summary thereof. If the bond ordinance requires approval or endorsement of the State, it cannot be finally adopted until such approval has been received. The Local Bond Law provides that a bond ordinance shall take effect twenty (20) days after the first publication thereof after final adoption. At the conclusion of the twenty-day period all challenges to the validity of the obligations authorized by such bond ordinance shall be precluded except for constitutional matters. Moreover, after issuance, all obligations are conclusively presumed to be fully authorized and issued by all laws of the State and any person shall be estopped from questioning their sale, execution or delivery by the County.

### **Local Bond Law (N.J.S.A. 40A:2-1 et seq.)**

The Bonds are being issued pursuant to the provisions of the Local Bond Law. The Local Bond Law governs the issuance of bonds and notes to finance certain municipal capital expenditures. Among its provisions are requirements that bonds or notes must mature within the statutory period of usefulness of the projects being financed, that bonds be retired in either serial or sinking fund installments and that, unlike school debt, and with some exceptions, including self-liquidating obligations and those improvements involving certain State grants, a five percent (5%) cash down payment of the amount of bond and notes authorized must be generally provided. Such down payment must have been raised by budgetary appropriations, from cash on hand previously contributed for the purpose or by emergency resolution adopted pursuant to the Local Budget Law, N.J.S.A. 40A:4-1 et seq., as amended and supplemented (the "Local Budget Law"). All bonds and notes issued by the County are general "full faith and credit" obligations.

### **Short-Term Financing**

Local governmental units, including counties, may issue bond anticipation notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or subsequent resolution so provides. Such bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount of bonds authorized in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued and renewed for periods not exceeding one (1) year, with the final maturity occurring and being paid no later than the first day of the fifth month following the close of the tenth fiscal year after the original issuance of the notes, provided that no notes may be renewed beyond the third anniversary date of the original notes and each anniversary date thereafter unless an amount of such notes, at least equal to the first legally payable installment of the anticipated bonds (the first year's principal payment), is paid and retired

from funds other than the proceeds of obligations on or before the third anniversary date and each anniversary date thereafter.

Tax anticipation notes are limited in amount by law and, in the case of the County, may be renewed from time to time, but all such notes and renewals thereof must mature not later than June 30 of the succeeding fiscal year.

### **Refunding Bonds (N.J.S.A. 40A:2-51 et seq.)**

Refunding bonds may be issued by a local unit pursuant to the Local Bond Law for the purpose of paying, funding or refunding its outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system and amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of refunding bonds. The Local Finance Board, in the Division of Local Government Services, New Jersey Department of Community Affairs (the "Local Finance Board") must approve the authorization of the issuance of refunding bonds.

### **Statutory Debt Limitation**

There are statutory requirements which limit the amount of debt which the County is permitted to authorize. The authorized bonded indebtedness of a county is limited by the Local Bond Law and other laws to an amount equal to two percent (2.00%) of its stated average equalized valuation basis, subject to certain exceptions noted below. N.J.S.A. 40A:2-6. The stated equalized valuation basis is set by statute as the average of the aggregate equalized valuations of all taxable real property, together with improvements to such property, and the assessed valuation of Class II railroad property within the boundaries of the County for each of the last three (3) preceding years as annually certified in the valuation of all taxable real property, in the Table of Equalized Valuations by the Director of the Division of Taxation, in the New Jersey Department of the Treasury (the "Division of Taxation"). N.J.S.A. 40A:2-2. Certain categories of debt are permitted by statute to be deducted for the purposes of computing the statutory debt limit. N.J.S.A. 40A:2-43, -44. The Local Bond Law permits the issuance of certain obligations, including obligations issued for certain emergency or self-liquidating purposes, notwithstanding the statutory debt limitation described above; but, with certain exceptions, it is then necessary to obtain the approval of the Local Finance Board. See "Exceptions to Debt Limitation - Extensions of Credit" below.

### **Exceptions to Debt Limitation - Extensions of Credit (N.J.S.A. 40A:2-7)**

The debt limit of the County may be exceeded with the approval of the Local Finance Board. If all or any part of a proposed debt authorization is to exceed its debt limit, the County must apply to the Local Finance Board for an extension of credit. The Local Finance Board considers the request, concentrating its review on the effect of the proposed authorization on outstanding obligations and operating expenses and the anticipated ability to meet the proposed obligations. If the Local Finance Board determines that a proposed debt authorization is not unreasonable or exorbitant, that the purposes or improvements for which the obligations are issued are in the public interest and for the health, welfare and convenience or betterment of the inhabitants of the County and that the proposed debt authorization would not materially impair the credit of the County or substantially reduce the ability of the County to meet its obligations or to provide essential services that are in the public interest and makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued to fund certain obligations, for self-liquidating purposes and, in each fiscal year, in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes) plus two-thirds of the amount raised in the tax levy of

the current fiscal year by the local unit for the payment of bonds or notes of any school district. The County has not exceeded its debt limit.

#### **Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)**

The Local Fiscal Affairs Law regulates the non-budgetary financial activities of local governments, including counties. An annual, independent audit of the local unit's accounts for the previous year must be performed by a Registered Municipal Accountant licensed in the State of New Jersey. The audit, conforming to the Division of Local Government Services, in the New Jersey Department of Community Affairs (the "Division") "Requirements of Audit", must be completed within six (6) months after the close of the County's fiscal year (December 31), includes recommendations for improvement of the local unit's financial procedures. The audit report must also be filed with the Clerk of the Board of Chosen Freeholders and is available for review during regular business hours and shall, within five (5) days thereafter be filed with the Director of the Division (the "Director"). A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of the County's receipt of the audit report. Accounting methods utilized in the conduct of the audit conform to practices prescribed by the Division, which practices differ in some respects from generally accepted accounting principles.

#### **Annual Financial Statement (N.J.S.A. 40A:5-12 et seq.)**

An annual financial statement ("Annual Financial Statement") which sets forth the financial condition of a local unit for the fiscal year must be filed with the Division not later than January 26 (in the case of a county) and not later than February 10 (in the case of a municipality) after the close of the calendar fiscal year, or not later than August 10 of the State fiscal year for those municipalities which operate on the State fiscal year. The Annual Financial Statement is prepared either by the Chief Financial Officer or the Registered Municipal Accountant for the local unit. Such Statement reflects the results of operations for the year of the current and utility funds. If the statement of operations results in a cash deficit, the deficit must be included in full in the succeeding year's budget.

### **FINANCIAL MANAGEMENT**

#### **Accounting and Reporting Practices**

The accounting policies of the County conform to the accounting principles applicable to local governmental units which have been prescribed by the Division. A modified accrual basis of accounting is followed with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from other governmental units and which are accrued. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the County's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the County which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue only when received. Expenditures are generally recorded on the accrual basis, except that unexpended appropriations at December 31, unless canceled by the governing body, are reported as expenditures with offsetting appropriation reserves. Appropriation reserves are available, until lapsed at the close of the succeeding fiscal year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are credited to the results of operations. As is the prevailing practice among municipalities and counties in the State, the County does not record obligations for accumulated unused vacation and sick pay.

## **Local Budget Law (N.J.S.A. 40A:4-1 et seq.)**

The foundation of the State local finance system is the annual cash basis budget. Every local unit, including counties, must adopt an annual operating budget in the form required by the Division. Certain items of revenue and appropriation are regulated by law and the proposed operating budget must be certified as approved by the Director prior to final adoption of the budget by a County Board of Chosen Freeholders. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and, in the case of a County, the Director is required to review the adequacy of such appropriations. Among other restrictions, the Director must examine the budget with reference to all estimates of revenue and the following appropriations: (a) payment of interest and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of the preceding year, (d) reserve for uncollected taxes, and (e) other reserves and nondisbursement items. The Director is empowered to permit a higher level of anticipation, however, should there be sufficient statutory or other evidence to substantiate that such anticipation is reasonable.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the budgetary review functions, focusing on anticipated revenues, and serves to protect the solvency of all local units. Local budgets, by law and regulation, must be in balance on a “cash basis”, i.e., the total of anticipated revenues must equal the total of appropriations. N.J.S.A. 40A:4-22. If in any year the County’s expenditures exceed its realized revenues for that year, then such excess (deficit) must be raised in the succeeding year’s budget.

In accordance with the Local Budget Law and related regulations, (i) each local unit, with a population of more than 10,000 persons, must adopt and annually revise a six (6) year capital program, and (ii) each local unit, with a population of less than 10,000 persons, must adopt (with some exceptions) and annually revise a three (3) year capital program. The capital program, when adopted, does not constitute the appropriation of funds, but sets forth a plan of capital expenditures which the local unit may contemplate over the next six (6) years or the next three (3) years, as applicable. Expenditures for capital purposes may be made either by ordinances adopted by the governing body which set forth the items and the methods of financing, or from the annual operating budget. *See* “CAPITAL IMPROVEMENT PROGRAM” herein.

## **Limitation on Expenditures (“CAP Law”)**

N.J.S.A. 40A:4-45.4 places limits on county tax levies and expenditures, this law is commonly known as the “Cap Law” (the “Cap Law”). The Cap Law provides that the County shall limit any increase in its budget to 2.5% or the Cost-of-Living Adjustment, whichever is less, of the previous year’s County tax levy, subject to certain exceptions. The Cost-of-Living Adjustment is defined as the annual percentage increase, rounded to the nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-of-Living Adjustment is equal to or less than 2.5%, the County may, by resolution approved by a majority vote of the full membership of the governing body, provide that the tax levy of the County for such year be increased by a percentage rate that is greater than the Cost-of-Living Adjustment, but not more than the 3.5% over the previous year’s county tax levy. *See* N.J.S.A. 40A:4-45.14. In addition, pursuant to Chapter 100 of the Laws of New Jersey of 1994 (N.J.S.A. 40A:4-45.15a, -45.15b) and Chapter 74 of the Laws of New Jersey of 2004, counties may “Cap Bank” under the Local Budget Law. Counties are permitted to appropriate available “CAP Bank” in either of the next two (2) succeeding years’ final appropriations if its actual appropriations in a fiscal year are below the allowable Cost-of-Living-Adjustment. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the “CAP”. Major exceptions to the “CAP” limit include:

(a) The amount of revenue generated by the increase in valuations within the county, based solely on applying the preceding year's county tax rate to the apportionment valuation of new construction or improvements within the county and such increase shall be levied in direct proportion to such valuation;

(b) Capital expenditures, including appropriations for current capital expenditures whether in the capital improvement fund, or as a component of a line item elsewhere in the budget, provided that any such current capital expenditure would otherwise be bondable under the Local Bond Law;

(c) An increase based upon emergency temporary appropriations made pursuant to N.J.S.A. 40A:4-20 to meet an urgent situation or event which immediately endangers the health, safety or property of the residents of the county, and over which the governing body had no control and for which it could not plan any emergency appropriations pursuant to N.J.S.A. 40A:4-46. Emergency temporary appropriations and emergency appropriations shall be approved by the Director and by at least two-thirds of the members of the governing body and shall not exceed in the aggregate three percent (3%) of the previous year's final current operating appropriations;

(d) All debt service;

(e) Amounts required to be paid pursuant to (i) any contract with respect to use, service or provision of any project, facility or public improvement for water, sewerage, parking, senior citizen housing or similar purpose, or payments on account of debt service therefor, between a county and any other county, municipality, school or other district, agency, authority, commission, instrumentality, public corporation, body corporate and politic or political subdivision of the State; and (ii) any lease of a facility owned by a county improvement authority when such lease payment represents the proportionate amount necessary to amortize debt incurred by the authority in providing the facility which is leased, in whole or in part;

(f) That portion of the county tax levy which represents funding to participate in any Federal or State aid program and amounts received or to be received from Federal, State or other funds in reimbursement for local expenditures. If a county provides matching funds in order to receive the Federal or State or other funds, only the amount of the match which is required by law or agreement to be provided by the county shall be excepted;

(g) Extraordinary expenses, approved by the Local Finance Board, required for the implementation of an interlocal services agreement;

(h) Any expenditure mandated as a result of a natural disaster, civil disturbance or other emergency that is specifically authorized pursuant to a declaration of an emergency by the President of the United States or by the Governor of the State;

(i) Expenditures for the cost of services mandated by any order of court, by any Federal or State statute or administrative rule, directive, order or other legally binding device issued by a State agency which has identified such cost as mandated expenditures on certification to the Local Finance Board by the State agency;

(j) That portion of the county tax levy which represents funding to a county college in excess of the county tax levy required to fund the county college in local budget year 1992;

(k) Expenditures for the administration of general public assistance pursuant to 1995 N.J. Laws c. 259;



(l) Amounts in a separate line item of a county budget that are expended on tick-borne disease vector management activities;

(m) Amounts expended by a county under an interlocal services agreement entered into pursuant to 1973 N.J. Laws c. 208 and entered into after the effective date of 2000 N.J. Laws c. 126 or amounts expended under a joint contract pursuant to 1952 N.J. Laws c. 72 and entered into after the effective date of 2000 N.J. Laws c. 126;

(n) Amounts appropriated in the first three years after the effective date of 2003 N.J. Laws c. 92 for liability insurance, workers' compensation insurance and employee group insurance;

(o) Amounts appropriated in the first three years after the effective date of 2003 N.J. Laws c. 92 for costs of domestic security preparedness and responses to incidents and threats to domestic security; and

(p) Appropriations that represent expenditures made by a county for the purpose of funding normal and accrued liability contributions to the Public Employees' Retirement System of New Jersey due in the State fiscal years 2004-2005, 2005-2006, 2006-2007, 2007-2008 and 2008-2009, or to the Police and Firemen's Retirement System due in the State fiscal years 2003-2004, 2004-2005, 2005-2006, 2006-2007 and 2007-2008, shall be exempt from the limits on increases to the county tax levy in county budgets for the local budget year in which those contributions are due.

Additionally, P.L. 2010, c.44, effective July 13, 2010, imposes a 2% cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of 2%, certain increases in health care costs in excess of 2%, and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above 2% not otherwise permitted under the law by an affirmative vote of 50%.

The Division of Local Government Services has advised that counties and municipalities must comply with both the budget "cap" and the tax levy limitation. Neither the tax levy limitation nor the "Cap Law", however, limits the obligation of the County to levy *ad valorem* taxes upon all taxable property within the boundaries of the County to pay debt service on bonds and notes, including the Bonds.

### **Deferral of Current Expenses**

Supplemental appropriations made after the adoption of the budget and determination of the tax rate may be authorized by the governing body of a local unit, including the County, but only to meet unforeseen circumstances, to protect or promote public health, safety, morals or welfare, or to provide temporary housing or assistance prior to the next succeeding fiscal year. However, with certain exceptions described below, such appropriations must be included in full as a deferred charge in the following year's budget. Any emergency appropriation must be declared by resolution according to the definition provided in a provision of the Local Budget Law, N.J.S.A. 40A:4-48, -49, and approved by at least two-thirds of full membership of the governing body. If such emergency appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director is required. N.J.S.A. 40A:4-49.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost, or floods, which may be

amortized over three (3) years, and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this section (ii) may be amortized over five (5) years. N.J.S.A. 40A:4-53, -54, -55, -55.1, -55.2, -55.3. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project as described above.

### **Budget Transfers**

Budget transfers provide a degree of flexibility and afford a control mechanism for local units, including counties. Transfers between major appropriation accounts are prohibited, except for: (i) during the first three (3) months of a current fiscal year, appropriation reserves may be transferred to the immediately preceding year's budget; and (ii) transfers between major appropriation accounts are permitted during the last two (2) months of a current fiscal year. Both types of transfers require a two-thirds vote of the full membership of the governing body. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Generally, transfers cannot be made from the down payment account, contingent expenses, capital improvement fund or from other sources as provided in the statute.

### **Anticipation of Real Estate Taxes**

N.J.S.A. 40A:4-29 provides limits for the anticipation of delinquent tax collections: “[t]he maximum which may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year.”

In regard to current taxes, N.J.S.A. 40A:4-41(b) provides that: “[r]eceipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year.”

This provision requires that an additional amount (the “reserve for uncollected taxes”) be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the product will at least equal the tax levy required to balance the budget. The County receives 100% of its tax levy.

### **Collection of County Taxes**

County taxes are collected by the municipalities located within a particular county and paid to its County Treasurer. The municipal levy includes all county, school and municipal taxes.

Each municipality is required to pay to its County Treasurer its share of the purpose taxes by no later than the 15th day of February, May, August and November of each year. Every county is required by law to receive its share of the taxes collected from the first taxes collected by each municipality. Consequently, counties in the State experience a 100% tax collection rate.

## **Anticipation of Miscellaneous Revenues**

N.J.S.A. 40A:4-26 provides that: “[n]o miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit.”

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years of such grants rarely coincide with a municipality’s calendar fiscal year. Grant revenues are fully realized in the year in which they are budgeted by the establishment of accounts receivable and offsetting reserves.

## **Debt Statements**

The County must report all new authorizations of debt or changes in previously authorized debt to the Division through the filing of Supplemental and Annual Debt Statements. The Supplemental Debt Statement must be submitted to the Division before final passage of any debt authorization other than a refunding debt authorization. Before January 31 of each fiscal year, the County must file an Annual Debt Statement which is dated as of the last day of the preceding fiscal year with the Division. This report is made under oath and states the authorized, issued and unissued debt of the County as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing. Even though the County’s authorizations are within its debt limits, the Division is able to enforce State regulations as to the amounts and purposes of local borrowings.

## **CAPITAL IMPROVEMENT PROGRAM**

N.J.A.C. 5:30-4 provides that the Capital Budget and Capital Improvement Program of a local unit must be adopted as part of the annual budget. It does not by itself confer any authorization to raise or expend funds. Rather it is a document used for planning. Specific authorization to expend funds for such purposes must be granted, by a separate bond ordinance, by inclusion of a line item in the Capital Improvement Section of the budget, by an ordinance taking money from the Capital Improvement Fund, or other lawful means.

## **TAX MATTERS**

### **Exclusion of Interest on the Bonds From Gross Income for Federal Tax Purposes**

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the County to comply with such requirements may cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The County will make certain representations in its tax certificate, which will be executed on the date of issuance of the Bonds, as to various tax requirements. The County has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause interest on the Bonds to lose the exclusion from gross income

under Section 103 of the Code. Bond Counsel will rely upon the representations made in the tax certificate and will assume continuing compliance by the County with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds for the purposes of alternative minimum tax.

Assuming the County observes its covenants with respect to compliance with the Code, Archer & Greiner P.C., Bond Counsel to the County, is of the opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the County or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the County as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

### **Original Issue Discount**

Certain maturities of the Bonds may be sold at an initial offering price less than the principal amount payable on such Bonds at maturity (the "Discount Bonds"). The difference between the initial public offering price of the Discount Bonds at which a substantial amount of each of the Discount Bonds was sold and the principal amount payable at maturity of each of the Discount Bonds constitutes the original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Under Section 1288 of the Code, the original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bonds will be increased by the amount of such accrued discount. Owners of the Discount Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of the original issue

discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

### **Original Issue Premium**

Certain maturities of the Bonds may be sold at an initial offering price in excess of the amount payable at the maturity date (the “Premium Bonds”). The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, as stock-in-trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner’s tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner’s original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the “constant yield method” described in regulations interpreting Section 1272 of the Code. Owners of the Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium that will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

### **Additional Federal Income Tax Consequences of Holding the Bonds**

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

### **Changes in Federal Tax Law Regarding the Bonds**

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State of New Jersey. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest, if applicable, on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

## **State Taxation for the Bonds**

Bond Counsel is of the opinion that, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

**ADDITIONALLY, EACH PURCHASER OF THE BONDS SHOULD CONSULT HIS OR HER OWN ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES, COURT DECISIONS OR LITIGATION.**

**ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.**

## **Other Tax Consequences**

Except as described above, Bond Counsel expresses no opinion with respect to any Federal, state, local or foreign tax consequences of ownership of the Bonds. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of issuance of the Bonds and assumes no obligation to update its opinion after such date of issuance to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no opinion as to the effect, if any, on the tax status of the interest on the Bonds paid or to be paid as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

See Appendix C for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Bonds.

**ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES (INCLUDING BUT NOT LIMITED TO THOSE LISTED ABOVE) OF THE OWNERSHIP OF THE BONDS.**

## **LEGALITY FOR INVESTMENT**

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutional, building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any obligations of the County, including the Bonds, and such Bonds are authorized security for any and all public deposits.

