

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 2, 2019

NEW ISSUE

SERIAL BONDS
Rating: S&P: "AA"
(See "RATING" herein)

In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by the Borough (as defined herein) with certain tax covenants described herein, under existing law, interest on the Bonds (as defined herein) is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. 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. See "TAX MATTERS" herein.

**BOROUGH OF WEST CAPE MAY,
IN THE COUNTY OF CAPE MAY, NEW JERSEY**

**\$3,830,000* GENERAL IMPROVEMENT BONDS, SERIES 2019
(Book-Entry-Only) (Bank-Qualified) (Non-Callable)**

Dated Date: Date of Delivery

Due: October 15, as shown on the inside front cover hereof

The \$3,830,000* General Improvement Bonds, Series 2019 (the "Bonds") of the Borough of West Cape May, in the County of Cape May, New Jersey (the "Borough"), will be issued in the form of one certificate for the principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as the securities depository. See "THE BONDS - Book-Entry-Only System" herein.

Proceeds from the sale and issuance of the Bonds will be used by the Borough to: (i) currently refund \$2,530,000 of the Borough's \$2,530,000 Bond Anticipation Note, dated and issued on September 19, 2019 and maturing on October 30, 2019; (ii) provide \$1,300,000 in new money to finance various capital improvements described herein; and (iii) pay the costs in connection with the authorization, sale and issuance of the Bonds.

Interest on the Bonds will be payable semiannually on the fifteenth day of April and October in each year until maturity, commencing April 15, 2020. The principal of and the interest due on the Bonds will be paid to DTC by the Borough as paying agent. Interest on the Bonds will be credited to the Participants (as defined herein) of DTC as listed on the records of DTC as of each next preceding April 1 and October 1 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds are not subject to redemption prior to their stated maturities.

The Bonds are valid and legally binding obligations of the Borough and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the Borough for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices, to obtain information essential to the making of an informed investment decision.

The Bonds will be offered when, as and if issued and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the Borough in connection with the issuance of the Bonds. Delivery is anticipated to be via DTC in New York, New York, on or about October 29, 2019.

BID PROPOSALS WILL BE ACCEPTED ONLY BY ELECTRONIC SUBMISSION VIA PARITY ELECTRONIC BID SYSTEM ON WEDNESDAY, OCTOBER 9, 2019 UNTIL 11:00 A.M. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE NOTICE OF SALE POSTED AT WWW.MUNIHUB.COM.

* Preliminary, subject to change.

**BOROUGH OF WEST CAPE MAY,
IN THE COUNTY OF CAPE MAY, NEW JERSEY**

**\$3,830,000* GENERAL IMPROVEMENT BONDS, SERIES 2019
(BOOK-ENTRY-ONLY) (BANK-QUALIFIED) (NON-CALLABLE)**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number**</u>
2020	\$225,000	%	%	
2021	290,000			
2022	415,000			
2023	415,000			
2024	415,000			
2025	415,000			
2026	415,000			
2027	415,000			
2028	415,000			
2029	410,000			

* Preliminary, subject to change.

** Registered trademark of the American Bankers Association. CUSIP data herein is 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 Bondholders only at the time of issuance of the Bonds and the Borough 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 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.

**BOROUGH OF WEST CAPE MAY,
IN THE COUNTY OF CAPE MAY, NEW JERSEY**

BOARD OF COMMISSIONERS

Carol E. Sabo, Mayor
Peter C. Burke, Deputy Mayor
John H. Francis, III

BOROUGH CLERK

Suzanne M. Schumann

CHIEF FINANCIAL OFFICER

Frank Donato III

BOROUGH ATTORNEY

Christopher Gillin-Schwartz, Esquire
Wildwood, New Jersey

INDEPENDENT ACCOUNTANT

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

BOND COUNSEL

McManimon, Scotland & Baumann, LLC
Roseland, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Borough to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Borough and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the Borough. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder, under any circumstances, shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents 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, and copies of which may be inspected at the offices of the Borough during normal business hours.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended by the Borough from time to time (collectively, the "Official Statement"), may be treated as a "Final Official Statement" with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or amendment) by the Borough.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be used, in whole or in part, for any other purpose. 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 in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

McManimon, Scotland & Baumann, LLC has not participated in the preparation of the financial or statistical information contained in this Official Statement nor have they verified the accuracy or completeness thereof, and, accordingly, they express no opinion with respect thereto.