## **MUNICIPAL BANKRUPTCY**

**THE COUNTY HAS NOT AUTHORIZED THE FILING OF A BANKRUPTCY PETITION. THIS REFERENCE TO THE BANKRUPTCY CODE OR THE STATE STATUTE SHOULD NOT CREATE ANY IMPLICATION THAT THE COUNTY EXPECTS TO UTILIZE THE BENEFITS OF THEIR PROVISIONS, OR THAT IF UTILIZED, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN**

**WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY FOR THE BONDS, OR THAT THE BANKRUPTCY CODE COULD NOT BE AMENDED AFTER THE DATE HEREOF.**

The undertakings of the County should be considered with reference to 11 U.S.C. § 101 et seq., as amended and supplemented (the “Bankruptcy Code”), and other bankruptcy laws affecting creditors’ rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner’s creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Code specifically does not limit or impair the power of a state to control by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such code.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a local unit, including the County, has the power to file a petition in bankruptcy with any United States court or court in bankruptcy under the provisions of the Bankruptcy Code, for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Local Finance Board, as successor to the Municipal Finance Commission, must be obtained.

**APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Bond Counsel, whose approving legal opinion with respect to the Bonds will be delivered with the Bonds substantially in the form set forth in Appendix C attached hereto. Certain legal matters with respect to the Bonds will be passed on for the County by its Counsel, Jeffrey R. Lindsay, Esquire, Cape May Court House, New Jersey (“County Counsel”).

**BONDHOLDERS’ RISK**

It is to be understood that the rights of the holders of the Bonds, and the enforceability thereof, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

## **CERTIFICATES OF THE COUNTY**

Upon the delivery of the Bonds, the original purchaser shall receive a certificate, in form satisfactory to Bond Counsel and signed by officials of the County, stating to the best knowledge of said officials, that this Official Statement as of its date did not contain any untrue statement of a material fact, or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and stating, to the best knowledge of said officials, that there has been no material adverse change in the condition, financial or otherwise, of the County from that set forth in or contemplated by this Official Statement. In addition, the original purchaser of the Bonds shall also receive a certificate in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds and receipt of payment therefor, and certificates dated as of the date of the delivery of the Bonds, and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds, as applicable, or the levy or collection of taxes to pay the Bonds or the interest thereon, as applicable, or questioning the validity of the statutes or the proceedings under which the Bonds are issued, as applicable, and that neither the corporate existence or boundaries of the County, nor the title of any of the said officers to the respective offices, is being contested.

## **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Brittany M. Smith, Acting Chief Financial Officer/County Treasurer, County of Cape May, 4 Moore Road, Cape May Court House, NJ 08210, or by telephone at (609) 465-1170; or County Bond Counsel, John M. Cantalupo, Esquire, Archer & Greiner P.C., 10 Highway 35, Red Bank, New Jersey 07701, or by telephone at (732) 268-8009 or by email at [jcantalupo@archerlaw.com](mailto:jcantalupo@archerlaw.com); or County Municipal Advisor, Sherry L. Tracey, Phoenix Advisors, LLC, 625 Farnsworth Avenue, Bordentown, New Jersey 08505, or by telephone at (609) 291-0130 or by email at [tracey@muniadvisors.com](mailto:tracey@muniadvisors.com).

## **NO DEFAULT**

There is no report of any default in the payment of the principal of, redemption premium, if any, and interest on the bonds, notes or other obligations of the County as of the date hereof.

## **LITIGATION**

To the knowledge of County Counsel, after due inquiry, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the County or the title of any of the present officers. Further, to the knowledge of the County Counsel and except as set forth below in the next paragraph, no litigation is presently pending or threatened that, in the opinion of the County Counsel, would have a material adverse impact on the financial condition of the County if adversely decided.



## **MUNICIPAL ADVISOR**

Phoenix Advisors, LLC, Bordentown, New Jersey has served as municipal advisor to the County with respect to the issuance of the Bonds (the “Municipal Advisor”). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE BONDS**

The County has covenanted for the benefit of bondholders to provide certain financial information and operating data on the County annually and to comply with the provisions of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed in a Continuing Disclosure Certificate (the “Bond Certificate”) to be executed on behalf of the County by its Acting Chief Financial Officer/County Treasurer, in the form appearing in Appendix D hereto, such Bond Certificate to be delivered concurrently with the delivery of the Bonds. This covenant is being made by the County to assist the purchaser of the Bonds in complying with the Rule.

Within the five years immediately preceding the date of this Official Statement, the County previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: certain elements related to assessed valuation in its operating data for the fiscal year ending December 31, 2015. Additionally, the County previously failed to file a late filing notice in connection with its untimely filings of its operating data, as described above. Such notice of late filing has been filed with MSRB’s Electronic Municipal Market Access Dataport (“EMMA”). The County appointed Phoenix Advisors, LLC, Bordentown, New Jersey, in July of 2015 to serve as continuing disclosure agent.

## **PREPARATION OF OFFICIAL STATEMENT**

The County hereby states that it has compiled, prepared and reviewed this Official Statement with the assistance of Bond Counsel, County Counsel and the Auditor as described herein. The descriptions, statements and financial, demographic and statistical information contained in the Official Statement are true and correct in all material respects and it will confirm same to the Underwriter of the Bonds, by certificates signed by certain County officials and officers. *See* “CERTIFICATES OF THE COUNTY” herein.

The Municipal Advisor has participated in the preparation and review of this Official Statement, but has not participated in the collection of the financial, demographic and statistical information contained in Appendix A and Appendix B and throughout this Official Statement, nor has it verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

Bond Counsel has participated in the preparation and review of this Official Statement, but has not participated in the collection of the financial, demographic and statistical information contained in Appendix A and Appendix B and throughout this Official Statement, nor has it verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

County Counsel has not participated in the preparation of the information contained in this Official Statement, nor has he verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but has reviewed the section under the caption entitled “LITIGATION” and expresses no opinion or assurance other than that which is specifically set forth therein with respect thereto.

Ford, Scott & Associates, LLC, Auditor to the County (the “Auditor”), has not participated in the preparation or review of the information contained in this Official Statement, except as hereinafter noted, nor has it verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but has (a) assisted in the assembling of certain information contained in Appendix A of this Official Statement from sources which the County considers to be reliable and the Auditor makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information, and (b) prepared Appendix B to this Official Statement and takes responsibility for the audited financial statements to the extent specified in their Independent Auditors’ Report and it will confirm same to the Underwriter of the Bonds, by a certificate signed by an authorized officer.

## **UNDERWRITING**

The Bonds have been purchased from the County at a public sale for resale by \_\_\_\_\_ (the “Underwriter”), at a purchase price of \$ \_\_\_\_\_. The purchase price of the Bonds reflects the par amount of the Bonds in the amount of \$ \_\_\_\_\_, minus an Underwriter’s discount in the amount of \$ \_\_\_\_\_, plus an original issue premium in the amount of \$ \_\_\_\_\_.

## **RATING**

Moody’s Investors Services (“Moody’s” or the “Rating Agency”) has assigned a “Aa1” rating to the Bonds. Explanations of the significance of the rating may be obtained from Moody’s. Such rating reflects only the views of such Rating Agency, and an explanation of the significance of the rating may be obtained from such Rating Agency. There is no assurance that the rating will continue for any period of time or that they will not be revised or withdrawn entirely by such Rating Agency, if in the judgment of such Rating Agency, circumstances so warrant. Any revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. Except as set forth in the Bond Certificate, the County has not agreed to take any action with respect to any proposed rating change or to bring such rating change, if any, to the attention of the owners of the Bonds.

## **FINANCIAL STATEMENTS**

The balance sheets – statutory basis of the various funds of the County as of and for the years ended December 31, 2018 and 2017 and the related statements of operations and changes in fund balance – statutory basis for the years then ended and the related statement of revenues – statutory basis and statement of expenditures – statutory basis for the years ended December 31, 2018 and 2017, together with the Notes to the Financial Statements for the years then ended, are presented in Appendix B to the Official Statement. The financial statements referred to above have been audited by Ford, Scott & Associates, LLC, Ocean City, New Jersey, independent auditor, as stated in its report appearing in Appendix B.

## **MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

## **COUNTY OF CAPE MAY**

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**BRITTANY M. SMITH**  
**Acting Chief Financial Officer/County Treasurer**

DATED: September \_\_, 2019

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## **APPENDIX A**

### **CERTAIN FINANCIAL AND DEMOGRAPHIC INFORMATION CONCERNING THE COUNTY OF CAPE MAY**

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**GENERAL INFORMATION  
ABOUT THE  
COUNTY OF CAPE MAY, NEW JERSEY**

**General Information**

The County is located in the Middle Atlantic Region of the United States and forms the southern tip of the State of New Jersey. The County is a peninsula, 454 square miles in total area, bordered by the Delaware Bay on the west and the Atlantic Ocean on the east. Due to the maritime influences, its climate is milder than that of the populous northern parts of the state.

Approximately 32 miles in length and 15 miles in width; the County contains 267 square miles of land area. According to the New Jersey Department of Environmental Protection 2012 Land Use / Land Cover data, the County is approximately 19% developed lands, 22% forested or agricultural lands, 1% barren lands and nearly 58% wetlands or water. The balance of the County's area consists of waterways, meadowlands, tide marshes, and beach.

Geographically, central points of the County are approximately 150 miles southwest of Times Square in New York City, 80 miles southeast of Philadelphia, and 130 miles due east of Washington D.C.

The principal transportation network that links the County to other parts of the state, as well as to Pennsylvania, New York and Delaware, includes north-south routes of the Garden State Parkway, U.S. Route 9, and State Highways 47 and 50. The Parkway provides easy access to the Atlantic City Expressway and the New Jersey Turnpike and in turn provides direct routing north to New York, south via the Delaware Memorial Bridge and Cape May-Lewes Ferry to Delaware, and west via the Pennsylvania Turnpike.

As the accompanying maps illustrate, the County is situated south of Atlantic County and southeast of Cumberland County, its two neighboring counties. The County ranks 14<sup>th</sup> in size among the 21 counties of New Jersey.

**Hospitals**

The Cape Regional Medical Center, a modern health complex located in Middle Township just off the Garden State Parkway, serves the County with a 242-bed facility. Shore Medical Center, a larger modern hospital located in Somers Point, Atlantic County, a municipality adjacent to Upper Township and Ocean City, is available to residents of the northern part of Cape May County.

**Utilities**

Atlantic City Electric provides electricity for the entire County. Natural gas is provided County-wide by the South Jersey Gas Company.

Regional wastewater treatment services are provided by the Cape May County Municipal Utilities Authority ("CMCMUA"/"Authority") at four (4) regional wastewater treatment facilities. The CMCMUA also operates regional transmission systems which convey wastewater from 13 of the County's 16 municipalities, to the CMCMUA's regional treatment facilities. The residual wastewater biosolids from the Authority's regional treatment facilities is collected at the CMCMUA Transfer Facility and trucked to various locations for disposal.

The CMCMUA also operates the County's Solid Waste Management Program, which emphasizes the recycling of a significant portion of the waste stream in conjunction with resource recovery and landfilling. In 2014, the County's sixteen (16) municipalities recycled 46% of their municipal solid waste. In the same year, in excess of 60% of the total solid waste generated within Cape May County was recycled through a combination of CMCMUA and private sector facilities. These solid waste diversion rates are consistent with historical recycling rates achieved by Cape May County residents, businesses, and municipalities.

On October 4, 2000, the NJDEP approved the solid waste disposal provisions of an Amendment to the Cape May County Solid Waste Management Plan ("Amendment"), which now requires that all non-recycled solid waste which is generated within Cape May County must be disposed of either at the CMCMUA's sanitary landfill or permitted out-of-state solid waste disposal facility. This Amendment, which is consistent with recent Federal and State Court decisions regarding designation of solid waste facilities for disposal, provided such designation does not interfere with Interstate Commerce, was adopted in order to provide greater stability for preserving and maintaining all elements of the comprehensive solid waste disposal system currently in place in the County and to promote other environmental goals and objectives.

The CMCMUA operates a sanitary landfill, which is located in a portion of the County that is under the jurisdiction of the Pinelands Commission. In an effort to end all landfilling within the Pinelands Area, the Pinelands Commission limited the CMCMUA's disposal of solid waste in its sanitary landfill through May 1, 1996, after which the landfill was required to permanently close. Notwithstanding the initial requirement of the Pinelands Commission for permanent closure of the CMCMUA's Sanitary Landfill, on June 19, 1995, an agreement (the "Agreement") was reached, and both the Cape May County Solid Waste Management Plan and the Pinelands Comprehensive Management Plan have now been amended in order to implement the terms of the Agreement, which authorizes continued landfilling of the County's non-recycled solid waste within a limited portion of the CMCMUA's existing landfill site. Depending on the extent of any additional resource recovery facilities and/or programs implemented by the County, the CMCMUA estimates that the remaining landfill capacity at this site, as authorized by the Agreement, is sufficient to meet Cape May County's waste disposal needs for an additional 120 years.

### **Pension Costs and County Employment**

Those County employees who are eligible for pension coverage are enrolled in one of two pension systems. These pension systems were established by act of the State Legislature. Benefits, contributions, means of funding, and the manner of administration are determined by State legislation.

These State-administered pension funds are the Judicial Retirement System (N.J.S. 43:6A) and the Public Employees Retirement System (N.J.S. 53:15A). The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the funds. This Division charges the County and other governmental units annually for their respective contributions. State law requires that these systems be subject to actuarial valuation every year and actuarial investigation every three years.

The following table illustrates the County's contributions to these State-administered pension systems for the past nine years:

<u>Year</u>	<u>Contribution</u>
2011	6,587,352
2012	6,388,653
2013	6,394,916
2014	5,906,591
2015	6,280,198
2016	6,373,910
2017	6,724,382
2018	7,395,242
2019	8,035,950



## **Labor Relations**

As of January 1, 2019, the County employed a total of 1,161 full-time, part-time and seasonal people. Under the laws of the State of New Jersey, municipal and county employees have certain organizational and representational rights, which include the right to organize and bargain collectively through representatives of their choosing and to engage in lawful concerted activities for bargaining.

Several union contracts are currently in force between the County and its employees. Four contracts are with employees of the Prosecutor's Office: Assistant Prosecutors; Sergeants, Detectives and Investigators; Superior Officers and Clerical Staff, which contracts will expire December 31, 2022, December 31, 2019, December 31, 2019 and December 31, 2021, respectively. Four contracts are with employees of the Sheriff's Office: Sergeants and Corrections Officers; Superior Officers of the Correctional Facility; Sergeants and Officers of the Sheriff's Office; and Superior Officers of the Sheriff's Office, which contracts will expire December 31, 2017, December 31, 2023, December 31, 2021 and December 31, 2019, respectively. One contract is with the employees of the County's Department of Human Services, and this contract will expire December 31, 2022. The remaining bargaining group, AFSCME, Council 63, is comprised of the majority of County employees and this contract will expire on December 31, 2022.

## **Capital Improvement Program**

The County annually compiles a Six Year Capital Program which is included as part of each year's budget. Actual authorizations for spending must come in the form of ordinances passed by the Freeholder Board, but the Program is a planning tool and represents a conceptual recognition of the needs of specific capital improvements.

The following schedule lists projects totaling \$92,521,141.00 which will be funded by approximately \$2,521,141.00 of budget appropriations, \$2,478,859.00 from the Capital Improvement Fund, \$0.00 from State and Federal grants, and \$87,521,141.00 in long-term debt.

County of Cape May Six-Year Capital Program								
		Funding Amount Per Year						
Project	Estimated Total Cost	2019	2020	2021	2022	2023	2024	
Upgrade								
roads and bridges	\$ 60,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	
Const & Revoc								
of county buildings	29,472,250	29,472,250						
Improvements								
County Park	275,000	275,000						
Purchase Computers								
and electronic eq	777,995	777,995						
Purchase								
vans and trucks	684,274	684,274						
Purchase								
Phone and Comm Eq	66,700	66,700						
Imp County Bridges	-	-						
Purch Various Equip								
Imp. Cty Buildings	809,282	809,282						
Crest Haven Equip	135,640	135,640						
Joint Public Safety								
Building								
Wildwood Redevelopment	300,000	300,000						
Project								
	\$ 92,521,141	\$ 42,521,141	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	

## **EDUCATION**

### **County Special Services School District**

The Cape May County Special Services School District is a County-funded school district currently providing a free public-school education for over 230 properly classified students, ages birth to 21, with educators dedicated to the task of preparing boys and girls to take their rightful place in the mainstream of society as responsible citizens.

Educational programs are designed for each student according to individual physical, emotional and academic needs. In addition to basic educational needs, each student has the opportunity to participate in prevocational shop experiences, physical education, outdoor experiential education, cultural enrichment through music and art, and on-the-job training experiences. Related services are provided according to individual needs and include: speech, physical, and occupational therapies; guidance, individual, group and family counseling, and adaptive physical education.

The school district was organized by the County Freeholders in 1974 and has continued to grow. The Freeholders have provided funds annually for the operation of the district. Funding is shared by the State Department of Education, local school districts, and the County Board of Chosen Freeholders. In 1980-81, the Freeholders constructed a 74,000-square-foot building designed especially for the education of these students and in 1992 financed a 96,000-square-foot addition and renovation to the original building.

### **County Vocational School**

Vocational education in the County had its beginning in 1915 with one teacher and class of 14 students. The Cape May County Technical School is centrally located in the Crest Haven Complex in Cape May Court House, the County seat. An attractive functional building was constructed and in September 1969 classes were opened at the County Vocational-Technical Center. The school was erected on 90 acres.

A decision by the Board of Chosen Freeholders to convert the Cape May County Technical School to a full-time academic-vocational school now permits students to attend school full-time and graduate from the new school. In 1994, the County financed a \$7,500,000 renovation and addition to this complex. A 2006 bond issue financed an additional \$14,769,000 for the complex. Approximately 685 students attend full-time and approximately 1,860 adults attend evening classes.

### **Other Educational Programs**

Within the County are 19 school districts including four public high schools, one parochial high school, and many elementary schools.

Atlantic Cape Community College (formerly Atlantic County Community College) provides higher education opportunities for County residents through classes at various locations throughout the County. In addition, the County reimburses County residents who attend out-of-county community colleges.

## ECONOMIC AND DEMOGRAPHIC INFORMATION

The following material presents certain economic information of the County of Cape May:

### **Employment**

The total number of persons employed in the County in 2018 was 41,900. The thirty-two largest employers in the County, in no particular order, include the following:

Name	Business Description
Acme	Grocers-Retail
Cape Regional Medical Center	Hospitals
Court House Convalescent	Health Services
Crest Haven Nursing & Rehab	Nursing & Convalescent Homes
Deauville Inn	Full-service Restaurant
Drug Detox Helpline	Addiction Treatment Centers
Gillian's Wonderland Pier	Docks (builders)
Grand Hotel of Cape May	Hotel & Motels
Home Depot	Home Centers
Lifestyle Management Center	Hospitals
Lobster House Restaurant & Bar	Full-service Restaurant
Lowe's Home Improvement	Home Centers
Magton Inc	Hotel & Motels
MCR Concessions – Morey's Pier	Concessionaires
Mid Atlantic Center for the Arts	Museums
Morey's Piers & Beachfront	Amusement & Theme Parks
Obadiah's Restaurant	Full-service Restaurant
Oceana Rehabilitation & Nurse	Rehabilitation Services
Oceanview Center for Rehab	non-profit organizations
Performing Arts Center	Halls & Auditorium
Shop Rite	Grocers-Retail
Snow's/Doxsee Inc	Food Products & Manufacturers
Super Fresh	Grocers-Retail
Two Mile Landing Restaurant	Full-service Restaurant
Uries Waterfront Restaurant	Full-service Restaurant
Victoria Manor Nursing Home	Nursing & Convalescent Homes
Wakefern Food Corp	Grocers-Retail
Walmart	Department Store
Wesley Shores	Residential Care Facilities
Wildwheels Raceway & Adventure	Amusement Places
Windrift Hotel & restaurant	Hotel & Motels / Full-service Restaurant
Woodbine Developmental Center	Developmental Disability Services

Source: Info group, Omaha, NE

### **Employment and Unemployment Comparisons**

For the years 2013 to 2018, the New Jersey Department of Labor reported the following annual average employment information for the County of Cape May.

Year	Total Labor Force	Employed Labor Force	Total Unemployed	Unemployment Rate
2013	49,400	42,300	7,000	14.30%
2014	48,600	42,600	5,900	12.20%
2015	48,000	42,700	5,300	11.10%
2016	46,700	42,100	4,600	9.80%
2017	46,100	41,900	4,200	9.20%
2018	45,800	41,900	3,800	8.40%

### **Population**

Population growth within the County during the past ten years has mainly occurred in the mainland areas of Lower Township, Middle Township, and the northern part of the County comprising the Ocean City-Upper Township area. The population estimate for 2018 is 92,560.

Year	County Population	% Change
2010	97,265	-4.95%
2000	102,326	7.64%
1990	95,059	15.55%
1980	82,266	38.14%
1970	59,554	22.65%
1960	48,555	30.77%

Source: U.S. Bureau of the Census

### **Tourism**

The most striking characteristic of the economy of the County is the importance of the tourist and resort industry. The summer tourist industry has been the strongest economic factor in the County for over 50 years.

The County affords visitors and residents alike several outstanding natural attributes including the combination of privacy yet close proximity to several major American cities, ideal climate, more than 40 miles of clean, white, sandy beaches, and a reputation for safety. The ocean, beaches, waterways, wetlands, woodlands, climate, and open-space character are the primary resources of the resort industry. Secondary to these are the boardwalks, motels, restaurants, marinas, and other recreational service facilities.

The following selected statistics indicate the level of activity in the County, which is a reflection of the tourist and resort industry:

Number of Vehicles on Ocean Drive Bridges (series of bridges connecting shore communities):

<u>Year</u>	<u>Number of vehicles</u>
2008	2,452,480
2009	2,352,063
2010	2,197,836
2011	2,093,918
2012	2,077,557
2013	2,176,933
2014	1,889,530
2015	1,799,708
2016	1,864,224
2017	1,792,213
2018	1,903,700

\* Beginning in 2006, Traffic was counted one way only

Traffic on Cape-May Lewes Ferry (connecting New Jersey with Delaware):

<b>Year</b>	<b>Total Vehicles</b>	<b>Total Passengers</b>
2011	268,605	779,451
2012	271,178	751,057
2013	255,078	703,939
2014	262,006	767,199
2015	266,149	782,241
2016	258,863	750,137
2017	247,713	771,301
2018	263,915	754,631

Traffic on Garden State Parkway:

<b>Year</b>	<b>Great Egg Number of Vehicles</b>	<b>Cape May Number of Vehicles</b>
2009	7,194,963	5,370,527
2010	7,256,238	5,339,429
2011	7,014,862	5,191,975
2012	6,967,308	5,062,187
2013	6,926,145	5,074,525
2014	7,030,365	5,254,483
2015	6,934,543	5,310,355
2016	6,993,883	5,463,273

Source: Cape May County Department of Planning

In order to provide an alternative for tourists to hotels, motels and guesthouses, the campground industry has developed in the County as indicated by the following chart:

<b>Year</b>	<b>Number</b>	<b>Sites</b>
2011	47	14,724
2012	47	15,159
2013	47	17,199
2014	47	17,199
2015	47	17,199
2016	46	17,159
2017	45	15,012
2018	45	15,012

### **Construction**

Continuing tourism development county-wide, and in the casino industry in nearby Atlantic City, has had a significant impact on growth in Cape May County. Construction applications have increased notably throughout the County. The following table illustrates the value of construction in the County for the past eight years:

<b>Year</b>	<b>Issued</b>	<b>Total Value</b>
2011	445	\$246,080,315
2012	517	\$256,544,827
2013	683	\$305,186,833
2014	646	\$345,931,240
2015	639	\$342,097,793
2016	635	\$424,047,902
2017	707	\$417,133,781
2018	626	\$380,065,012

### **General Economic Developments**

Highlights of the evidence of economic development in various sections of the economy and different sections of the County follow:

- The barrier islands continue to see an influx of mixed use facilities construction. Mixed use facilities typically provide ground floor commercial space with 2<sup>nd</sup> and 3<sup>rd</sup> floor residential units.
- Several proposed developments in Middle Township included the construction of townhouse developments; one 8 unit 4-story townhouse development and the other a 16 unit townhouse development and commercial space.
- Cape Regional Medical Center has proposed the expansion of their existing hospital campus with a new ambulatory surgery center and parking.  
The construction of a 55 unit motel was proposed in Lower Township

## **Commercial Fishing**

Commercial fishing has been significant to the economy of the County for well over one hundred years. As a major industry, commercial fishing provides full-time employment for fishermen, as well as workers on dockside facilities, processing and distribution. In addition, it provides part-time employment for many who are idle during the off-season of the tourism industry. Likewise, numerous support businesses, such as transportation, marine supplies, fuel, machine shops, insurance, banking, restaurants and seafood markets, find income generated through association with the fishing industry.

The County has ranked first among New Jersey's coastal counties in both total catch and value of food fish and shellfish since 1969\*. Cape May Harbor, located north of Cape May City, is the hub of a multi-million-dollar fishing industry that employs several hundred people in the Cape May area. Based on available data, Cape May Harbor and surrounding fisheries ranked 32nd amongst all United States commercial fishing ports in 2013. Cape May Harbor is one of six major ports in the State of New Jersey. Cape May Harbor is the leader in pounds landed (20 million pounds valued at \$35.0 million in 2013). In 2010, the state's fishermen harvested 165 million pounds of shellfish. New Jersey is the world's leading supplier of ocean quahogs and surf clams.

In 2009, the state estimated that New Jersey's sport and commercial fisheries combined, contributed over 1.4 billion dollars to the state's economy. Cape May County alone contributed over 500 million dollars annually to this total and the industry has more than doubled in size in the past twenty years. Landings have varied from about 100 to 200 million pounds, but the dollar value of this catch has remained fairly constant. Except for the scallop industry that showed an increase in catch and dollar value since 2009.

In an attempt to overcome the problem of overharvesting, the U.S. Government put into effect the 200-mile limit on March 1, 1977. Although foreign vessels are not prohibited within the 200-mile limit, specific quotas have been set for the various catches being taken. All segments of the fishing industry in Cape May County have viewed this legislation as beneficial to the economy of the industry.

New market development and marketing innovation have contributed significantly to the year-round viability of the Cape May County fishing fleet. The recent establishment of a trade organization devoted to the expansion of fin and shellfish on a national and international scale bodes well for the future of the industry in Cape May County.

Finally, the Cape May County commercial fishing industry continues to be favorably influenced by the continuing development of Atlantic City as a year-round resort spurred by casino gambling. It is reasonable to expect that, as a result, a larger tourist and twelve-month population will demand more seafood for home and restaurant consumption. It is also realistic to expect an influx of vessels, processing plants, and wholesalers now located in Atlantic County to relocate in Cape May County as redevelopment causes increased land values, taxes and costs.

Source: \* Cape May County Planning Board - Data Book; Rutgers  
University Commercial Fishing Industry Study

**COUNTY OF CAPE MAY**  
**STATEMENT OF STATUTORY NET DEBT (1)**  
**December 31, 2018**

GROSS DEBT:

BONDS AND LOANS ISSUED:

General Improvement Bonds Issued and Outstanding	\$ 113,630,000.00
General Improvement Bond Anticipation Notes Issued and Outstanding	23,000,000.00
County College Bonds Issued and Outstanding	-
County Special Services/Vocational Bonds Issued and Outstanding	-
	<hr/>
	136,630,000.00

BONDS/NOTES AUTHORIZED BUT NOT ISSUED:

General Improvements	184,631,418.03
County College	-
County Special Services/Vocational	-
	<hr/>

TOTAL GROSS DEBT 321,261,418.03

LESS: STATUTORY DEDUCTIONS

Reserve for Debt Service	7,725,119.74
County College Bonds	-
County Special Services/Vocational Bonds	-
	<hr/>

STATUTORY NET DEBT \$ 313,536,298.29

Three Year Average (2016-2018)  
Equalized Valuation of Real Property  
(Pursuant to N.J.S.A. 15:1-35.1) \$ 49,910,446,471.33

Net Debt Expressed as a Percentage of  
Average Equalized Valuation of Real Property 0.628%

Debt Limitation per N.J.S.A. 40A:2-6  
(Counties) 2% of Three-Year Average  
Equalized Valuation 998,208,929.43

Total Net Debt (1)	<u>313,536,298.29</u>
Remaining Net Debt Capacity	<u>\$ <u>684,672,631.14</u></u>

In addition, the County has guaranteed \$26,725,655 of Revenue Bonds and Notes of the Cape May County Municipal Utilities Authority and pays all of the Debt Service of the Cape May County Bridge Commission.

(1) Source: Auditor to the County of Cape May



**COUNTY OF CAPE MAY  
DEBT SERVICE REQUIREMENTS**

PRIOR TO ISSUANCE				AFTER ISSUANCE				
Existing Long-Term Debt Service Requirements (1)				Long-Term Debt Service Requirements (1)				
Year Ending 12/31	Outstanding Bonds and Loans as of December 31, 2018			This Issue		Total Outstanding Debt Service Requirements	Year Ending 12/31	Principal Retired %
	General & Bridge Commission		General	Interest (2)				
	Principal	Interest						
2019	8,565,000.00	3,239,637.51				11,804,637.51	2017	
2020	8,905,000.00	3,053,437.51			1,250,000.00	15,208,437.51	2018	
2021	9,635,000.00	2,867,587.51			1,200,000.00	15,952,587.51	2019	
2022	10,145,000.00	2,665,556.26			1,143,750.00	16,454,306.26	2020	
2023	10,875,000.00	2,439,965.64			1,081,250.00	17,146,215.64	2021	32.8%
2024	11,405,000.00	2,137,193.76			1,012,500.00	17,554,693.76	2022	
2025	8,135,000.00	1,811,606.26			937,500.00	14,384,106.26	2023	
2026	8,370,000.00	1,562,081.26			850,000.00	14,282,081.26	2024	
2027	8,710,000.00	1,305,531.26			762,500.00	14,278,031.26	2025	
2028	9,045,000.00	1,070,956.26			675,000.00	14,290,956.26	2026	68.4%
2029	9,185,000.00	828,356.26			587,500.00	14,100,856.26	2027	
2030	7,320,000.00	582,731.26			500,000.00	12,402,731.26	2028	
2031	7,360,000.00	394,081.26			400,000.00	12,154,081.26	2029	
2032	6,620,000.00	200,468.76			300,000.00	11,120,468.76	2030	97.1%
2033	370,000.00	35,281.26			200,000.00	4,605,281.26	2031	
2034	380,000.00	26,956.26			100,000.00	4,506,956.26	2032	
2035	390,000.00	18,406.26				408,406.26	2033	
2036	385,000.00	9,143.76				394,143.76	2034	
2037		-				-	2035	
		-				-	2036	
						-	2037	
Totals	125,800,000.00	24,248,978.31			50,000,000.00	211,048,978.31	Totals	

(1) Source: Auditor to the County of Cape May

(2) Interest calculated at 2.5%

**COUNTY OF CAPE MAY  
DEBT OUTSTANDING**

The outstanding debt of the County incurred for capital expenditures as of December 31, 2018 are shown below:

**BONDS OUTSTANDING AS OF DECEMBER 31, 2018**

**General Capital:**

<u>Issued</u>	<u>Purpose</u>	<u>Principal Outstanding</u>
2012	General Capital	\$ 20,000,000.00
2015	General Capital	18,600,000.00
2016	General Capital	36,630,000.00
2017	General Capital	38,400,000.00
	Total General Capital	\$ <u>113,630,000.00</u>

**Bridge Commission:**

<u>Issued</u>	<u>Purpose</u>	<u>Principal Outstanding</u>
2005	General Capital	12,170,000.00
	Total Bridge Commission	<u>12,170,000.00</u>

(1) Source: Auditor to the County of Cape May

**COUNTY OF CAPE MAY**  
**NET DEBT OUTSTANDING OF CONSTITUENT MUNICIPALITIES**  
**TO THE COUNTY UNDERLYING DEBT**

As of December 31, 2018

	Gross Debt			Statutory Deductions			Net Capital Debt	3 Year Average Equalized Value	% of Net Debt
	School	Self Liquidating	Other	School	Self Liquidating	Other			
Borough of Avalon	\$ 821,000	\$ 13,693,000	\$ 31,093,627	\$ 821,000	\$ 13,693,000	\$ 108,094	\$ 30,985,533	\$ 8,523,019,907	0.364%
City of Cape May	3,722,427	22,806,349	45,786,603	3,722,427	22,806,349	445,382	45,341,221	2,871,777,468	1.579%
Borough of Cape May Point	-	1,222,500	670,744	-	1,222,500	-	670,744	468,988,916	0.143%
Township of Dennis	1,475,000	-	5,543,973	1,475,000	-	-	5,543,973	902,481,369	0.614%
Township of Lower	9,800,324	-	43,598,474	9,800,324	-	-	28,141,227	3,899,058,821	0.722%
Township of Middle	23,745,000	25,237,960	9,226,249	23,745,000	25,237,960	-	9,226,249	2,655,966,867	0.347%
City of North Wildwood	185,000	-	64,284,511	185,000	-	-	64,284,511	2,616,331,847	2.457%
City of Ocean City	9,531,000	-	148,855,503	9,531,000	-	3,487,201	145,368,302	12,215,097,199	1.190%
City of Sea Isle City	-	16,571,809	46,904,470	-	16,571,809	-	46,904,470	4,838,575,735	0.969%
Borough of Stone Harbor	-	21,320,544	39,304,867	-	21,320,544	-	38,745,215	4,521,036,900	0.857%
Township of Upper	-	-	9,168,960	-	-	72,091	9,096,870	1,914,804,734	0.475%
Borough of West Cape May	640,573	3,650,301	2,916,798	640,573	3,650,301	133,399	2,783,399	494,189,522	0.563%
Borough of West Wildwood	-	952,719	4,461,538	-	952,719	343,950	4,117,588	226,176,621	1.821%
City of Wildwood	-	45,032,877	19,831,170	-	45,032,877	-	19,831,170	1,400,431,533	1.416%
Borough of Wildwood Crest	-	-	27,459,674	-	-	-	27,459,674	2,201,751,118	1.247%
Borough of Woodbine	2,262,000	3,348,730	-	2,262,000	3,348,730	-	-	160,757,913	0.000%
<b>TOTAL</b>	<b>\$ 52,182,324</b>	<b>\$ 153,836,789</b>	<b>\$ 499,107,161</b>	<b>\$ 52,182,324</b>	<b>\$ 153,836,789</b>	<b>\$ 20,607,016</b>	<b>\$ 478,500,146</b>	<b>\$ 49,910,446,470</b>	

(1) Source: State of New Jersey, Department of Community Affairs, Division of Local Government Services

**COUNTY OF CAPE MAY**  
**SCHEDULE OF EQUALIZED VALUATIONS FOR CONSTITUENT MUNICIPALITIES**

	<b>2018</b>			<b>2017</b>		
	Net Taxable Value All Property	Equalized Valuation on Which County Taxes are Apportioned	Percentage of Total County Equalized Valuation	Taxable Value All Property	Equalized Valuation on Which County Taxes are Apportioned	Percentage of Total County Equalized Valuation
Borough of Avalon	\$ 8,934,479,138	\$ 8,436,507,499	16.87%	\$ 7,500,484,559	\$ 8,216,668,527	16.76%
City of Cape May	2,843,406,631	2,871,036,576	5.74%	2,814,237,746	2,866,158,360	5.85%
Borough of Cape May Point	454,872,999	459,508,157	0.92%	453,255,001	458,568,545	0.94%
Township of Dennis	882,313,900	899,743,003	1.80%	878,998,500	888,435,385	1.81%
Township of Lower	3,634,439,452	3,908,079,119	7.81%	3,625,260,471	3,802,011,213	7.76%
Township of Middle	2,745,517,626	2,664,444,324	5.33%	2,739,976,123	2,633,359,335	5.37%
City of North Wildwood	2,594,025,877	2,632,597,230	5.26%	2,582,085,857	2,577,647,285	5.26%
City of Ocean City	11,692,444,386	12,354,581,270	24.70%	11,556,818,374	12,117,809,243	24.72%
City of Sea Isle City	4,609,325,900	4,887,092,105	9.77%	4,562,274,600	4,686,347,548	9.56%
Borough of Stone Harbor	4,828,103,410	4,534,047,182	9.06%	4,454,313,088	4,316,439,875	8.81%
Township of Upper	1,864,327,932	1,923,814,287	3.85%	1,856,932,457	1,973,679,725	4.03%
Borough of West Cape May	481,063,324	499,169,212	1.00%	468,593,823	483,309,561	0.99%
Borough of West Wildwood	208,689,232	217,132,394	0.43%	209,562,299	233,078,313	0.48%
City of Wildwood	1,405,908,255	1,363,263,358	2.73%	1,410,377,404	1,429,818,180	2.92%
Borough of Wildwood Crest	2,291,044,313	2,198,147,691	4.39%	2,294,314,735	2,176,024,199	4.44%
Borough of Woodbine	176,983,800	169,257,668	0.34%	176,283,500	157,909,064	0.32%
<b>TOTAL</b>	<b>\$ 49,646,946,175</b>	<b>\$ 50,018,421,075</b>	<b>100.00%</b>	<b>\$ 47,583,768,537</b>	<b>\$ 49,017,264,358</b>	<b>100.00%</b>

(1) Source: 2018 and 2017 Cape May County Abstract of Ratables

## COUNTY OF CAPE MAY

### EQUALIZED VALUATIONS ON WHICH COUNTY TAXES ARE APPORTIONED AND ANNUAL TAX RATES (1)

Year	Net Valuation Taxable (2)	Net Valuation on Which County Taxes are Apportioned (3)	Ratio of Assessed to True Value of Real Property	County Tax Rate Per \$100
2018	49,646,946,165	50,018,421,075	99.26%	0.2243
2017	47,583,768,537	49,017,264,358	97.08%	0.2186
2016	47,266,078,001	47,669,579,548	99.15%	0.2179
2015	47,586,476,723	47,226,165,834	100.76%	0.2144
2014	47,898,662,272	46,859,941,172	102.22%	0.2106
2013	48,630,671,038	47,186,483,871	103.06%	0.2056
2012	49,914,480,352	49,336,831,459	101.17%	0.1926
2011	50,707,791,842	51,610,231,338	98.25%	0.1822
2010	53,450,725,910	53,534,620,184	99.84%	0.1731
2009	53,536,989,527	55,101,485,337	97.16%	0.1617
2008	51,404,829,083	54,740,892,088	93.91%	0.1514
2007	45,500,264,260	52,953,293,787	85.93%	0.1513
2006	39,177,722,929	44,161,077,103	88.72%	0.1696
2005	30,959,289,578	35,484,932,305	87.25%	0.2061
2004	27,407,693,230	28,544,605,316	96.02%	0.2491

### TAX COLLECTION (1)

Year	Tax Levy	Collected Year of Levy	
		Amount	Percentage
2018	112,079,521.00	112,079,521.00	100%
2017	107,042,091.17	107,042,091.17	100%
2016	103,698,473.82	103,698,473.82	100%
2015	101,057,742.45	101,057,742.45	100%
2014	98,334,470.18	98,334,470.18	100%
2013	96,481,177.00	96,481,177.00	100%
2012	94,603,535.00	94,603,535.00	100%
2011	93,670,627.24	93,670,627.24	100%
2010	92,412,096.25	92,412,096.25	100%
2009	88,704,655.62	88,704,655.62	100%
2008	82,759,001.84	82,759,001.84	100%
2007	79,992,650.25	79,992,650.25	100%
2006	75,031,629.33	75,031,629.33	100%
2005	73,072,666.15	73,072,666.15	100%
2004	70,971,989.83	70,971,989.83	100%

(1) Source: Auditor to the County of Cape May

(2) Generally comparable to assessed value.

(3) Generally comparable to market value.