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FINANCIAL STATEMENTS OF THE BOROUGH OF WEST CAPE MAY

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FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL.....

Appendix C

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**OFFICIAL STATEMENT
Relating to**

**BOROUGH OF WEST CAPE MAY,
IN THE COUNTY OF CAPE MAY, NEW JERSEY**

\$3,830,000* GENERAL IMPROVEMENT BONDS, SERIES 2019

INTRODUCTION

This Official Statement, which includes the cover page, the inside front cover page and the appendices attached hereto, has been prepared by the Borough of West Cape May (the "Borough"), in the County of Cape May (the "County"), New Jersey (the "State"), in connection with the sale and issuance of \$3,830,000* General Improvement Bonds, Series 2019 (the "Bonds"). This Official Statement has been executed by and on behalf of the Borough by its Chief Financial Officer and may be distributed in connection with the sale of the Bonds described herein.

This Official Statement is "deemed final," as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

THE BONDS

General Description

The Bonds shall be dated their date of issuance and will mature on October 15 in the years and in the principal amounts as set forth on the inside front cover page hereof. The Bonds shall bear interest from their date, payable semiannually on each April 15 and October 15 (each, an "Interest Payment Date"), commencing April 15, 2020, in each year until maturity, at the interest rates shown on the inside front cover page hereof. Interest on the Bonds shall be computed on a 30-day month/360-day year basis.

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of Bonds and in the principal amount of such maturity. The Bonds may be purchased in book-entry-only form in the principal amount of \$5,000 or any integral multiple in excess thereof through book-entries made on the books and records of The Depository Trust Company, New York, New York ("DTC"), and its participants. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner for the Bonds, payments of the principal of and interest on the Bonds will be made by the Borough directly to Cede & Co. (or any successor or assign), as nominee for DTC. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding April 1 and October 1 (the "Record Dates" for the payment of interest on the Bonds). See "Book-Entry-Only System" herein.

Redemption

The Bonds are not subject to redemption prior to their stated maturities.

* Preliminary, subject to change.

Book-Entry-Only System

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest, and other payments due on the Bonds to DTC Participants or Beneficial Owners (each as defined below), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Borough. Accordingly, the Borough does not make any representations concerning these matters.

DTC 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 global Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, 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" and, together with the Direct Participants, the "DTC Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at 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 ("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 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 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 to the Borough or its paying agent, if any, as soon as possible after the applicable 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 applicable record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, if applicable, and distributions 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 Borough or paying agent, on 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 paying agent, if any, or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, if applicable, and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or its paying agent, if any, 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the Borough or its paying agent, if any. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borough believes to be reliable, but the Borough does not take any responsibility for the accuracy thereof.

THE BOROUGH AS PAYING 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 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 BONDHOLDERS OR REGISTERED

OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTIONS "TAX MATTERS" AND "SECONDARY MARKET DISCLOSURE") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Discontinuance of Book-Entry-Only System

If the Borough, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Bonds at any time, the Borough will attempt to locate another qualified securities depository. If the Borough fails to find such a securities depository, or if the Borough determines, in its sole discretion, that it is in the best interest of the Borough or that the interest of the Beneficial Owners might be adversely affected if the book-entry-only system of transfer is continued (the Borough undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination), the Borough shall notify DTC of the termination of the book-entry-only system.

SECURITY AND SOURCE OF PAYMENT

The Bonds are valid and legally binding obligations of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. The Borough is required by law to levy *ad valorem* taxes upon all the real property taxable within the Borough for the payment of the principal of and the interest due on the Bonds without limitation as to rate or amount.

AUTHORIZATION AND PURPOSE OF THE BONDS

The Bonds have been authorized by and are being issued pursuant to the laws of the State, including the Local Bond Law (constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended) (the "Local Bond Law"), the bond ordinances adopted by the Board of Commissioners referred to in the chart below and by a resolution duly adopted by the Board of Commissioners on September 11, 2019 (the "Resolution").