**COUNTY OF CAPE MAY**  
**TREND OF CITY REAL PROPERTY CLASSIFICATIONS (1)**

Year	Vacant Land	Residential	Farm	Commercial	Industrial	Apartments	Total Assessed Value Land and Improvements	Public Utilities	Total Taxable Value
2018	1,045,974,800	44,528,875,800	50,719,900	3,676,243,200	29,846,100	291,712,700	49,623,372,500	23,573,665	49,646,946,165
2017	1,007,751,100	42,545,441,800	46,769,400	3,635,494,200	29,491,100	295,101,100	47,560,048,700	23,719,837	47,583,768,537
2016	1,018,389,900	42,213,155,200	48,322,600	3,630,241,400	29,491,100	301,058,400	47,240,658,600	25,419,401	47,266,078,001
2015	1,114,710,700	42,396,284,600	51,994,500	3,657,245,700	29,491,100	309,858,600	47,559,585,200	26,891,523	47,586,476,723
2014	1,086,241,500	42,730,517,300	57,904,300	3,639,257,000	36,767,800	322,685,600	47,873,373,500	25,288,772	47,898,662,272
2013	1,052,497,500	43,433,518,800	59,005,200	3,680,461,900	37,646,800	336,639,700	48,599,769,900	30,901,138	48,630,671,038
2012	1,119,289,500	44,524,664,100	59,930,600	3,710,821,400	38,832,200	425,327,000	49,878,864,800	35,615,552	49,914,480,352
2011	1,166,401,000	45,218,471,300	63,171,400	3,751,581,600	39,832,200	432,218,800	50,671,676,300	36,115,542	50,707,791,842
2010	1,280,913,900	47,626,261,300	65,169,100	3,910,902,547	40,644,900	487,001,200	53,410,892,947	39,832,963	53,450,725,910
2009	1,459,322,500	47,573,196,600	58,260,800	3,891,822,547	40,644,900	474,206,200	53,497,453,547	39,535,980	53,536,989,527
2008	1,570,119,500	45,504,476,200	67,922,800	3,707,949,447	42,612,300	473,333,700	51,366,413,947	38,415,136	51,404,829,083
2007	1,608,684,900	39,763,195,800	66,103,300	3,532,274,800	42,575,600	452,138,300	45,464,972,700	35,291,560	45,500,264,260
2006	1,577,024,750	33,969,727,800	43,199,700	3,072,021,000	36,523,100	451,173,800	39,149,670,150	28,052,779	39,177,722,929
2005	1,104,991,300	26,782,351,100	28,840,700	2,565,657,900	22,809,300	426,165,300	30,930,815,600	28,473,978	30,959,289,578
2004	954,688,180	23,876,651,000	28,080,900	2,184,238,000	19,725,000	312,269,400	27,375,652,480	32,040,750	27,407,693,230

(1) Source: County Board of Taxation

**COUNTY OF CAPE MAY**  
**TEN OF THE HIGHEST ASSESSED VALUATIONS (1)**

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Municipality Where Located</u>	<u>2018 Assessed Valuation</u>
1 Delco, LLC	Retail Mall	Middle Township	30,332,600
2 Congress Hall LLC	Hotel	Cape May City	27,401,100
3 Oceanfront Properties, LLC	Retail Mall	Cape May City	25,310,200
4 Rice, Michael W & Jane E	Residential	Avalon Borough	22,810,900
5 Turner Partners LP	Campground	Dennis Township	22,560,000
6 Immaculate Heart of Mary Convent	Religious Order	Stone Harbor	21,830,000
7 Adis Inc.	Hotel	Cape May City	21,787,600
8 Icona Golden Inn, LLC	Hotel	Avalon Borough	20,450,000
9 Sun Driftwood RV, LLC	Retail	Dennis Township	20,389,700
10 Plaza at Cape May Court House LLC	Shopping Center	Middle Township	17,323,400
<b>Total</b>			<u><u>230,195,500</u></u>
<b>Percentage of Total Assessed Valuation</b>			<u><u>0.46%</u></u>

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(1) Source: County of Cape May

**COUNTY OF CAPE MAY**  
**SUMMARY STATEMENT OF FINANCIAL OPERATIONS AND CHANGES IN FUND BALANCE**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017. - CURRENT FUND (1)**

	Audited December 31, 2018	Audited December 31, 2017
<b>REVENUES</b>		
Fund Balance Utilized	10,300,000.00	9,500,000.00
Current Tax Collections	112,079,521.00	107,042,091.17
Miscellaneous Revenues Anticipated	43,130,453.74	34,499,671.00
Revenues not Anticipated	3,406,263.13	3,163,406.43
Unexpended Prior Reserves	7,049,139.64	6,398,927.87
Interfunds	873,331.98	243,420.09
Other Revenues and Credits	15,830.87	4,509.51
	<u>176,854,540.36</u>	<u>160,852,026.07</u>
<b>EXPENDITURES</b>		
Budget and Emergency Appropriations		
Operations:		
Salaries and Wages	51,081,529.00	49,865,722.00
Other Expenses	83,034,694.71	74,425,888.24
Deferred Charges & Statutory Exp.	14,355,242.00	12,384,382.00
Capital Improvements	10,218,548.00	2,822,927.00
Debt Service	11,076,229.17	10,023,487.52
Other Expenditures	51,522.52	10,779.19
	<u>169,817,765.40</u>	<u>149,533,185.95</u>
Deferred Charges to Succeeding Budget	5,800,000.00	
Net Expenditures	<u>164,017,765.40</u>	<u>149,533,185.95</u>
<b>EXCESS OR (DEFICIT) IN REVENUES</b>	12,836,774.96	11,318,840.12
<b>FUND BALANCE JANUARY 1</b>	20,504,016.63	18,685,176.51
	<u>33,340,791.59</u>	<u>30,004,016.63</u>
Utilized as Anticipated Revenue	10,300,000.00	9,500,000.00
<b>FUND BALANCE DECEMBER 31</b>	<u><u>23,040,791.59</u></u>	<u><u>20,504,016.63</u></u>

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(1) Source: Auditor to the County of Cape May



**COUNTY OF CAPE MAY**  
**2019 BUDGET**  
**2018 BUDGET AND AUDITED RESULTS (1)**

	2019 Budget (2)	2018 Budget	2018 Audited Results
<b>ANTICIPATED REVENUES:</b>			
Surplus Anticipated	11,200,000.00	10,300,000.00	10,300,000.00
Local Revenues (3)	15,220,000.00	14,715,000.00	16,037,983.24
State Aid	-	82,107.00	-
State Assumption of Costs of County Social, Welfare and Psychiatric Facilities	217,057.00	158,029.00	221,940.75
Federal and State Grants	2,731,712.76	13,974,085.71	13,974,085.71
Other Miscellaneous Revenues	13,315,534.00	13,207,501.00	12,896,444.04
Amount to be Raised by Taxation	<u>118,721,872.66</u>	<u>112,079,521.00</u>	<u>112,079,521.00</u>
 Total Anticipated Revenues	 <u><u>161,406,176.42</u></u>	 <u><u>164,516,243.71</u></u>	 <u><u>165,509,974.74</u></u>
<b>APPROPRIATIONS:</b>			
County Operations			
Operations Within "CAPS"			
Salaries and Wages	54,511,222.00	51,206,529.00	51,081,529.00
Other Expenses	72,544,365.42	83,459,694.71	83,150,638.71
Capital Improvements	5,000,000.00	11,418,548.00	10,218,548.00
Debt Service	12,494,639.00	11,076,230.00	11,076,229.17
Deferred Charges	4,400,000.00	2,800,000.00	2,800,000.00
Statutory Expenditures	<u>12,455,950.00</u>	<u>11,555,242.00</u>	<u>11,555,242.00</u>
 Total Appropriations	 <u><u>161,406,176.42</u></u>	 <u><u>171,516,243.71</u></u>	 <u><u>169,882,186.88</u></u>
 Adopted Emergency		 7,000,000.00	

- 
- (1) Source: Auditor to the County of Cape May  
(2) Adopted by County Freeholder Board on March 26, 2019.  
(3) Includes; inter alia, departmental fees and charges, interest  
on investments, etc.

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**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE COUNTY OF CAPE MAY  
FOR THE CALENDAR YEARS ENDED 2018 AND 2017**

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# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Director and  
Members of the Board of Chosen Freeholders  
County of Cape May, New Jersey

### Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the County of Cape May, State of New Jersey, ("the County") as of December 31, 2018 and 2017, the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the current fund for the year ended December 31, 2018.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the County of Cape May on a basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of American, to meet the requirements of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

## **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the County of Cape May as of December 31, 2018 and 2017, or changes in financial position for the years the ended.

## **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2018 and 2017, the regulatory basis statements of operations for the years the ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2018 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

## **Other Matters**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Cape May’s basic financial statements. The supplementary information listed in the table of contents and schedules of expenditures of federal and state financial assistance, as required by Office of Management and Budget Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations, and New Jersey OMB’s Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents and the schedules of expenditures of federal and state financial assistance, as required by Office of Management and Budget Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations, and New Jersey OMB’s Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2019 on our consideration of the County of Cape May's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Cape May's internal control over financial reporting and compliance.

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

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

**July 30, 2019**

**COUNTY OF CAPE MAY, NEW JERSEY**  
**CURRENT FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**  
**AS OF DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Regular Fund:		
Cash and Investments	\$ 32,773,074.58	\$ 36,517,768.50
Change Funds	<u>1,500.00</u>	<u>1,500.00</u>
	<u>32,774,574.58</u>	<u>36,519,268.50</u>
Receivables with Full Reserves:		
Added and Omitted County Taxes	720,122.43	654,423.40
Due from Federal and State Grant Fund	-	873,331.98
Due from State & Grantor	42,866.01	-
Revenue Accounts Receivable	<u>1,026,047.34</u>	<u>787,398.22</u>
	<u>1,789,035.78</u>	<u>2,315,153.60</u>
Deferred Charges:		
Emergency Authorizations	<u>5,800,000.00</u>	<u>-</u>
	<u>5,800,000.00</u>	<u>-</u>
	<u>40,363,610.36</u>	<u>38,834,422.10</u>
Federal and State Grant Fund:		
Cash	-	-
Grants Receivable	12,795,015.16	5,672,185.18
Due from Current Fund	<u>65,491.51</u>	<u>-</u>
	<u>12,860,506.67</u>	<u>5,672,185.18</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 53,224,117.03</u></b>	<b><u>\$ 44,506,607.28</u></b>



**COUNTY OF CAPE MAY, NEW JERSEY**  
**CURRENT FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**  
**AS OF DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
<u>Liabilities, Reserves and Fund Balance</u>		
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 6,137,041.21	\$ 5,708,428.46
Encumbrances Payable	4,722,391.70	4,844,077.04
Accounts Payable	153,369.08	191,766.10
Salaries & Wages Payable	211,176.75	2,000,987.42
Due to State of New Jersey:		
Share of Realty Transfer Fees	3,501,422.38	2,539,551.90
NJ Public Records	80,320.00	102,655.00
Chapter 12 College Bond Interest	13,490.75	5,176.11
Due to Grant Fund	65,491.51	-
Payroll Deductions Payable	649,079.61	622,609.84
	<u>15,533,782.99</u>	<u>16,015,251.87</u>
Reserve for Receivables	1,789,035.78	2,315,153.60
Fund Balance	<u>23,040,791.59</u>	<u>20,504,016.63</u>
	<u>40,363,610.36</u>	<u>38,834,422.10</u>
Federal and State Grant Fund:		
Due to Current Fund	-	873,331.98
Encumbrances Payable	1,190,526.25	1,133,479.63
Unappropriated Reserves	92,928.07	80,781.18
Appropriated Reserves	<u>11,577,052.35</u>	<u>3,584,592.39</u>
	<u>12,860,506.67</u>	<u>5,672,185.18</u>
 TOTAL LIABILITIES, RESERVES AND FUND BALANCES	 \$ <u>53,224,117.03</u>	 \$ <u>44,506,607.28</u>

**COUNTY OF CAPE MAY, NEW JERSEY**  
**CURRENT FUND**  
**STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE - REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
Revenues:		
Fund Balance Utilized	\$ 10,300,000.00	\$ 9,500,000.00
Miscellaneous Revenues Anticipated	43,130,453.74	34,499,671.00
Receipts from Current Taxes	112,079,521.00	107,042,091.17
Non-Budget Revenues	3,406,263.13	3,163,406.43
Other Credits to Income:		
Unexpended Balance of Prior Year		
Appropriation Reserves	7,049,139.64	6,398,927.87
Interfunds Returned	873,331.98	243,420.09
Payables Canceled	15,830.87	-
Grant Reserves Canceled		4,509.51
<b>Total Revenues</b>	<u>176,854,540.36</u>	<u>160,852,026.07</u>
Expenditures:		
Budget Appropriations:		
Operations:		
Salaries and Wages	51,081,529.00	49,865,722.00
Other Expenses	83,034,694.71	74,425,888.24
Capital Improvements	10,218,548.00	2,822,927.00
Debt Service	11,076,229.17	10,023,487.52
Deferred Charges and		
Statutory Expenditures	14,355,242.00	12,384,382.00
Interfunds Advanced	-	3,263.00
Receivable Created	42,866.01	-
Grants Canceled	-	7,516.19
Refund Prior Year Revenue	8,656.51	-
<b>Total Expenditures</b>	<u>169,817,765.40</u>	<u>149,533,185.95</u>
Excess of Revenues over Expenditures	7,036,774.96	11,318,840.12
Adjustment to Income before Fund Balance:		
Expenditures Included Above Which are by		
Statute Deferred Charges to Budget of		
Succeeding Year	<u>5,800,000.00</u>	<u>-</u>
Statutory Excess to Fund Balance	12,836,774.96	11,318,840.12
Fund Balance January 1	<u>20,504,016.63</u>	<u>18,685,176.51</u>
	33,340,791.59	30,004,016.63
Decreased by Amount Utilized as		
Anticipated Revenue	<u>10,300,000.00</u>	<u>9,500,000.00</u>
Fund Balance December 31	<u>\$ 23,040,791.59</u>	<u>\$ 20,504,016.63</u>

**COUNTY OF CAPE MAY, NEW JERSEY**  
**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**

	Anticipated		Realized	Excess (Deficit)
	Budget	Special N.J.S. 40A:4-87		
<b>SURPLUS ANTICIPATED</b>	\$ 10,300,000.00	\$	\$ 10,300,000.00	\$ -
<b>MISCELLANEOUS REVENUES</b>				
County Clerk	4,300,000.00		5,061,396.98	761,396.98
Surrogate	95,000.00		106,062.42	11,062.42
Sheriff	475,000.00		598,486.56	123,486.56
Crest Haven Nursing Home	9,545,000.00		9,542,334.27	(2,665.73)
Interest on Investments and Deposits	300,000.00		729,703.01	429,703.01
Rent - Special Services School	400,000.00		478,150.00	78,150.00
Medicaid Reimbursement - Peer Grouping	405,000.00		323,316.04	(81,683.96)
Library Indirect Cost Reimbursement	500,000.00		524,534.00	24,534.00
Library Pay down of Bond Sale Reimbursement	810,280.00		810,280.00	-
Reimbursement - Fuel and Material - Various Agencies	80,000.00		103,742.94	23,742.94
Reimbursement - Sewer Charges - Various Agencies	34,000.00		40,660.30	6,660.30
Reimbursement - Meals for Social Services Delivery System	500,000.00		473,613.88	(26,386.12)
Reimbursement - Home Health Care	40,000.00		135,176.78	95,176.78
Reimbursement - Courts	175,000.00		176,466.39	1,466.39
Reimbursement - Interlocal Animal Shelter	400,000.00		420,579.00	20,579.00
Reimbursement - County Park Concession Fees	375,000.00		386,704.73	11,704.73
Reimbursement-Fees Under Ch. 370 - Clerk	750,000.00		797,497.52	47,497.52
Reimbursement-Fees Under Ch. 370 - Surrogate	80,000.00		87,811.49	7,811.49
Reimbursement-Fees Under Ch. 370 - Sheriff	275,000.00		346,403.82	71,403.82
State Salary Subsidies- Constitutional Officers- Prosecutor	65,000.00		65,000.00	(65,000.00)
State Salary Subsidies- Constitutional Officers- Sheriff	4,400.00		4,400.00	(4,400.00)
State Salary Subsidies- Constitutional Officers- Surrogate	10,400.00		10,400.00	(10,400.00)
State Salary Subsidies- Constitutional Officers- Clerk	2,307.00		2,307.00	(2,307.00)
Department of Human Services - Temporary Assistance and Social Services	5,483,881.00		4,896,752.17	(587,128.83)
Social and Welfare Services (c. 66, P.L. 1990):				
Supplemental Social Security Income	148,029.00		213,717.00	65,688.00
Reserve to Pay Bonds	500,000.00		500,000.00	-
Reimbursement - Debt Service from Lower Township	165,000.00		165,611.26	611.26
Shared Services - Consolidated Dispatch with Lower Township	600,000.00		600,000.00	-
Reimbursement - Fringe Benefits/Pension Costs	300,000.00		294,803.72	(5,196.28)
Public Health Priority	34,340.00		34,340.00	-
General Capital	1,300,000.00		1,300,000.00	-

**COUNTY OF CAPE MAY, NEW JERSEY**  
**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**

	Anticipated		Realized	Excess (Deficit)
	Budget	Special N.J.S. 40A:4-87		
MISCELLANEOUS REVENUES (CONTINUED)				
Psychiatric Facilities (c. 73, P.L. 1990):				
Board of County Patients in State and Other Institutions	\$ 10,000.00	\$	8,223.75	\$ (1,776.25)
Public and Private Revenues Offset with Appropriations:				
<b>Department of Housing &amp; Urban Development</b>				
2008 Shelter and Care FY17		52,580.00	52,580.00	-
<b>Governor's Council on Alcoholism and Drug Abuse</b>				
Municipal Alliance Grant		175,591.00	175,591.00	-
<b>Department of Health and Senior Affairs</b>				
Special Child Health FY19		45,301.00	45,301.00	-
Early Intervention Program FY19		130,717.00	130,717.00	-
Family Planning Services FY19		109,896.00	109,896.00	-
Family Planning Services FY18		366,644.00	366,644.00	-
Family Planning Services - Program Income		85,000.00	85,000.00	-
Cancer Education & Early Detection Program FY19		181,265.00	181,265.00	-
State Health Insurance Program (SHIP)		35,000.00	35,000.00	-
Right to Know		8,976.00	8,976.00	-
Local Core Capacity/Public Health Emergency Preparedness FY19		236,274.00	236,274.00	-
<b>Department of Transportation - Federal</b>				
Senior Citizens and Disabled Resident Transportation Assistance Program		332,284.00	332,284.00	-
FTA Section 5311 FY 18		108,332.00	108,332.00	-
SubRegional Transportation FY 19		58,400.00	58,400.00	-
<b>Department of Environmental Protection</b>				
Clean Communities Grant 2018		64,845.60	64,845.60	-

**COUNTY OF CAPE MAY, NEW JERSEY**  
**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**

	Anticipated			Realized	Excess (Deficit)
	Budget	N.J.S. 40A:4-87	Special		
MISCELLANEOUS REVENUES (CONTINUED)					
Public and Private Revenues Offset with Appropriations:					
<b>Department of Law &amp; Public Safety</b>					
Juvenile Accountability Block Grant - JAIBG				\$ 124,000.00	\$ -
Victims of Crime Act Grant (VOCA)			218,483.00	218,483.00	-
Underage Alcohol Enforcement			23,000.00	23,000.00	-
Local Law Enforcement Block Grant	34,124.00			34,124.00	-
State/Community Partnership Program Services Funds	153,833.00			153,833.00	-
State/Community Partnership Program Management Funds	55,550.00			55,550.00	-
Family Court Assessment Team	105,152.00			105,152.00	-
Homeland Security Grant		228,051.85		228,051.85	-
Insurance Fraud Reimb.	117,633.00			117,633.00	-
Sexual Assault Nurse Examiner/Response Team (SANE/SART)		57,452.00		57,452.00	-
Emergency Management Assistance FY17		55,000.00		55,000.00	-
<b>Department of Human Services</b>					
Area Plan Grant:					
Federal					
Miscellaneous Program Income	605,563.00		348,629.00	954,192.00	-
Mobile Meals Program Income	230.00			230.00	-
Weekend Meals Program Income	27,605.00			27,605.00	-
Nutrition Program Income	2,100.00			2,100.00	-
Mobile Meals USDA	32,400.00			32,400.00	-
Comprehensive Alcohol/Drug Abuse Grant	26,544.00			26,544.00	-
Fare Free Transportation	270,193.00			270,193.00	-
Statewide Respite		233,970.00		233,970.00	-
Social Services for the Homeless	107,180.00		3,500.00	110,680.00	-
Mental Health Administration 2018	268,608.00			268,608.00	-
Human Services Advisory Council		12,000.00		12,000.00	-
County Inter-Agency Coordinating Council	57,735.00			57,735.00	-
	33,677.00			33,677.00	-

**COUNTY OF CAPE MAY, NEW JERSEY**  
**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**

	Anticipated		Special N.J.S. 40A:4-87	Realized	Excess (Deficit)
	Budget				
<b>U.S. Bureau of Justice Assistance</b>					
Bulleproof Vest Partnership Sheriff FY18		\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ -
<b>Federal Emergency Management Agency</b>					
FEMA Phase 35 FY17		29,041.00		29,041.00	-
FEMA Flood Mitigation Assistance FY16		7,467,937.26		7,467,937.26	-
<b>Corporation for National Service</b>					
Retired Senior Volunteer Program Grant		55,023.00		55,023.00	-
<b>Department of Military &amp; Veteran Affairs</b>					
Veterans Transportation Grant - FY19		13,000.00		13,000.00	-
<b>N.J. Department of Labor and Workforce Development</b>					
Workfirst NJ 2019		242,281.00		242,281.00	-
Workforce Innovative Opportunity Act 19		848,242.00		848,242.00	-
<b>N.J. Department of State</b>					
Cooperative Marketing Grant 2019		21,000.00		21,000.00	-
Cooperative Marketing Grant 2018		20,000.00		20,000.00	-
NJ Historical Comm FY 2018	16,200.00			16,200.00	-
Council on the Arts FY 2018	58,043.00			58,043.00	-
<b>Total Miscellaneous Revenues Anticipated</b>	30,259,007.00		11,877,715.71	43,130,453.74	993,731.03
<b>Subtotal General Revenues</b>	30,259,007.00		11,877,715.71	43,130,453.74	993,731.03
<b>Amount to be Raised by Taxation - County Purpose Tax</b>	112,079,521.00			112,079,521.00	-
<b>Budget Totals</b>	\$ 152,638,528.00	\$ 11,877,715.71	\$ 165,509,974.74	\$ 993,731.03	
<b>Miscellaneous Revenues Not Anticipated</b>					
Added and Omitted Taxes		\$ 2,751,839.73			
		654,423.40			
<b>Non-Budget Revenues</b>				3,406,263.13	
<b>Total Revenue Realized</b>				\$ 168,916,237.87	