Bond Ordinance	Description of Improvement and Date of Adoption of Bond Ordinance	Refunding Amounts Funded by Bond Proceeds	New Money Amounts Funded by Bond Proceeds	Total Amounts Funded by Bond Proceeds
483-13	Acquisition of a fire truck and vehicle for the Public Works Department, finally adopted January 8, 2014.	\$220,000	\$0	\$220,000
499-15	Various capital improvements, finally adopted May 13, 2015.	60,000	0	60,000
540-18	Various capital improvements, finally adopted April 25, 2018.	2,250,000	0	2,250,000
569-19	Various capital improvements, finally adopted August 14, 2019.	0	1,300,000	1,300,000
	Total:	\$2,530,000	\$1,300,000	\$3,830,000

Proceeds from the sale and issuance of the Bonds will be used by the Borough to: (i) currently refund \$2,530,000 of the Borough's \$2,530,000 Bond Anticipation Note, dated and issued on September 19, 2019 and maturing on October 30, 2019; (ii) provide \$1,300,000 in new money to finance various capital improvements described above; and (iii) pay the costs in connection with the authorization, sale and issuance of the Bonds.

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Borough are general full faith and credit obligations.

The authorized bonded indebtedness of the Borough for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis. The average for the last three years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the boundaries of Borough, as annually determined by the State Director of Taxation is \$494,189,522.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

The Borough has not exceeded its statutory debt limit. As of December 31, 2018, the statutory net debt as a percentage of average equalized valuation was 0.563%. As noted above, the statutory limit is 3½%.

The Borough may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Borough may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Borough to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

The Borough may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the bond ordinance creating such capital expenditure, as it may be amended and supplemented. A local unit's bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the bond anticipation

notes' maturity to the end of the tenth fiscal year in which the bond anticipation notes mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of bond anticipation notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division ("Director") prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

The local unit is authorized to issue "emergency notes" and "special emergency notes" pursuant to the Local Budget Law.

"Tax anticipation notes" are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may 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 determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his or her 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 for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of a local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparation, drainage map preparation for flood control purposes and contractually required severance liabilities, which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the fiscal year. Appropriation reserves may also be transferred during the first three (3) months of the fiscal year, to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP" appropriations to within "CAPS" appropriations nor can transfers be made between excluded from "CAP" appropriations.

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" if the index rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.5% or less.

Additionally, legislation constituting P.L. 2010, c. 44, approved July 13, 2010 and applicable to the next local budget year following enactment, limits tax levy increases for those local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

Neither the tax levy limitation nor the "Cap Law" limits the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service on its bonds or notes.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next three years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values.

Upon the filing of certified adopted budgets by the Borough's Local School District and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

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

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest rates and penalties are the highest permitted under New Jersey Statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes. A table detailing tax title liens is included in Appendix "A".

Tax Appeals

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Borough must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

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

This law regulates the non-budgetary financial activities of local governments. The chief financial officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2018 for the Borough is on file with the Clerk and is available for review during business hours.

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 Borough 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 Borough will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Bonds, as to various tax requirements. The Borough 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 (as defined herein) will rely upon the representations made in the Arbitrage and Tax Certificate and will assume continuing compliance by the Borough 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 Borough observes its covenants with respect to compliance with the Code, McManimon, Scotland & Baumann, LLC, Bond Counsel to the Borough, 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 the effect of future changes in (i) 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 Borough 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 Borough 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 and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

Bank Qualification

The Bonds will be designated as qualified under Section 265 of the Code by the Borough for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

The Code denies the interest deduction for certain indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax-exempt obligations acquired by such institutions after August 7, 1986. For certain issues, which are eligible to be designated and which are designated by the issuer as qualified under Section 265 of the Code, eighty percent (80%) of such interest may be deducted as a business expense by such institutions.

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 on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

State Taxation

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.

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE BONDS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE BONDS, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO

ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

LITIGATION

To the knowledge of the Borough Attorney, Christopher Gillin-Schwartz, Esquire, Wildwood, New Jersey, 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 Borough or the title of any of the present officers. Moreover, to the knowledge of the Borough Attorney, no litigation is presently pending or threatened that, in the opinion of the Borough Attorney, would have a material adverse impact on the financial condition of the Borough if adversely decided.

SECONDARY MARKET DISCLOSURE

The Borough, pursuant to the Resolution, has covenanted for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "Rule"). Specifically, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the Borough shall provide:

(a) On or prior to September 30 of each fiscal year, beginning September 30, 2020, electronically to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system or such other repository designated by the Securities and Exchange Commission to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the Borough consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Borough and certain financial information and operating data consisting of (i) the Borough and overlapping indebtedness including a schedule of outstanding debt issued by the Borough, (ii) property valuation information, and (iii) tax rate, levy and collection data. The audited financial information will be prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law.