**COUNTY OF CAPE MAY, NEW JERSEY**  
**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expenditures		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification		Encumbered	Reserved	
<b>GENERAL GOVERNMENT</b>						
Administrative and Executive						
Board of Chosen Freeholders						
Salaries and Wages	\$ 317,115.00	\$ 297,115.00	\$ 293,299.84	\$	\$ 3,815.16	\$
Other Expenses	190,985.00	190,985.00	129,250.43	13,202.15	48,532.42	
Department of Finance						
County Treasurer's Office						
Salaries and Wages	606,856.00	606,856.00	601,113.36		5,742.64	
Other Expenses	51,600.00	51,600.00	26,636.82	16,250.00	8,713.18	
Legal Department						
Salaries and Wages	570,000.00	470,000.00	457,381.66		12,618.34	
Other Expenses	112,700.00	112,700.00	89,626.51	9,155.26	13,918.23	
Legal Advertising	6,500.00	6,500.00	4,606.96	327.45	1,565.59	
Clerk of the Board						
Salaries and Wages	276,790.00	281,790.00	280,508.74		1,281.26	
Other Expenses	6,350.00	6,350.00	2,092.21		4,257.79	
County Clerk						
Salaries and Wages	930,840.00	940,840.00	937,576.80		3,263.20	
Other Expenses	324,312.00	324,312.00	273,138.96	15,330.65	35,842.39	
Aid to Museums (R.S. 40:23-6.22)						
Other Expenses	-	-			-	
Department of Human Resources						
Salaries and Wages	390,000.00	390,000.00	384,930.88		5,069.12	
Other Expenses	176,285.00	176,285.00	122,886.07	28,587.13	24,811.80	
Audit Services						
Other Expenses	95,000.00	95,000.00	90,000.00		5,000.00	
Board of Elections						
Salaries and Wages	491,748.00	501,748.00	501,574.71		173.29	
Other Expenses	353,750.00	353,750.00	302,494.61	24,161.83	27,093.56	
Department of Tourism						
Salaries and Wages	355,500.00	320,500.00	314,106.99		6,393.01	
Other Expenses	376,500.00	376,500.00	338,405.68	33,683.13	4,411.19	
Purchasing Department						
Salaries and Wages	362,830.00	364,830.00	364,155.89		674.11	
Other Expenses	13,900.00	13,900.00	7,382.75		6,517.25	
Office of Economic Resources/Capital Planning						
Other Expenses	136,800.00	136,800.00	89,815.85	18,473.05	28,511.10	
Management Information System						
Salaries and Wages	709,077.00	719,077.00	718,256.94		820.06	
Other Expenses	1,086,314.00	1,096,926.62	1,030,857.80	36,759.30	29,309.52	
Board of Taxation						
Salaries and Wages	261,597.00	281,597.00	278,292.15		3,304.85	
Other Expenses	112,404.00	112,404.00	110,483.25	0.90	1,919.85	

**COUNTY OF CAPE MAY, NEW JERSEY**  
**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expenditures		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification		Encumbered	Reserved	
<b>GENERAL GOVERNMENT (Continued)</b>						
County Surrogate						
Salaries and Wages	\$ 285,270.00	\$ 285,370.00	\$ 285,310.45	\$	59.55	\$
Other Expenses	30,827.00	30,827.00	22,843.44		7,983.56	
Engineer's Office						
Salaries and Wages	1,289,602.00	1,289,602.00	1,262,365.38		27,236.62	
Other Expenses	159,251.00	159,251.00	79,491.15	23,981.13	55,778.72	
<b>TOTAL GENERAL GOVERNMENT</b>	<b>10,080,703.00</b>	<b>9,993,415.62</b>	<b>9,398,886.28</b>	<b>219,911.98</b>	<b>374,617.36</b>	<b>-</b>
<b>INSURANCE</b>						
Group Insurance Plan for Employees	22,300,000.00	22,300,000.00	22,300,000.00		-	
Surety Bond Premiums	12,950.00	12,950.00	12,950.00		-	
Workers' Compensation Insurance	1,000,000.00	1,000,000.00	1,000,000.00		-	
Health Benefit Waiver	360,000.00	402,823.00	395,912.77		6,910.23	
Liability Insurance	1,968,000.57	1,968,000.57	1,968,000.57		-	
<b>TOTAL INSURANCE</b>	<b>25,640,950.57</b>	<b>25,683,773.57</b>	<b>25,676,863.34</b>	<b>-</b>	<b>6,910.23</b>	<b>-</b>
<b>PUBLIC SAFETY</b>						
Inmate Medical/Dental Care Jail Inmates (R.S. 44:5-11)						
Other Expenses	570,000.00	570,000.00	105,278.90		464,721.10	
Sheriff's Office						
Salaries and Wages	4,292,800.00	4,292,800.00	4,204,146.86		88,653.14	
Other Expenses	258,392.00	405,582.00	247,119.12	148,005.04	10,457.84	
Prosecutor's Office						
Salaries and Wages	6,532,726.00	6,751,626.00	6,673,899.61		77,726.39	
Other Expenses	755,030.00	755,030.00	631,147.35	81,997.00	41,885.65	
County Medical Examiner						
Other Expenses	600,000.00	600,000.00	282,258.46		317,741.54	
Correctional Center						
Salaries and Wages	7,337,750.00	7,339,960.00	7,213,028.69		126,931.31	
Other Expenses	1,776,902.00	1,761,902.00	1,465,784.77	261,873.69	34,243.54	
Fire Marshal						
Salaries and Wages	40,000.00	40,000.00	37,114.00		2,886.00	
Other Expenses	112,700.00	112,700.00	59,346.60	42,263.11	11,090.29	
Public Safety Training						
Salaries and Wages	333,108.00	333,108.00	329,039.89		4,068.11	
Other Expenses	112,139.00	112,139.00	84,447.48	20,508.24	7,183.28	



**COUNTY OF CAPE MAY, NEW JERSEY**  
**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expenditures		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification		Encumbered	Reserved	
<b>PUBLIC SAFETY (Continued)</b>						
Office of Emergency Management and Communication						
Salaries and Wages	\$ 1,965,875.00	\$ 1,705,875.00	\$ 1,644,298.53	\$	\$ 61,576.47	\$
Other Expenses	248,300.00	408,300.00	214,525.75	186,148.36	7,625.89	
Consumer Affairs						
Salaries and Wages	168,775.00	178,775.00	176,426.97		2,348.03	
Other Expenses	16,956.00	16,956.00	8,980.88		7,975.12	
<b>TOTAL PUBLIC SAFETY</b>	<b>25,121,453.00</b>	<b>25,384,753.00</b>	<b>23,376,843.86</b>	<b>740,795.44</b>	<b>1,267,113.70</b>	<b>-</b>
<b>PUBLIC WORKS</b>						
Facilities and Services						
Salaries and Wages	2,840,787.00	2,940,787.00	2,934,575.18		6,211.82	
Other Expenses	1,853,261.00	1,853,261.00	1,433,984.64	229,283.06	189,993.30	
Road Department						
Salaries and Wages	905,491.00	955,491.00	951,873.45		3,617.55	
Other Expenses	1,787,140.00	1,787,140.00	1,214,918.48	256,802.57	315,418.95	
Bridge Department						
Salaries and Wages	302,280.00	302,280.00	279,924.27		22,355.73	
Other Expenses	33,425.00	33,425.00	11,675.28	5,925.90	15,823.82	
Traffic Maintenance						
Salaries and Wages	436,412.00	471,412.00	467,255.54		4,156.46	
Other Expenses	174,505.00	174,505.00	85,444.83	19,639.37	69,420.80	
Mosquito Extermination Commission (R.S. 26:9-13 et seq.)						
Salaries and Wages	1,067,250.00	997,250.00	984,062.19		13,187.81	
Other Expenses	347,700.00	337,087.38	258,280.24	65,050.14	13,757.00	
<b>TOTAL PUBLIC WORKS</b>	<b>9,748,251.00</b>	<b>9,852,638.38</b>	<b>8,621,994.10</b>	<b>576,701.04</b>	<b>653,943.24</b>	<b>-</b>
<b>LAND USE</b>						
Contribution to Soil Conservation District N.J.S. 4:24-22(l))						
County Planning Board (R.S. 40:27-3)						
Salaries and Wages	5,000.00	5,000.00	3,750.00	1,250.00	-	
Other Expenses	299,407.00	299,407.00	295,857.50		3,549.50	
	31,875.00	31,875.00	21,357.20		10,517.80	
<b>TOTAL LAND USE</b>	<b>336,282.00</b>	<b>336,282.00</b>	<b>320,964.70</b>	<b>1,250.00</b>	<b>14,067.30</b>	<b>-</b>

**COUNTY OF CAPE MAY, NEW JERSEY**  
**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expenditures		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification		Encumbered	Reserved	
<b>HEALTH AND HUMAN SERVICES</b>						
County Health Services - Interlocal Agreement:						
Salaries and Wages	\$ 1,938,650.00	\$ 1,864,750.00	\$ 1,806,281.77		\$ 58,468.23	\$
Other Expenses	371,815.00	371,815.00	223,561.16	37,396.29	110,857.55	
Aid to Cape May County Unit New Jersey Assoc. for Disability Services (R.S. 40:23-8.11)	79,900.00	79,900.00	59,925.00	19,975.00	-	
Aid to Volunteer Rescue and Ambulance Squad (R.S. 40:5-2)	11,000.00	11,000.00	7,000.00	3,000.00	1,000.00	
Aid for Domestic Abuse Services (R.S. 30:14-3)	46,917.00	46,917.00	35,187.00	11,730.00	-	
Aid to South Jersey Legal Services	15,000.00	15,000.00	11,250.00	3,750.00	-	
Maintenance of Patients/Mental Health and Hospitals:						
County Share	1,016,460.00	1,016,460.00	1,016,460.00		-	
Board of Social Services:						
Administration						
Salaries and Wages	3,440,018.00	3,440,018.00	3,272,832.78		42,185.22	125,000.00
Other Expenses	5,058,953.00	5,058,953.00	4,158,462.32	161,807.48	313,683.20	425,000.00
Assistance to Supplementary Security Income Recipients	148,029.00	148,029.00	148,029.00		-	
Assistance to Dependent Children - County Veterans Service Bureau	41,675.00	41,675.00	41,675.00		-	
Salaries and Wages	116,600.00	117,600.00	117,466.00		134.00	
Other Expenses	813.00	813.00	483.56		329.44	
County Adjuster's Office						
Salaries and Wages	181,990.00	184,490.00	183,828.87		661.13	
Other Expenses	6,122.00	6,122.00	4,893.67	40.00	1,188.33	
Public Health Priority						
Salaries and Wages	1,000.00	1,000.00			1,000.00	
Other Expenses	33,340.00	33,340.00	19,537.76	6,989.76	6,812.48	

**COUNTY OF CAPE MAY, NEW JERSEY**  
**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expenditures		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification		Encumbered	Reserved	
HEALTH AND HUMAN SERVICES (Continued)						
Crest Haven Medical Facility						
Salaries and Wages	\$ 9,357,005.00	\$ 8,415,005.00	\$ 8,092,442.11	\$	\$ 322,562.89	\$
Other Expenses	3,101,488.00	4,043,488.00	2,440,882.35	757,363.82	845,241.83	
Department of Aging						
Salaries and Wages	258,328.00	268,328.00	263,132.17		5,195.83	
Other Expenses	34,924.00	34,924.00	7,320.22		27,603.78	
Human Services Coalition						
Salaries and Wages	177,006.00	177,006.00	127,697.36		49,308.64	
Other Expenses	751,311.00	751,311.00	466,727.44	135,865.55	148,718.01	
Burial and Care of Indigents						
Other Expenses	9,000.00	9,000.00	9,000.00		-	
Fare Free Transportation System						
Salaries and Wages	1,408,725.00	1,378,725.00	1,240,922.67		137,802.33	
Other Expenses	221,968.00	221,968.00	164,429.21	41,261.77	16,277.02	
Operation of Senior Citizens Centers						
Salaries and Wages	20,408.00	30,408.00	19,733.07		10,674.93	
Other Expenses	24,480.00	24,480.00	16,000.00	200.00	8,280.00	
Medicaid Reimbursement - Peer Grouping						
Salaries and Wages	60,423.00	60,423.00	60,423.00		-	
Other Expenses	246,565.00	246,565.00	207,874.54	19,354.00	19,336.46	
Mental Health Services, Inc. (R.S. 40:5-2.9)						
Mental Health Program	263,640.00	263,640.00	188,013.00	74,243.00	1,384.00	

**COUNTY OF CAPE MAY, NEW JERSEY**  
**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expenditures		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification		Encumbered	Reserved	
HEALTH AND HUMAN SERVICES (Continued)						
Commission on the Status of Women						
Other Expenses	\$ 5,125.00	\$ 5,125.00	\$ 600.00	\$	\$ 4,525.00	\$
Aid to Health, Welfare Councils (NJSA 40:23-8,28)						
Other Expenses	70,000.00	70,000.00	52,500.00	17,500.00	-	
Alcohol Programs:						
Other Expenses	205,151.00	205,151.00	114,017.00	91,127.00	7.00	
TOTAL HEALTH AND HUMAN SERVICES	28,723,829.00	28,643,429.00	24,578,588.03	1,381,603.67	2,133,237.30	550,000.00
EDUCATIONAL						
Office of County Superintendent of Schools						
Salaries and Wages	125,917.00	125,917.00	117,899.46		8,017.54	
Other Expenses	3,317.00	3,317.00	2,127.11		1,189.89	
CMC Technical School District						
Other Expenses	7,984,508.00	7,984,508.00	7,984,507.00		1.00	
County Extension Services						
Salaries and Wages	321,975.00	321,975.00	307,986.13		13,988.87	
Other Expenses	55,025.00	55,025.00	50,971.72		4,053.28	
Special Services School District (N.J. 18A:46-29)						
Other Expenses	4,014,580.00	4,054,328.00	4,054,328.00		-	
County Community College/Charge Backs						
Other Expenses	2,425,000.00	2,142,429.00	1,708,242.79		434,186.21	
Reimbursement for Residents Attending Out-of-County Vocational Schools (N.J.S. 18A:54-23)						
	5,000.00	5,000.00			5,000.00	
TOTAL EDUCATIONAL	14,935,322.00	14,692,499.00	14,226,062.21	-	466,436.79	-

**COUNTY OF CAPE MAY, NEW JERSEY**  
**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expenditures		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification		Encumbered	Reserved	
<b>PARKS AND RECREATION</b>						
County Park Department						
Salaries and Wages	\$ 1,429,176.00	\$ 1,429,176.00	\$ 1,408,362.22	\$	\$ 20,813.78	\$
Other Expenses	160,000.00	160,000.00	136,305.17	4,104.60	19,590.23	
War Veterans Burial and Grave Decorations						
Other Expenses	9,335.00	9,335.00	8,298.31		1,036.69	
Cultural and Heritage						
Other Expenses	30,000.00	30,000.00	23,000.00	7,000.00	-	
<b>TOTAL PARKS AND RECREATION</b>	<b>1,628,511.00</b>	<b>1,628,511.00</b>	<b>1,575,965.70</b>	<b>11,104.60</b>	<b>41,440.70</b>	
<b>OTHER COMMON FUNCTIONS/UTILITIES &amp; AGREEMENTS</b>						
Interlocal Agreement Court System						
Other Expenses	130,000.00	130,000.00	91,446.26		38,553.74	
Accumulated Leave Compensation						
Salaries and Wages		-			-	
Other Expenses	50,000.00	50,000.00	50,000.00		-	
Salary & Wage Adjustment	233,612.00	33,612.00			33,612.00	
Prior Year Bills	1,996.43	1,996.43	1,996.43		-	
Utilities:						
Other Expenses	3,475,000.00	3,475,000.00	2,127,553.39	972,084.16	375,362.45	
Lighting of Highway Bridges	145,000.00	145,000.00	104,537.26	19,616.09	20,846.65	
<b>TOTAL COMMON FUNCTIONS/UTILITIES &amp; AGREEMENTS</b>	<b>4,035,608.43</b>	<b>3,835,608.43</b>	<b>2,375,533.34</b>	<b>991,700.25</b>	<b>468,374.84</b>	<b>-</b>

**COUNTY OF CAPE MAY, NEW JERSEY**  
**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expenditures		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification		Encumbered	Reserved	
<b>PUBLIC &amp; PRIVATE PROGRAMS OFFSET BY REVENUE</b>						
<b>Governor's Council on Alcoholism and Drug Abuse</b>						
Municipal Alliance on Alcoholism and Drug Abuse	\$	\$	\$	\$	-	\$
<b>Department of Health and Senior Affairs</b>						
Area Plan Grant	1,004,676.00	1,353,305.00	1,353,305.00	-		
<b>Department of Housing &amp; Urban Development</b>						
08 Shelter and Care FY 17		52,580.00	52,580.00	-		
<b>Federal Emergency Management Agency</b>						
Federal Emergency Management Agency Phase 35		29,041.00	29,041.00	-		
<b>Department of Transportation - Federal</b>						
Senior Citizen and Disabled Resident Transportation Assistance Program		332,284.00	332,284.00	-		
<b>Department of Environmental Protection</b>						
Clean Communities Grant		64,845.60	64,845.60	-		
<b>Department of Law &amp; Public Safety</b>						
State/Community Partnership Program Services Funds	153,833.00	153,833.00	153,833.00	-		
State/Community Partnership Program Management Funds	55,550.00	55,550.00	55,550.00	-		
Sexual Assault Nurse Examiner/Response Team (SANE/SART)	124,000.00	181,452.00	181,452.00	-		
FEMA - Flood Mitigation Assistance FY16		7,467,937.26	7,467,937.26	-		
Underage Alcohol Enforcement		23,000.00	23,000.00	-		
Family Court Assessment Team	105,152.00	105,152.00	105,152.00	-		
Emergency Management Assistance		55,000.00	55,000.00	-		
Homeland Security Grant		228,051.85	228,051.85	-		
Law Enforcement Offices Training and Equip. Fund	34,124.00	34,124.00	34,124.00	-		
Victims of Crime Act		218,483.00	218,483.00	-		

**COUNTY OF CAPE MAY, NEW JERSEY**  
**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expenditures		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification		Encumbered	Reserved	
<b>PUBLIC &amp; PRIVATE PROGRAMS OFFSET BY REVENUE</b>						
(Continued)						
Insurance Fraud Reimbursement	\$ 117,633.00	\$ 117,633.00	\$ 117,633.00	\$ -	\$ -	\$ -
<b>Department of Health</b>						
Early Intervention Program for Infants & Toddlers		130,717.00	130,717.00	-	-	-
Special Child Health - FY19		69,525.00	69,525.00	-	-	-
Local Core Capacity Public Health Emerg Preparedness - FY17		236,274.00	236,274.00	-	-	-
Right to Know		8,976.00	8,976.00	-	-	-
Cancer Education & Early Detection Program		181,265.00	181,265.00	-	-	-
Family Planning Services		561,540.00	561,540.00	-	-	-
Comprehensive Alcohol/Drug Abuse Grant	298,215.00	298,215.00	298,215.00	-	-	-
<b>Department of Health &amp; Human Services</b>						
County Inter-Agency Coordinating Council	33,677.00	33,677.00	33,677.00	-	-	-
Human Services Advisory Council	70,387.00	70,387.00	70,387.00	-	-	-
Mental Health Administration		16,000.00	16,000.00	-	-	-
Retired Senior Volunteer Program Grant		88,749.00	88,749.00	-	-	-
Social Services for the Homeless	268,608.00	268,608.00	268,608.00	-	-	-
Statewide Respite	107,180.00	110,680.00	110,680.00	-	-	-
State Health Insurance Assistance Program (SHIP)		35,000.00	35,000.00	-	-	-
Fare Free Transportation SSBG - FY18		282,851.00	282,851.00	-	-	-
<b>NJ Department of Labor and Workforce Development</b>						
Workfirst NJ		242,281.00	242,281.00	-	-	-
Workforce Innovation and Opportunity Act		848,242.00	848,242.00	-	-	-
<b>Department of Military &amp; Veteran Affairs</b>						
Veterans Transportation Grant - FY18		13,000.00	13,000.00	-	-	-
<b>U.S. Department of Justice</b>						
Bulletproof Vest Partnership - Sheriff FY18		10,000.00	10,000.00	-	-	-

**COUNTY OF CAPE MAY, NEW JERSEY**  
**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expenditures		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification		Encumbered	Reserved	
<b>PUBLIC &amp; PRIVATE PROGRAMS OFFSET BY REVENUE</b> (Continued)						
County Match Funds for Grants	\$ 270,320.00	\$ 115,944.00	\$	\$	115,944.00	\$
<b>Department of State</b>						
Cooperative Marketing Grant		51,250.00	51,250.00	-	-	-
NJ Historical Commission FY18	16,200.00	16,200.00	16,200.00	-	-	-
Council on the Arts FY18	58,043.00	58,043.00	58,043.00	-	-	-
<b>NJ Transit Corp.</b>						
Sub Regional Transportation - FY18		58,400.00	58,400.00	-	-	-
FTA Section 5311 Grant		141,627.00	141,627.00	-	-	-
<b>TOTAL PUBLIC &amp; PRIVATE PROGRAMS OFFSET BY REVENUE</b>	2,717,598.00	14,595,313.71	14,479,369.71	-	115,944.00	-
<b>TOTAL OPERATIONS</b>	122,968,508.00	134,646,223.71	124,631,071.27	3,923,066.98	5,542,085.46	550,000.00
<b>CONTINGENT</b>	20,000.00	20,000.00			20,000.00	
<b>TOTAL OPERATIONS INCLUDING CONTINGENT</b>	122,988,508.00	134,666,223.71	124,631,071.27	3,923,066.98	5,562,085.46	550,000.00
<b>DETAIL:</b>						
Salaries and Wages	52,440,719.00	51,206,529.00	49,889,384.08	-	1,192,144.92	125,000.00
Other Expenses (Including Contingent)	70,547,789.00	83,459,694.71	74,741,687.19	3,923,066.98	4,369,940.54	425,000.00



**COUNTY OF CAPE MAY, NEW JERSEY**  
**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expenditures		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification		Encumbered	Reserved	
<b>CAPITAL IMPROVEMENTS</b>						
Capital Improvement Fund						
Land Acquisition	\$ 2,000,000.00	\$ 2,000,000.00	\$ 2,000,000.00	\$ -	\$ 37,234.21	
Construction and Renovations - County Buildings	-	5,800,000.00	5,762,765.79		82,594.78	
Purchase of Computer Equipment	294,500.00	294,500.00	130,785.41	81,119.81	25,472.86	
Purchase of Vans and Trucks	247,409.00	247,409.00	144,026.98	77,909.16	186,188.82	
Improvements to CMC Park	1,121,625.00	1,121,625.00	471,462.89	463,973.29	9,929.08	
Purchase of Telephone and Communication Equipment	113,000.00	113,000.00	102,920.92	150.00	8,336.00	
Purchase of Equipment:	53,300.00	53,300.00	44,963.02	0.98		
Crest Haven Medical Facilities	59,660.00	59,660.00	12,417.50	25,111.21	22,131.29	
Various	529,054.00	529,054.00	287,077.99	151,060.27	90,915.74	
<b>TOTAL CAPITAL IMPROVEMENTS</b>	<b>4,418,548.00</b>	<b>10,218,548.00</b>	<b>8,956,420.50</b>	<b>799,324.72</b>	<b>462,802.78</b>	<b>-</b>
<b>COUNTY DEBT SERVICE</b>						
Payment of Bond Principal:						
Other Bonds	7,340,000.00	7,340,000.00	7,340,000.00	-	-	0.08
Bridge Commission	685,000.00	685,000.00	684,999.92	-	-	0.09
Interest on Bonds:						
Other Bonds	2,680,623.00	2,680,623.00	2,680,622.91	-	-	0.66
Bridge Commission	370,607.00	370,607.00	370,606.34	-	-	0.83
<b>TOTAL COUNTY DEBT SERVICE</b>	<b>11,076,230.00</b>	<b>11,076,230.00</b>	<b>11,076,229.17</b>	<b>-</b>	<b>-</b>	<b>0.83</b>

**COUNTY OF CAPE MAY, NEW JERSEY**  
**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expenditures		Unexpended Balance Canceled
	Adopted Budget	Budget After Modification		Encumbered	Reserved	
DEFERRED CHARGES						
Deferred Charges to Future Taxation Unfunded	\$ 2,800,000.00	\$ 2,800,000.00	\$ 2,800,000.00	\$ -	\$ -	\$ -
STATUTORY EXPENDITURES						
Contribution to:						
Pensions - PERS	4,503,974.00	4,503,974.00	4,503,973.61		0.39	
Pensions - PFRS	2,891,268.00	2,891,268.00	2,891,268.00		-	
Defined Contributions	70,000.00	70,000.00	46,108.69		23,891.31	
Social Security System (O.A.S.I.)	3,740,000.00	3,940,000.00	3,851,738.73		88,261.27	
Unemployment Compensation Insurance	150,000.00	150,000.00	150,000.00		-	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES - COUNTY	14,155,242.00	14,355,242.00	14,243,089.03	-	112,152.97	-
TOTAL GENERAL APPROPRIATIONS FOR COUNTY PURPOSES	\$ 152,638,528.00	\$ 170,316,243.71	\$ 158,906,809.97	\$ 4,722,391.70	\$ 6,137,041.21	\$ 550,000.83
Budget - Adopted						
Appropriations - N.J.S.A. 40A:4-87	\$ 152,638,528.00					
Emergency Appropriations	11,877,715.71					
	5,800,000.00					
	\$ 170,316,243.71					
Payroll Deductions Payable		\$ 27,084,122.74				
Federal and State Grants (County Matching Funds)		530,731.33				
Federal and State Grants (Grant Funds)		13,948,638.38				
Salaries and Wages Payable		117,343,317.52				
Disbursements						
		\$ 158,906,809.97				

**COUNTY OF CAPE MAY, NEW JERSEY**  
**TRUST FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**  
**AS OF DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
<u>Trust - Other</u>		
Cash and Investments	\$ 13,120,754.47	\$ 10,825,034.12
Deposits-Self Insurance	91,316.16	91,316.16
Receivables with Full Reserves:		
Motor Vehicle Fines Receivable	20,516.00	26,289.74
Crest Haven Accounts Receivable	2,200.00	2,260.00
Commercial Fishing Loans Receivable	1,611,202.16	1,858,712.60
Health Department Receivables	146,451.02	143,446.61
	<u>1,780,369.18</u>	<u>2,030,708.95</u>
Total Trust - Other	<u>14,992,439.81</u>	<u>12,947,059.23</u>
<u>Library Fund</u>		
Cash:		
Change Fund	1,280.00	1,280.00
Treasurer	8,871,362.56	8,271,123.41
Total Library Fund	<u>8,872,642.56</u>	<u>8,272,403.41</u>
<u>Open Space Fund</u>		
Cash - Treasurer	26,005,480.77	24,062,679.34
Deferred Charges to Future		
Taxation - Unfunded	1,740,000.00	2,030,000.00
Receivables with Full Reserves:		
Added or Omitted Open		
Space Taxes Receivable	31,458.58	29,076.84
Total Open Space Fund	<u>27,776,939.35</u>	<u>26,121,756.18</u>
	<u>\$ 51,642,021.72</u>	<u>\$ 47,341,218.82</u>

**COUNTY OF CAPE MAY, NEW JERSEY**  
**TRUST FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**  
**AS OF DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
<u>Liabilities, Reserves and Fund Balance</u>		
<u>Trust - Other</u>		
Encumbrances Payable	\$ 1,114,867.65	\$ 1,123,310.28
Reserve for State Unemployment Compensation	518,101.07	415,089.00
Reserve for Self-Insurance:		
Workers' Compensation	1,027,239.79	756,689.75
General Liability	4,164,628.73	2,233,711.46
Reserve for:		
Repairs to County Roads	751,171.53	733,033.01
County Clerk - Recording Fees	126,287.19	85,789.71
Electronic Processing Fees	23,436.62	19,181.29
Homelessness Trust Fund	151,166.46	73,265.50
County Engineer's Projects	16,018.80	16,018.80
Board of Taxation Appeals	232,951.28	324,215.46
Subdivisions of Land	926,579.61	897,174.01
Sheriff's Forfeited Funds	5,517.92	9,231.85
Crest Haven Account	18,501.26	17,096.69
Health Department:		
Environmental Quality and Enforcement Fund	174,195.28	206,504.56
Department of Aging Trust	61,050.12	61,050.12
Prosecutor's Clearing Fund	85,261.20	42,483.02
Prosecutor's Forfeited Fund	406,217.37	253,376.56
Prosecutor's Forensic Lab Fund	29,500.05	21,103.61
Fuel Resale System	91,888.25	286,093.79
Surrogate's Office	31,084.23	25,150.36
Small Cities Fishing Loan Fund	495,917.80	208,636.46
Spay/Neuter Program	56,479.61	81,538.41
Veterans' Cemetery	8,650.88	6,625.88
Animal Shelter Donations	561,210.32	429,482.15
Park and Zoo Trust	600,751.99	809,193.17
K-9 and Mounted Police	16,412.07	17,050.57
Sheriff	25,616.03	17,150.31
Snow Removal	181,234.86	181,234.86
Accumulated Absences	1,308,951.91	1,564,713.89
Attorney I.D. Card Program	1,180.75	1,155.75
	<u>13,212,070.63</u>	<u>10,916,350.28</u>
Reserve for Receivables	<u>1,780,369.18</u>	<u>2,030,708.95</u>
Total Trust - Other	<u>14,992,439.81</u>	<u>12,947,059.23</u>

**COUNTY OF CAPE MAY, NEW JERSEY**  
**TRUST FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**

	<u>Balance 2018</u>	<u>Balance 2017</u>
<u>Library Fund</u>		
Reserve for:		
Active Grants	\$ 722,093.48	\$ 121,854.33
Library Expenditures	8,150,549.08	8,150,549.08
Total Library Fund	<u>8,872,642.56</u>	<u>8,272,403.41</u>
<u>Open Space Fund</u>		
Loans Payable	1,740,000.00	2,030,000.00
Foundation Title Co - Escrow	50,000.00	50,000.00
Reserve for:		
Receivables	31,458.58	29,076.84
Encumbrances Payable	11,968,882.29	10,434,733.99
Expenditures	13,986,598.48	13,577,945.35
Total Open Space Fund	<u>27,776,939.35</u>	<u>26,121,756.18</u>
	<u>\$ 51,642,021.72</u>	<u>\$ 47,341,218.82</u>

**COUNTY OF CAPE MAY, NEW JERSEY**  
**GENERAL CAPITAL FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**  
**AS OF DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Cash and Investments	\$ 21,467,661.04	\$ 30,306,873.95
Capital Grants Receivable	23,634,193.00	36,488,527.11
Due from Cape May County Bridge Commission	167,067.84	167,067.84
Deferred Charges to Future Taxation:		
Funded	113,630,000.00	120,970,000.00
Unfunded	207,631,418.03	113,989,720.70
	<u>\$ 366,530,339.91</u>	<u>\$ 301,922,189.60</u>
<u>Liabilities, Reserves and Fund Balance</u>		
Serial Bonds Payable	\$ 113,630,000.00	\$ 120,970,000.00
Bond Anticipation Notes	23,000,000.00	-
Due to the Bridge Commission	750,000.00	750,000.00
Improvement Authorizations:		
Funded	6,127,626.87	5,862,812.00
Unfunded	141,509,677.44	71,743,050.66
Encumbrances Payable	47,048,763.55	54,035,602.78
Capital Improvement Fund	1,100,758.56	748,381.56
Reserve for Grants Receivable	23,634,193.00	36,488,527.11
Reserve to Pay Bonds	7,725,119.74	8,225,119.74
Fund Balance	2,004,200.75	3,098,695.75
	<u>\$ 366,530,339.91</u>	<u>\$ 301,922,189.60</u>

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

2018	184,631,418.03
2017	113,989,720.70

**COUNTY OF CAPE MAY, NEW JERSEY**  
**GENERAL CAPITAL FUND**  
**COMPARATIVE STATEMENT OF FUND BALANCE -REGULATORY BASIS**  
**AS OF DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
Beginning Balance January 1	\$ 3,098,695.75	\$ 1,264,335.11
Increased by:		
Funded Improvement Authorization Canceled	-	1,834,360.64
Premium on Sale of Notes	205,505.00	-
Decreased by:		
Appropriated to Budget Revenue	<u>1,300,000.00</u>	
Ending Balance December 31	\$ <u><u>2,004,200.75</u></u>	\$ <u><u>3,098,695.75</u></u>

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

	<u>2018</u>	<u>2017</u>
<u>General Fixed Assets</u>		
Land and Land Improvements	\$ 50,638,066.00	\$ 47,657,403.00
Buildings	171,904,863.00	166,095,102.00
Furniture and Furnishings	1,134,013.00	1,134,013.00
Office Equipment	903,075.00	909,929.00
Vehicles	20,499,683.00	19,929,388.00
Property Maintenance Equipment	2,349,257.00	2,271,300.00
Computer Equipment	2,919,709.00	2,670,577.00
Other Equipment	12,064,768.00	11,576,619.00
Work-In-Process	53,755,001.00	40,709,179.00
	<u>\$ 316,168,435.00</u>	<u>\$ 292,953,510.00</u>
 <u>Investment in General Fixed Assets</u>	 <u>\$ 316,168,435.00</u>	 <u>\$ 292,953,510.00</u>
	<u>\$ 316,168,435.00</u>	<u>\$ 292,953,510.00</u>



**COUNTY OF CAPE MAY, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**Description of Financial Reporting Entity** - The County is located in the Middle Atlantic Region of the United States and forms the southern tip of the State of New Jersey. The County is a peninsula, 454 square miles in total area, bordered by the Delaware Bay on the west and the Atlantic Ocean on the east.

Cape May County is governed by a Board of Chosen Freeholders composed of five people, all of whom are elected at large. The Clerk of the said Board, who is also the County Administrator, and the Chief Financial Officer share the day-to-day responsibilities of operating County government efficiently under the guidelines and provisions of the Board of Chosen Freeholders.

**Basis of Presentation, Fund Accounting** - The Financial Statements - Regulatory Basis of the County of Cape May contain all funds and account groups 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 County accounts for its financial transactions through the following separate funds, which differ from the funds required by accounting principles generally accepted in the United States of America (GAAP).

The County's Constitutional Offices and Institutions operate independently of the County Treasurer, and collect income from various sources, which are remitted periodically to the County Treasurer. Those offices include the Sheriff's Office and Correctional Center, County Adjuster, County Clerk, Surrogate's Office, and the Crest Haven Nursing and Rehabilitation Center. The County issues separate audited financial statements of the Constitution Offices.

Component units of the County, except the Library Commission, issue separately audited financial statements. As set forth in Governmental Accounting Standards Board (GASB) 14, financial accountability is defined as appointment of a voting majority of the component unit's Board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. If the County of Cape May reported in accordance with accounting principles generally accepted in the United States of America (GAAP), the following component units would be required to blend their operations and report as part of the County's financial statements: the Cape May County Bridge Commission, the Cape May County Municipal Utilities Authority, the Cape May County Technical School, the Cape May County Audio Visual Aids Commission and the Cape May County Special Services School. Since the County does not report in accordance with GAAP, blending of the component units is not required. Copies of the component unit financial statements may be obtained from the Clerk of the Board of Chosen Freeholders' office. The Library Commission's activities are reported in the County Trust Fund.

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

**Trust Fund** - The various trust funds account for receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

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

**Basis of Accounting** - A modified accrual basis of accounting is followed with minor exceptions. Accounting principles prescribed for New Jersey municipalities by the Department of Community Affairs, Division of Local Government Services differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant policies are explained in the following paragraphs.

**COUNTY OF CAPE MAY, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(CONTINUED)**

**Budgets and Budgetary Accounting** - The County 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 January 26 of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget, and must advertise that time and place at least ten days prior to the hearing in a newspaper published and circulating in the county. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. 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 dates for introduction, approval and adoption of the county budget may be granted by the Director of the Division of Local Government Services, with the permission of the Local Finance Board.

Budgets are adopted on the same basis of accounting utilized for the preparation of the County's Financial Statements – Regulatory Basis. The budgets are prepared making use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of year end. Actual results could differ from those estimates and such differences could be significant.

Material estimates that are particularly susceptible to significant change are the levels of self-insurance funds that are funded annually. Management has estimated these amounts based upon information as to outstanding pending claims provided by their insurance providers. While management uses available information to estimate the annual self-insurance funds, future additions may be necessary based upon changes in pending claims. Because of these factors, it is reasonably possible that the funds required for self-insurance claims may change materially in the near term.

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 the laws of the United States or of the State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1(a) provides a list of securities which may be purchased by New Jersey municipal units.

**Cash and Investments** - The cash management plan adopted by the County 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 government 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 government unit. Public depositories include banks (both State and national banks), 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. Recent changes to the statutes also allow governmental units to deposit funds in certain money market funds that invest in government obligations.

Generally, the County 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 operations. 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.

**COUNTY OF CAPE MAY, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(CONTINUED)**

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

**General Fixed Assets** - Property and equipment purchased by the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized.

Accounting for Governmental Fixed Assets, 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") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems, are not capitalized. Developmental easements paid for by the County are not recorded as assets.

All fixed assets are valued at historical cost, or estimated historical cost if actual historical cost is not available, except for land, which is valued at estimated market value. The County uses \$2,500 as its fixed asset threshold for recording purposes.

No depreciation on general fixed assets is recorded in the Financial Statements – Regulatory Basis.

Construction in progress is recorded and represents expenditures in the Capital Fund 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.

**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 or emergency 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 balances 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 year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriation Reserves are not established under GAAP.

**Fund Balance** - Fund balances included in the Current Fund 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 County's budget. Other amounts that are due the County, 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 the actual expenditure financed by the grant is made.

**County Tax Revenues** - County tax revenues are collected in quarterly installments from municipalities within the County due February 15, May 15, August 15, and November 15. The amount of tax levied includes only the amount required in support of the County's annual budget and the apportionment to each municipality is based on the tax ratables and equalized values required to be certified to the Cape May County Tax Board by January 10 of the current year. Receivables for county taxes including County Added and Omitted Taxes are recorded with offsetting reserves on the balance sheet of the County's

**COUNTY OF CAPE MAY, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(CONTINUED)**

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.

**School Funding** - The County provides and remits school funding for the Cape May County Technical School District and the Cape May County Special Services School District. The County provides an appropriation in the calendar year budget and remits the funds quarterly to the school districts in order for the districts to operate. The school districts operate on a July 1 to June 30 fiscal year so the amounts provided by the County to the school districts in a calendar year represent part of two school fiscal years.

**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 accounting system. Outstanding encumbrances at December 31 are recorded as a cash liability. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis. 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.

**Recent Accounting Pronouncements Not Yet Effective**

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

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

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

In April 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements". This statement is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the County's financial reporting.

In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 89, "Accounting for Interest Costs Incurred before the End of a Construction Period". This statement is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the County's financial reporting.

In August 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 90, "Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61". This statement is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the County's financial reporting.

In May 2019, the Governmental Accounting Standards Board (GASB) issued Statement No. 91, "Conduit Debt Obligations". This statement is effective for fiscal periods beginning after December 15, 2020, will not have any effect on the County's financial reporting.

**COUNTY OF CAPE MAY, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(CONTINUED)**

**Note 2: LONG-TERM DEBT**

**Summary of County Debt (Excluding Current and Operating Debt)**

	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>
<u>Issued</u>			
General:			
Bonds and Notes and Loans	\$ 138,370,000.00	\$ 123,000,000.00	\$ 90,320,000.00
Less:			
Bonds for County College Projects			
Open Space Notes	1,740,000.00	2,030,000.00	2,320,000.00
Funds Temporarily Held to			
Pay Bonds and Notes:			
General	<u>7,725,119.74</u>	<u>8,225,119.74</u>	<u>7,136,756.23</u>
Net Debt Issued	<u>128,904,880.26</u>	<u>112,744,880.26</u>	<u>80,863,243.77</u>
<u>Authorized but not Issued</u>			
Bonds and Notes:			
General	184,631,418.03	113,989,720.70	145,418,427.47
Less:			
Bonds for School Purposes	<u>-</u>	<u>156,006.13</u>	<u>156,006.13</u>
Net Debt Authorized but not Issued	<u>184,631,418.03</u>	<u>113,833,714.57</u>	<u>145,262,421.34</u>
Net Bonds and Notes Issued and Authorized but not Issued	<u>\$ 313,536,298.29</u>	<u>\$ 226,578,594.83</u>	<u>\$ 226,125,665.11</u>

In addition, the County has guaranteed \$26,725;655.00 of Revenue Bonds and Notes of the Cape May County Municipal Utilities Authority and \$12,170,000.00 of Revenue Bonds of the Cape May County Bridge Commission.

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

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.494%:

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ <u>323,001,418.03</u>	\$ <u>9,465,119.74</u>	\$ <u>313,536,298.29</u>

Net Debt \$313,536,298.29 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-1 as amended, \$49,910,446,471.33 = 0.628%.

**COUNTY OF CAPE MAY, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(CONTINUED)**

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

2% of Equalized Valuation Basis	\$ 998,208,929.43
Net Debt	<u>313,536,298.29</u>
Remaining Borrowing Power	<u>\$ 684,672,631.14</u>

**Changes in Long-Term Debt**

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

	Outstanding 12/31/16	Issues or Additions	Payments or Reductions	Outstanding 12/31/17	Amount Due Within 1 Year
General Capital Fund:					
Bonds Payable	\$ 88,000,000.00	\$ 40,000,000.00	\$ 7,030,000.00	\$ 120,970,000.00	\$ 7,340,000.00
Total General Capital Fund	<u>\$ 88,000,000.00</u>	<u>\$ 40,000,000.00</u>	<u>\$ 7,030,000.00</u>	<u>\$ 120,970,000.00</u>	<u>\$ 7,340,000.00</u>
Other Liabilities:					
Compensated Absences					
Payable	\$ 5,798,397.82	\$ 6,058,410.66	\$ 6,046,674.05	\$ 5,810,134.43	\$ 298,191.15
Total Other Liabilities	<u>\$ 5,798,397.82</u>	<u>\$ 6,058,410.66</u>	<u>\$ 6,046,674.05</u>	<u>\$ 5,810,134.43</u>	<u>\$ 298,191.15</u>
	Outstanding 12/31/17	Issues or Additions	Payments or Reductions	Outstanding 12/31/18	Amount Due Within 1 Year
General Capital Fund:					
Bonds Payable	\$ 120,970,000.00	\$ -	\$ 7,340,000.00	\$ 113,630,000.00	\$ 7,850,000.00
Total General Capital Fund	<u>\$ 120,970,000.00</u>	<u>\$ -</u>	<u>\$ 7,340,000.00</u>	<u>\$ 113,630,000.00</u>	<u>\$ 7,850,000.00</u>
Other Liabilities:					
Compensated Absences					
Payable	\$ 5,810,134.43	6,260,105.06	6,351,400.06	5,718,839.43	175,206.76
Total Other Liabilities	<u>\$ 5,810,134.43</u>	<u>\$ 6,260,105.06</u>	<u>\$ 6,351,400.06</u>	<u>\$ 5,718,839.43</u>	<u>\$ 175,206.76</u>

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

Calendar Year	General		Total
	Principal	Interest	
2019	7,850,000.00	2,897,031.25	10,747,031.25
2020	8,160,000.00	2,740,031.25	10,900,031.25
2021	8,860,000.00	2,576,831.25	11,436,831.25
2022	9,360,000.00	2,391,381.25	11,751,381.25
2023	10,070,000.00	2,184,181.25	12,254,181.25
2023-2027	41,300,000.00	6,957,406.25	48,257,406.25
2028-2032	26,875,000.00	1,798,068.75	28,673,068.75
2033-2036	1,155,000.00	54,506.25	1,209,506.25
Total	\$ 113,630,000.00	\$ 21,599,437.50	\$ 135,229,437.50

**General Improvement Bonds**

At December 31, 2016, bonds payable in the General Capital Fund consisted of the following individual issues:

\$34,000,000 General Improvement Bonds dated August 15, 2012, and due in annual installments on August 15 through August 15, 2024, bearing interest at varying rates per annum. The balance remaining as of December 31, 2018 is \$20,000,000.

\$22,000,000 General Improvement Bonds dated August 19, 2015, and due in annual installments on August 15 through August 15, 2029, bearing interest at varying rates per annum. The balance remaining as of December 31, 2018 is \$18,600,000.

\$40,000,000 General Improvement Bonds dated August 17, 2016, and due in annual installments on March 1 through March 1, 2036, bearing interest at varying rates per annum. The balance remaining as of December 31, 2018 is \$36,630,000.

\$40,000,000 General Improvement Bonds dated December 13, 2017, and due in annual installments on September 1 through September 1, 2032, bearing interest at varying rates per annum. The balance remaining as of December 31, 2018 is \$38,400,000.

The above college bonds are entitled to the benefits of the provisions of the County College Bond Act, P.L. 1971, c.12. Under the provisions of the Act, the State of New Jersey shall appropriate and pay annually, an amount equal to that of the County and must be used for the payment of the principal and interest on the Bonds. Thus, the County's annual current fund budget shall reflect anticipated revenue equal to one-half the total annual debt service due on the \$14,510,000 issue.

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**Note 3: PENSION PLANS**

**Description of Plans**

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

<http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

**Public Employees' Retirement System**

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

**Police and Fireman's Retirement System**

The contribution policy for the Police and Fireman's Retirement System (PFRS) is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate.

**Defined Contribution Retirement Program (DCRP)**

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA43:15C-1 et seq). The DCRP is a cost sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43:15C-1 et seq.

**Funding Policy**

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.34% through June 30, 2017 and 7.50% thereafter of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 13.37% of covered payroll. The County's contributions to PERS for the years ended December 31, 2018, 2017, and 2016 were \$4,503,974, \$4,846,605, and \$3,967,511.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The County's contributions to PFRS for the year ended December 31, 2018, 2017, and 2016 were \$2,891,268, \$2,514,980, and \$2,406,399.



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The total payroll for the year ended December 31, 2018, 2017, and 2016 was \$59,833,111, \$55,839,166, and \$53,983,148. Payroll covered by PFRS was \$11,621,332, \$11,123,483, and \$10,507,228. Covered payroll by PERS was \$32,789,477, \$32,836,618, and \$35,996,590.

**Significant Legislation**

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

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

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

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

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to  $\frac{1}{60}^{\text{th}}$  from  $\frac{1}{55}^{\text{th}}$ , and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a  $\frac{1}{7}^{\text{th}}$  of the required amount, beginning in fiscal years 2012.

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

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

**Note 4: PENSION LIABILITIES**

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

The following represents the County's pension liabilities as June 30, 2018:

**Public Employees' Retirement System**

The County has a liability of \$103,742,070 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the County's proportion is 0.52689028234%, which was an increase of 0.94% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the County would have recognized pension expense of \$5,656,863. At December 31, 2018, the County would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 17,094,975	33,171,197
Net difference between projected and actual earnings on pension plan investments		973,105
Differences between expected & actual experience	1,978,377	534,927
Changes in proportion and differences between County contributions and proportionate share of contributions	3,022,785	2,092,726
Total	<u>\$ 22,096,137</u>	<u>36,771,955</u>

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

Year ended June 30,		
2019	\$	(592,160)
2020		1,014,873
2021		6,509,343
2022		5,831,930
2023		1,911,832
Total	\$	<u>14,675,818</u>

**Actuarial Assumptions**

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

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

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation

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percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

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

*Discount Rate*

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2043 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 5.66%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.66%) or 1-percentage point higher (6.66%) than the current rate:

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
County's proportionate share of the net pension liability	\$ 124,724,210	103,742,070	86,149,975

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*Pension plan fiduciary net position.*

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

**Police and Firemen's Retirement System**

The County has a liability of \$44,976,588 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the County's proportion is 0.33238069500%, which is an increase of 1.74% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the County would have recognized pension expense of \$4,128,706. At December 31, 2018, the County would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 3,860,635	11,526,723
Differences between expected & actual experience	457,578	186,124
Net difference between projected and actual earnings on pension plan investments		246,063
Changes in proportions	<u>3,329,521</u>	<u>479,011</u>
Total	<u>\$ 7,647,734</u>	<u>12,437,921</u>

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

<u>Year ended June 30,</u>	
2018	\$ (211,156)
2019	831,003
2020	2,247,090
2021	1,457,084
2022	466,166
Total	<u>\$ 4,790,187</u>

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**Actuarial Assumptions**

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

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

Pre-retirement mortality rates were based on the RP-2000 Combined Healthy Mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. For preretirement accidental mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements are based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis using Projection Scale AA from the base year 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Postretirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scales thereafter. Disability mortality rates were based on a custom table with representative rates and no mortality improvement assumed.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2018 are summarized in the following table:

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

*Discount Rate*

The discount rate used to measure the total pension liability was 6.51% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (5.51%)	Current Discount Rate (6.51%)	1% Increase (7.51%)
County's proportionate share of the net pension liability	\$ 58,588,366	44,976,588	33,751,603

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In addition to the PFRS liabilities listed above, a special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The June 30, 2018 State special funding situation net pension liability amount of \$1,838,050,687.00 is the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2018 State special funding situation pension expense of \$217,714,180.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2018. The pension expense is deemed to be a State administrative expense due to the special funding situation.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and required contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2018, the State contributed an amount less than the actuarially determined amount.

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the County was 0.33238069500% and 0.32669013550% for 2018 and 2017 respectively. The net pension liability amounts allocated to the County were \$6,109,326 and \$5,649,105 respectively. For the fiscal year ending June 30, 2018 State special funding situation pension expense of \$723,640 is allocated to the County.

*Pension plan fiduciary net position.*

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

**Note 5: CASH AND INVESTMENTS**

Operating cash, in the form various checking, savings and NOW Accounts, are held in the County's name by commercial banking institutions. At December 31, 2018, the carrying amount of the County's deposits was \$102,238,307.39 and the bank balance was \$101,135,053.29. Of the bank balance, \$1,004,371.61 was insured with Federal Deposit Insurance. Cash balances in excess of amounts covered by FDIC are covered by the Governmental Unit Deposit Protection Act (hereafter called "GUDPA"). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of municipalities and local government agencies. The program is administered by the Commissioner of New Jersey Department of Banking and Insurance.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the County'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 County would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are uncollateralized (securities not pledged by the depositor), collateralized with securities held by the pledging 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, 2018, all of the County's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The County does not have a policy for custodial credit risk or to limit interest rate risk.



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Investments

Pursuant to the cash management plan, the County may invest in the following:

- Direct obligations of, or obligations as to which the principal and interest is guaranteed by, the United States of America
- Government money market mutual funds
- Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress
- Bonds or obligations of the local unit or other obligations of school districts within the local unit
- Local government investment pools
- State of New Jersey Cash Management Fund
- Agreements for the repurchase of fully collateralized securities

The County participates in the N.J. ARM (Asset & Rebate Management) Program which is a Joint Account investment program for which state and local governments and other municipal entities participate. The County's year-end investment balance in this Joint Account was \$4,338,426.19.

Credit Risk: The Joint Account's investment policy limits its investments to those which Participants can invest in under the laws of the State of New Jersey. As of December 31, 2018, the Joint Account was comprised of investments which were, in aggregate, rated by Standard and Poor's as follows: AA+ rating (69.1%), and A-1+ rating (30.9%). The above ratings include the ratings of collateral underlying repurchase agreements in effect for the Joint Account at December 31, 2018.

Concentration of Credit Risk: The Joint Account's investment policy establishes certain restrictions on investments and limitations on portfolio composition. The Joint Account's investment portfolio at December 31, 2018 included the following issuers which individually represented greater than 5% of the Joint Account's total investment portfolio:

<u>Issuer</u>	<u>% of Portfolio</u>
Credit Agricole Corporate & Investment Bank	9.2%
Fannie Mae	5.4%
Federal Farm Credit Banks	13.6%
Federal Home Loan Bank	38.6%
Freddie Mac	7.7%
Goldman Sachs & Co.	6.8%
U.S. Treasury	18.7%

Interest Rate Risk: The Joint Account's investment policy limits its exposure to market value fluctuations due to changes in interest rates by (1) requiring its portfolio maintain a dollar-weighted average maturity of not greater than 90 days; and (2) requiring that any investment securities purchased have a remaining maturities of 397 days or less at the time of purchase, or which reset, in the case of adjustable securities, in no greater than 397 days. The weighted average maturity of the Joint Account's entire portfolio at December 31, 2018 was 50 days. The fair value and weighted average maturity of the types of investments in which the Joint Account was invested at year-end are as follows:

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<u>Type of Investments</u>	<u>Fair Value</u>	<u>Weighted Ave Maturity</u>
Cash and Cash Equivalents	\$ 77,341,871	1 day
Repurchase Agreements	47,300,000	4 days
U.S. Government Agency Obligations	193,241,700	54 days
U. S. Treasury Obligations	55,316,331	91 days
Total	\$ <u>373,199,902</u>	

Custodial Credit Risk: For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Note 6: RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY**

Receivables between County funds are a result of either temporary funding of activity or collections received in one fund and due to another as of year end. Interfunds are expected to be returned within the following year. Receivables and payables at December 31, 2018 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current		\$65,491.51
Federal and State Grant	\$65,491.51	

**Note 7: FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2018 and 2017, which were appropriated and included as anticipated revenue in the current fund for the year ending December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Current Fund	\$ 11,200,000	10,300,000

**Note 8: BUDGETARY DATA**

In February, the Board of Chosen Freeholders adopts the annual appropriated budgets for the Current Fund and the Capital Improvement plan. Once approved, the Board of Chosen Freeholders may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

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

Budget transfers between major appropriation accounts are prohibited until the last two months of the year. Transfers are approved by the Board of Chosen Freeholders by Resolution. Budgetary transfers for the year were not significant.

**Note 9: FEDERAL AND STATE GRANTS**

In the normal course of operations, the County 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

**COUNTY OF CAPE MAY, NEW JERSEY**  
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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 10: GENERAL FIXED ASSETS**

The following schedule is a summarization of general fixed assets for the years ended December 31, 2018 and 2017:

	Balance as of December 31, 2016	Additions/ Transfers	Disposals/ Transfers	Balance as of December 31, 2017
Land	\$ 45,823,130.00	\$ 1,834,273.00	\$	\$ 47,657,403.00
Buildings	158,291,554.00	8,043,246.00	239,698.00	166,095,102.00
Furniture & Fixtures	1,074,354.00	59,659.00		1,134,013.00
Vehicles	19,883,897.00	1,016,306.00	970,815.00	19,929,388.00
Work-In-Process	14,724,551.00	32,620,231.00	6,635,603.00	40,709,179.00
Equipment:				
Office	827,755.00	82,174.00		909,929.00
Property				
Maintenance	2,099,051.00	186,724.00	14,475.00	2,271,300.00
Computer	2,772,214.00	211,006.00	312,643.00	2,670,577.00
Other	11,947,662.00	278,291.00	649,334.00	11,576,619.00
Total	\$ 257,444,168.00	\$ 44,331,910.00	\$ 8,822,568.00	\$ 292,953,510.00

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	Balance as of December 31, 2017	Additions/ Transfers	Disposals/ Transfers	Balance as of December 31, 2018
Land	\$ 47,657,403.00	\$ 2,980,663.00	\$	\$ 50,638,066.00
Buildings	166,095,102.00	5,809,761.00		171,904,863.00
Furniture & Fixtures	1,134,013.00			1,134,013.00
Vehicles	19,929,388.00	1,770,561.00	1,200,266.00	20,499,683.00
Work-In-Process	40,709,179.00	13,045,822.00		53,755,001.00
Equipment:				
Office	909,929.00	2,718.00	9,572.00	903,075.00
Property				
Maintenance	2,271,300.00	108,457.00	30,500.00	2,349,257.00
Computer	2,670,577.00	367,671.00	118,539.00	2,919,709.00
Other	11,576,619.00	498,850.00	10,701.00	12,064,768.00
Total	\$ 292,953,510.00	\$ 24,584,503.00	\$ 1,369,578.00	\$ 316,168,435.00

**Note 11: ECONOMIC DEPENDENCY**

The County of Cape May, New Jersey is not economically dependent on any one funding agent within the County or the State of New Jersey.

**Note 12: ACCRUED SICK AND VACATION BENEFITS**

The County has permitted employees to accrue unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. The monetary value of these earned and unused employee benefits has not been accrued by either charges to operations or to budgets of prior years, although in some cases they might be material, since the realization of this liability may be affected by conditions which could preclude an employee from receiving full payment of the accrual. One provision of these benefits is a cap on sick pay payable at the employees' termination of employment or retirement. Sick pay is paid out at 50% of value, subject to a cap of \$15,000. The \$5,718,839 and \$5,810,134 accrued sick and vacation benefits at December 31, 2018 and December 31, 2017 consists of \$4,108,420 and \$4,233,989 sick benefits, and \$1,610,419 and \$1,576,145 vacation benefits liability respectively.

**Note 13: DEFERRED COMPENSATION**

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, which is administered by an outside company (Valic), permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency. The Plan assets are not recorded on the books of the County in accordance with the promulgations issued by the Division of Local Government Services.

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**Note 14: POST- RETIREMENT BENEFITS**

In accordance with employment agreements, the County is obligated, upon an employee's retirement, to provide hospitalization and life insurance for those retiring employees with twenty-five (25) years of service with the County until the death of the employee, including, where applicable, dependent coverage. These benefits are recorded as expenditures in the year paid.

As of January 1, 2010, the County changed its insurance policy as it became self-insured.

The Regulatory Basis of Accounting does not permit the accrual of Actuarially determined OPEB Expenses or Liabilities. The County reports all OPEB related costs on the "pay as you go" basis. The following information is for disclosure purposes only and has not been accrued in the Financial Statements of the County.

The actuarial determined valuation of these benefits has been reviewed and will be reviewed bi-annually for the purpose of estimating the present value of future benefits for active and retired employees and their dependents as required by GASB 75.

The actuarial valuation report was based on 1,384 total participants including 457 retirees.

**Annual OPEB Cost and Net OPEB Liability**

The County's annual OPEB cost represents the accrued cost for post-employment benefits under GASB 75. The cumulative difference between the annual OPEB cost and the benefits paid during a year will result in a net OPEB obligation. The annual OPEB cost is equal to the annual required contribution (ARC) less adjustment if a net OPEB obligation exists. The ARC is equal to the normal cost and amortization of the Unfunded Actuarial Accrued Liability (UAAL) plus interest.

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrences of events far into the future, including future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the December 31, 2018 actuarial valuation, the "Entry-Age-Normal as a Percentage of Salary" method was used for all participants. The actuarial assumptions used to project future costs included a discount rate of 4.1% and annual health insurance cost trend rate of 5.8%. In addition, the unfunded actuarial accrued liability is being amortized period of 20 years.

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**Other Post-employment Benefit Costs and Obligations**

In the December 31, 2018 actuarial valuation, the Actuarily Determined Contribution for the year's ending December 31, 2018 were projected as follows:

	<u>12/31/2018</u>
Service Cost	\$ 7,934,946.00
20 Year Amortization of NOL at 4.10%	11,177,655.00
Actuarily Determined Contribution	<u>19,112,601.00</u>
Actual Contribution	5,121,309.00
Contribution deficiency	<u>\$ (13,991,292.00)</u>
 Covered Payroll	 \$ 36,991,035.00
 Actuarily Determined Contribution as a % of Covered Payroll	  51.67%

The following reflects the change in the Total OPEB Liability as of the December 31, 2018 valuation date for the year ended December 31, 2018.

	<u>12/31/2018</u>
OPEB Liability, Beginning of Year	\$ 267,251,435
Changes for the Year:	
Service Cost	7,934,946
Interest	11,177,655
Assumption Changes & Difference	
Between Actual & Expected Experience	-
Change in Actuarial Cost Method	-
Benefit Payments	(5,121,309)
OPEB Liability, End of Year	<u>\$ 281,242,727</u>
Covered payroll (for Covered Participants)	\$ 36,991,035
Total OPEB liability as a percentage of covered payroll	760.30%

**Sensitivity of the total OPEB liability to changes in the discount rate.**

The December 31, 2018 valuation was prepared using a discount rate of 4.01%. If the discount rate were 1% higher than what was used in this valuation, the Total OPEB Liability would decrease to \$255,363,941 or by 9.20%. If the discount rate were 1% lower than was used in this valuation, the Total OPEB Liability would increase to \$315,304,435 or by 12.11%.

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Discount Rate			
	<u>1% Decrease</u>	<u>Baseline 4.10%</u>	<u>1% Increase</u>
Total OPEB Liability	\$ <u>315,304,435</u>	\$ <u>281,242,727</u>	\$ <u>255,363,941</u>

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.**

The December 31, 2018 valuation was prepared using an initial trend rate of 5.80%. If the trend rate were 1% higher than what was used in this valuation, the Total OPEB Liability would increase to \$309,119,588 or by 9.91%. If the trend rate were 1% lower than was used in this valuation, the Total OPEB Liability would decrease to \$261,012,715 or by 7.19%.

Healthcare Cost Trend Rates			
	<u>1% Decrease</u>	<u>Baseline 5.80%</u>	<u>1% Increase</u>
Total OPEB Liability	\$ <u>261,012,715</u>	\$ <u>281,242,727</u>	\$ <u>309,119,588</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2018, the County's Actuarially determined OPEB expense was \$19,112,601. At December 31, 2018, the County would have reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Increase in December 31, 2018 OPEB Liability due to Actuarial experience different from expected and actuarial assumption changes	\$ -	\$ -
Total	\$ <u>-</u>	\$ <u>-</u>

**COUNTY OF CAPE MAY, NEW JERSEY**  
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Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB would be recognized in OPEB expense as follows:

For the Year Ending December 31,

2019	\$	-
2020		-
2021		-
2022		-
2023		-
Thereafter		-
	\$	<hr/> <hr/> -

**Note 15 – OTHER POST-RETIREMENT BENEFITS**

*General Information about the Plan:*

The County offers Other Post-Retirement Benefits (OPEB) to its employees through the State Health Benefit Local Government Retired Employees Plan (the Plan) a cost-sharing multiple employer defined benefit other postemployment benefit plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at:

<https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

*Allocation Methodology:*

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense, however under the Regulatory Basis of Accounting followed by the County these amounts are not accrued or recorded in the financial statements and the information listed in this note is for disclosure purposes only. Statewide across all member employers, the special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation as applicable, the Collective Total OPEB liabilities for the year ended June 30, 2018 were \$6,338,578,586 and \$9,642,524,641, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's non special



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funding situation during the measurement period July 1, 2017 through June 30, 2018. Employer and non-employer allocation percentages have been rounded for presentation purposes.

*Special Funding Situation:*

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer.

*Net OPEB Liability:*

*Components of Net OPEB Liability*

The components of the collective net OPEB liability of the participating employers in the Plan as of June 30, 2018 is as follows:

	<b><u>June 30, 2018</u></b>
	<b><u>Collective</u></b>
	<b><u>Total</u></b>
Total OPEB Liability	\$ 15,981,103,227
Plan Fiduciary Net Position	314,485,086
Net OPEB Liability	<b><u>\$ 15,666,618,141</u></b>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%

At June 30, 2018, the State's proportionate share for the Special Funding Situation that is associated with the County is \$35,425,190. The State's proportionate share attributable to the County of the Collective Net OPEB Liability for the Special Funding Situation was 0.570101% which was a decrease from the prior year of 0.20%.

For the Year ended June 30, 2018, the State of New Jersey realized Total OPEB Expense in the amount of \$1,072,362 for its proportionate share of Total OPEB Expense that is associated with the County.

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The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary increases*:	
Through 2026	1.65% to 8.98%
Thereafter	2.65% to 9.98%

\* Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

100% of active members are considered to participate in the Plan upon retirement.

*Health Care Trend Assumptions*

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

*Discount Rate*

The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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*Sensitivity of Net OPEB Liability to Changes in the Discount Rate*

The following presents the Net OPEB liability as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the Net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Collective			
Net OPEB Liability \$	18,381,085,096	\$ 15,666,618,141	\$ 13,498,373,388

*Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate*

The following presents the net OPEB liability as of June 30, 2018, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Collective			
Net OPEB Liability \$	13,068,471,450	\$ 15,666,618,141	\$ 19,029,006,023

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to retired employees' OPEB from the following sources:

	Collective Totals	
	Deferred Outflow s of Resources	Deferred Inflow s of Resources
Differences between expected and actual experience	\$	\$ (3,180,882,321)
Changes of assumptions		(3,974,042,874)
Net difference between projected and actual earnings on OPEB plan investments	8,279,239	
Changes in proportion and differences between contributions and proportionate share of contributions	2,106,728,269	(2,106,728,269)
Total	\$ 2,115,007,508	\$ (9,261,653,464)

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Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired employees' OPEB will be recognized in OPEB expense as follows:

Year ended June 30,		Collective Totals
2019	\$	(1,049,390,011)
2020		(1,049,390,011)
2021		(1,049,390,011)
2022		(1,050,264,681)
2023		(1,051,678,489)
Thereafter		(1,896,532,753)
Total	\$	<u>(7,146,645,956)</u>

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

*Collective OPEB Expenses reported by the State of New Jersey*

The components of allocable OPEB Expense related to specific liabilities of individual employers for the year ending June 30, 2018 are as follows:

Service cost	\$ 896,235,148
Interest on Total OPEB Liability	764,082,232
Expected Investment Return	(9,389,460)
Administrative Expenses	8,200,113
Current Period Recognition (Amortization) of Deferred Inflows/	
Outflows of Resources:	
Differences between Expected and Actual Experience	(445,501,726)
Changes in Assumptions	(606,176,763)
Differences between Projected and Actual Investment	
Earnings on OPEB Plan Investments	2,288,478
Total Collective OPEB Expense	<u>\$ 609,738,022</u>

**Note 16: ARBITRAGE REBATE**

Pursuant to the Internal Revenue Code of 1986, Section 148 regarding excess earning, an arbitrage rebate is due to the United States Government. The rebate amount is the excess aggregate amount earned on unspent bond proceeds over the amount that would have been earned if the yield on such unspent proceeds had been equal to the bond yields.

At December 31, 2018 there was no arbitrage payable in the Current Fund.

**Note 17: LITIGATION**

The County is involved in several claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the outcome of outstanding cases is problematic, and the ultimate resolution of these matters, although they could be of a material nature, would not have a material effect on the financial position of the County due to its insurance policies.

**Note 18: RISK MANAGEMENT**

The County 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 others; and natural disasters.

**Property and Liability Insurance** - The County maintains commercial insurance coverage for property, liability and surety bonds. A complete list of insurance can be obtained from the Clerk of the Board of Chosen Freeholders.

**COUNTY OF CAPE MAY, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(CONTINUED)**

**Workers' Compensation Trust** - The County has elected to be self-insured for Workers' Compensation claims. The County maintains a reserve for self-insurance in the County Trust Fund. The reserves are maintained based upon valuations of claims provided by an outside insurance service. The County has a "Specific Excess Workers' Compensation and Employer's Liability Indemnity Policy" which covers, per accident, the amount of the claim exceeding \$275,000 up to \$1,000,000 for Employer Liability and \$5,000,000 for Workers' Compensation. At December 31, 2018, 2017, and 2016, the reserve balances reflected in the County Trust Fund was \$1,027,240, \$756,690, and \$815,688.

**General Liability Trust** - The County has elected to be self-insured for General Liability and Health Benefit insurance claims. The County maintains a reserve for self-insurance in the County Trust Fund. The County maintains reserves in the General Liability Fund to cover the deductibles on its General Liability and Business Auto policies of \$20,000 each, and \$100,000 each for prior year claims pending and health benefit insurance claims. These reserves are based upon valuations that are provided by the insurance carriers. At December 31, 2018, 2017, and 2016 the reserve balances reflected in the County Trust Fund was \$4,164,629, \$2,233,711, and \$2,387,459.

**New Jersey Unemployment Compensation Insurance** - The County has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the County is required to reimburse the Unemployment Trust Fund for benefits paid to its former employees and charged to its account by the State. The County is billed quarterly for amounts due to the State. At December 31, 2018, 2017, and 2016, the reserve balances reflected in the County Trust Fund was \$518,101, \$415,089, and \$274,380.

**Note 19: COMMITMENTS AND CONTINGENCIES**

**Contingencies - Cape May County Health Department** - The County Health Department receives funding predominantly from the State of New Jersey and the United States Government in the form of Medicaid and Medicare cost reimbursements. All such reimbursements are subject to financial and compliance audits by the provider agencies. Reimbursement rates are subject to change based on changes in legislation and other factors, and such changes may be significant. As of December 31, 2018, the County indicates that no material liabilities will result from these changes.

**Commitments - Guarantees** - The County has guaranteed \$26,728,656 of Revenue Bonds and Notes outstanding of the Cape May County Municipal Utilities Authority and \$12,170,000 of Revenue Bonds of the Cape May County Bridge Commission.

**Note 20: RELATED PARTY TRANSACTIONS**

The County sponsors a health insurance benefit plan and receives reimbursement of costs from other participating employers. The following represents the 2018 expense incurred by the County requested for reimbursement for the health insurance plan from other employers:

Cape May County Welfare Board	\$	2,094,085.01
Cape May County Library Commission		1,411,605.29
	\$	<u>3,505,690.30</u>

**Note 21: INSTALLMENT PURCHASES**

The County Open Space (Recreation, Farmland and Historic Preservation Trust Fund) acquired development easements and purchased property on installment. The installment loans are secured by promissory notes with a total outstanding balance of \$1,740,000 at December 31, 2018.

**COUNTY OF CAPE MAY, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(CONTINUED)**

**Note 22: LEASE OF COUNTY AIRPORT**

On June 8, 1999, the County and the Delaware River and Bay Authority (DRBA) entered into a 30 year ground lease whereby the DRBA assumed operational control of the Cape May County Airport and Industrial Park. In addition to the lease, DRBA assumed all of the County's rights, title and interest in certain Airport assets and acquired other rights in these assets.

**Note 23: BOARD OF SOCIAL SERVICES**

During 2016 the Board of Social Services was consolidated into the general operations of the County. All activities of the former Board of Social Services are now accounted for as a department of the County and maintained in the County's trust fund. All activities are subject to the annual audit and single audit of the County.

**Note 24: SUBSEQUENT EVENTS**

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2018 and July 30, 2019, the date that the financial statements are available to be issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the County that would require disclosure

## **APPENDIX C**

### **FORM OF APPROVING LEGAL OPINION FOR THE BONDS**

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A PROFESSIONAL CORPORATION  
ATTORNEYS AT LAW  
Riverview Plaza  
10 Highway 35  
Red Bank, NJ 07701-5902  
732-268-8000  
FAX 732-345-8420

October \_\_, 2019

Director and Members of the  
Board of Chosen Freeholders  
of the County of Cape May  
Cape May Court House, New Jersey

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance and delivery of \$50,000,000 aggregate principal amount of General Obligation Bonds, Series 2019 (the "Bonds"), of the County of Cape May (the "County"), a body politic and corporate of the State of New Jersey (the "State").

The Bonds are authorized by and are issued pursuant to the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), various bond ordinances duly adopted by the Board of Chosen Freeholders of the County and published as required by law, and a resolution duly adopted by the Board of Chosen Freeholders of the County on August 13, 2019.

The Bonds are being issued to (i) currently refund the County's \$23,000,000 Bond Anticipation Notes, Series 2018, dated October 30, 2018, and maturing on October 30, 2019; (ii) permanently finance the acquisition and undertaking of \$27,000,000 of various capital improvements in and by the County; and (iii) pay the costs and expenses incidental to the issuance and delivery of the Bonds.

The Bonds are issued in fully registered form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. One certificate shall be issued for the aggregate principal amount of the Bonds of each series maturing in each year. Purchases of the Bonds will be made in book-entry only form, without certificates, in principal denominations of \$5,000 each or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the County as Paying Agent (or a duly appointed Paying Agent) directly to Cede & Co., as nominee for DTC. Disbursal of such payments to the DTC participants is the responsibility of DTC and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of the DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semiannually on the first day of April and October (each an "Interest Payment Date"), commencing April 1, 2020, in each year until maturity or prior redemption, as applicable.

The Bonds shall mature on October 1 in each of the years, in the principal amounts and at the interest rates as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>
2020	\$2,000,000		2028	\$3,500,000	
2021	2,250,000		2029	3,500,000	
2022	2,500,000		2030	4,000,000	
2023	2,750,000		2031	4,000,000	
2024	3,000,000		2032	4,000,000	
2025	3,500,000		2033	4,000,000	
2026	3,500,000		2034	4,000,000	
2027	3,500,000				

The Bonds are subject to optional redemption prior to their stated maturities.

We have examined such matters of law, certified copies of the proceedings, including all authorization proceedings for the Bonds, and other documents and proofs relative to the issuance and sale of the Bonds as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We are of the opinion that (i) such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the New Jersey Statutes, (ii) the Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the County enforceable in accordance with their terms, and (iii) the County has pledged its faith and credit for the payment of the principal of and interest on the Bonds, and, unless paid from other sources, all the taxable property within the County is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Bonds in order for the interest thereon to

be and remain excludable from gross income for Federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Bonds. The County will represent in its tax certificate relating to the Bonds that it expects and intends to comply, and will comply, to the extent permitted by law, with such requirements.

In our opinion, under existing law, and assuming continuing compliance by the County with the aforementioned covenant, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owners of the Bonds pursuant to Section 103 of the Code. Interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing federal alternative minimum tax.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

Except as stated in the preceding two (2) paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

This opinion is qualified to the extent that the enforceability of the rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined one of each of the Bonds, as executed by the County, and, in our opinion, the form of such Bond and its execution are regular and proper.

We express no opinion as to any matter not set forth above. The opinions expressed above are being rendered on the basis of federal law and the laws of the State of New Jersey as presently enacted and construed, and we assume no responsibility to advise any party as to changes in fact or law subsequent to the date hereof that may affect the opinions expressed above.

This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

Director and Members of the  
Board of Chosen Freeholders  
of the County of Cape May  
October \_\_, 2019  
Page 4

This letter is being provided for your exclusive benefit pursuant to the requirements of the closing of the Bonds and may not be provided to (except in connection with the preparation of a closing transcript with respect to the Bonds) or relied upon by any other person, party, firm or organization without our prior written consent. Notwithstanding anything to the contrary herein, the undersigned acknowledges that this opinion is a governmental record subject to release under the New Jersey Open Public Records Act, N.J.S.A. 47:1A-1 *et seq.*, as amended and supplemented.

Very truly yours,

ARCHER & GREINER P.C.

## **APPENDIX D**

### **FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS**

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## FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate dated as of October 3, 2019 (the "Disclosure Certificate") is executed and delivered by the County of Cape May, State of New Jersey (the "County" or the "Issuer") in connection with the issuance of its \$50,000,000 General Obligation Bonds, Series 2019, the "Bonds"), all such Bonds being dated October 3, 2019. The Bonds are being issued pursuant to various bond ordinance duly adopted by the Board of Chosen Freeholders of the County and published as required by law, and a resolution duly adopted by the Board of Chosen Freeholders of the County on August 13, 2019 (the "Bond Resolution"). The County covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Beneficial Owners of the Bonds to assist the Underwriter(s) in complying with the Rule (as defined below). The County acknowledges it is an "Obligated Person" under the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Resolution which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for Federal income tax purposes.

"Dissemination Agent" shall mean, initially, the County or any Dissemination Agent subsequently designated in writing by the County which has filed with the County a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system, a website created by the MSRB and approved by the SEC to provide a central location where investors can obtain municipal bond information including disclosure documents. The County or the Dissemination Agent shall submit disclosure documents to EMMA as a PDF file to [www.emma.msrb.org](http://www.emma.msrb.org).

"Financial Obligation" shall mean a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) listed hereinabove. The term "*Financial Obligation*" shall not include municipal securities as to which a final official statement has been provided to the MSRB (as defined below) consistent with the Rule (as defined below).

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the United States Securities and Exchange Commission.

"State" shall mean the State of New Jersey.

"Underwriter(s)" shall mean the original underwriter(s) of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

### SECTION 3. Provision of Annual Reports.

(a) The County shall provide or cause to be provided to the Dissemination Agent not later than 270 days following the end of each year, commencing with the year ending December 31, 2019, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the County are not available by September 1 of each year, the County shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the County, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the County.

(b) Not later than 285 days following the end of each year, commencing with the year ending December 31, 2019, the Dissemination Agent shall provide to EMMA a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

(c) If the County does not provide or is unable to provide an Annual Report by the applicable date required in subsection (a) above, such that the Dissemination Agent cannot forward the Annual Report to EMMA in accordance with subsection (b) above, the Dissemination Agent shall send a notice of such event to EMMA in substantially the form attached hereto as Exhibit A, with copies to the County (if the Dissemination Agent is not the County).

(d) Each year the Dissemination Agent shall file a report with the County (if the Dissemination Agent is not the County), certifying that the Annual Report has been filed with EMMA pursuant to this Disclosure Certificate, and stating the date it was provided.



(e) If the fiscal year of the County changes, the County shall give written notice of such change to the Dissemination Agent and the Dissemination Agent shall, within five (5) business days after the receipt thereof from the County, forward a notice of such change to EMMA in the manner provided in Section 5(e) hereof.

SECTION 4. Content of Annual Reports. (a) The County's Annual Report shall contain or incorporate by reference the following:

1. The audited financial statements of the County (as of December 31).

The audited financial statements are to be prepared in accordance with generally accepted auditing standards and audit requirements prescribed by the Division of Local Government Services, State Department of Community Affairs (the "Division") that demonstrate compliance with the modified accrual basis, with certain exceptions, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP) and the budget laws of the State.

2. The general financial information and operating data of the County consistent with the information set forth in Appendix A to the Official Statement dated September 12, 2019, prepared in connection with the sale of the Bonds (the "Official Statement") consisting of (i) County indebtedness including a schedule of outstanding debt issued by the County, (ii) property valuation information, and (iii) tax rate, levy and collection data and in the forepart thereof under the heading entitled, "Litigation".

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the County is an "Obligated Person" (as defined by the Rule), which have been filed with EMMA. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The County shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds, as applicable:

1. Principal and interest payment delinquencies;
2. Nonpayment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances of the Bonds;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes relating to the Bonds;
12. Bankruptcy, insolvency, receivership or similar event of the County;
13. The consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material;
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

The County shall, in a timely manner not in excess of ten (10) business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB, through the EMMA system, in accordance with the provisions of Section 5 of this Disclosure Certificate. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 5 that require a materiality determination, the County may, but shall not be required to, rely conclusively on an opinion of counsel.

(b) Whenever the County has or obtains knowledge of the occurrence of any of the Listed Events that require a materiality determination, the County shall, as soon as possible, determine if such event would constitute information material, if applicable, to the Beneficial Owners of the Bonds.

(c) If the County (i) has or obtains knowledge of the occurrence of any of the Listed Events not requiring a materiality determination, or (ii) determines that the occurrence of a Listed Event requiring a materiality determination would be material to the Beneficial Owners of the Bonds, the County shall promptly notify the Dissemination Agent in writing (if the County is not the Dissemination Agent) and the County shall instruct the Dissemination Agent to report such Listed Event and the Dissemination Agent shall report the occurrence of such Listed Event pursuant to subsection (e) hereof.

(d) If the County determines that the occurrence of a Listed Event requiring a materiality determination would not be material to the Beneficial Owners of the Bonds, the County shall promptly notify the Dissemination Agent in writing (if the Dissemination Agent is not the County) and the Dissemination Agent (if the Dissemination Agent is not the County) shall be instructed by the County not to report the occurrence.

(e) If the Dissemination Agent has been instructed in writing by the County to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB, through the EMMA system, in a timely manner not in excess of ten (10) business days after the occurrence thereof, with a copy to the County (if the Dissemination Agent is not the County). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Bondholders of the affected Bonds pursuant to the Bond Resolution.

**SECTION 6. Termination of Reporting Obligation.** The County's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the County is no longer an "Obligated Person" (as defined in the Rule). The County shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the Dissemination Agent, which notice shall be filed with the MSRB, through the EMMA system, in accordance with the provisions of Section 5(e) hereof.

SECTION 7. Compliance with the Rule. The County previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: certain elements related to assessed valuation in its operating data for the fiscal year ending December 31, 2015. Additionally, the County previously failed to file a late filing notice in connection with its untimely filings of its operating data, as described above. Such notice of late filing has been filed with MSRB's Electronic Municipal Market Access Dataport ("EMMA"). The County appointed Phoenix Advisors, LLC, Bordentown, New Jersey, in July of 2015 to serve as continuing disclosure agent.

SECTION 8. Dissemination Agent; Compensation. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the County. The County shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in Federal securities laws acceptable to the County to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the County, such determination being supported by an opinion of counsel expert in Federal securities laws, or by the approving vote of a majority of Beneficial Owners of the Bonds at the time of the amendment. The County shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 hereof. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in the same manner as a Listed Event under Section 5 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in

quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Bonds or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the County agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the County) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. To the extent permitted by law, the County further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Underwriter(s), and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

SECTION 14. Notices. All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the County

Brittany M. Smith,  
Acting Chief Financial Officer/County Treasurer  
County of Cape May  
4 Moore Road DN 103  
Cape May Court House, New Jersey 08210

(b) Copies of all notices to the Dissemination Agent from  
time to time with respect to the Bonds:

initially: Brittany M. Smith,  
Acting Chief Financial Officer/County Treasurer  
County of Cape May  
4 Moore Road DN 103  
Cape May Court House, New Jersey 08210

Each party shall give notice from time to time to the other parties, in the manner specified herein, of any change of the identity or address of anyone listed herein.

SECTION 15. Counterparts. This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the County and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

SECTION 16. Severability. If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the County and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

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SECTION 17. Governing Law. This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State, as applicable.

**COUNTY OF CAPE MAY**

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**BRITTANY M. SMITH,  
Acting Chief Financial Officer/  
County Treasurer**

**Acknowledged and Accepted by:  
DISSEMINATION AGENT**

**N/A**  

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**AUTHORIZED SIGNATORY**

## EXHIBIT A

### NOTICE TO MSRB VIA EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: County of Cape May, State of New Jersey

Name of Bond Issue: \$50,000,000 General Obligation Bonds, Series 2019 (the "Bonds")  
Dated October 3, 2019  
(CUSIP Number \_\_\_\_\_)

Date of Issuance: October 3, 2019

NOTICE IS HEREBY GIVEN that the above designated County has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Certificate dated as of October 3, 2019 executed by the County.

DATED: \_\_\_\_\_

\_\_\_\_\_  
DISSEMINATION AGENT  
(on behalf of the County)

cc: County of Cape May