(b) In a timely manner not in excess of ten business days after the occurrence of the event, to EMMA, notice of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment 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 holders of the Bonds, if material;
 - (8) Bond calls, if material, and tender offers;
 - (9) Defeasances;
 - (10) Release, substitution or sale of property securing repayment of the Bonds, if material;
 - (11) Rating changes;
 - (12) Bankruptcy, insolvency, receivership or similar event of the Borough;
 - (13) The consummation of a merger, consolidation or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, 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 or the change of name of a trustee, if material;
 - (15) Incurrence of a Financial Obligation of the Borough, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation, any of which affect holders of the Bonds, if material; and
 - (16) Default, event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of the Borough, if any such event reflects financial difficulties.

The term "Financial Obligation" as used in subparagraphs (b)(15) and (b)(16) above means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation or (iii) guarantee of (i) or (ii); provided, however, that the term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

(c) In a timely manner to EMMA, notice of failure of the Borough to provide required annual financial information on or before the date specified in the Resolution.

In the event that the Borough fails to comply with the above-described undertaking and covenants, the Borough shall not be liable for any monetary damages, remedy of the beneficial owners of the Bonds being specifically limited in the undertaking to specific performance of the covenants.

The undertaking may be amended by the Borough from time to time, without the consent of the Bondholders or the beneficial owners of the Bonds, in order to make modifications required in connection with a change in legal requirements or change in law, which in the opinion of nationally recognized bond counsel complies with the Rule.

The Borough currently does not have existing undertakings with regard to continuing disclosure for prior obligations issued. The Borough has appointed Phoenix Advisors, LLC, Bordentown, New Jersey, to act as continuing disclosure agent to assist in the filing of certain information on EMMA as required with respect to the Bonds and future obligations.

There can be no assurance that there will be a secondary market for the sale or purchase of the Bonds. Such factors as prevailing market conditions, financial condition or

market position of firms who may make the secondary market and the financial condition of the Borough may affect the future liquidity of the Bonds.

MUNICIPAL BANKRUPTCY

The undertakings of the Borough should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 901 et seq., as amended by Public Law 94-260, approved April 8, 1976, and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, as further amended by Public Law 100-597, effective November 3, 1988, and as further amended and other bankruptcy laws affecting creditor's rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy 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 said chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a municipality has the power to file a petition in bankruptcy provided the approval of the Municipal Finance Commission has been obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX 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 Act.

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 McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, Bond Counsel to the Borough, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix "C". Certain legal matters will be passed on for the Borough by its Borough Attorney, Christopher Gillin-Schwartz, Esquire, Wildwood, New Jersey.

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the Borough 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.

UNDERWRITING

The Bonds have been purchased from the Borough at a public sale by _____ (the "Underwriter") at a price of \$_____ (consisting of the par amount of the Bonds plus a bid premium of \$_____). The Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Bonds are being offered for sale at the yields set forth on the inside front cover of this Official Statement.

RATING

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency") has assigned a rating of "AA" to the Bonds based upon the creditworthiness of the Borough.

The rating reflects only the views of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. The Borough provided the Rating Agency with certain information and materials concerning the Bonds and the Borough. There can be no assurance that the rating will be maintained for any given period of time or that it may not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the marketability or market price of the Bonds.

FINANCIAL STATEMENTS

The audited financial statements of the Borough for the year ended December 31, 2018 are presented in Appendix "B" to this Official Statement (the "Financial Statements"). The Financial Statements have been prepared by Ford, Scott & Associates, LLC, Ocean City, New Jersey, an independent auditor, as stated in its report appearing in Appendix "B" to this Official Statement. Ford, Scott & Associates, LLC has not participated in the preparation of this Official Statement, nor has such firm verified the accuracy, completeness or fairness of the information contained herein (except for the audited financial statements appearing in Appendix "B" hereto) and, accordingly, will express no opinion with respect thereto. See "APPENDIX B - Financial Statements of the Borough of West Cape May".

PREPARATION OF OFFICIAL STATEMENT

The Borough hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects and it will confirm to the Underwriter, by certificates signed by the Chief Financial Officer of the Borough, that to such officer's knowledge such descriptions and statements, as of the date of this Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

All other information has been obtained from sources which Borough considers to be reliable and it makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

Bond Counsel has not participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Frank Donato III, Chief Financial Officer, Borough of West Cape May, 732 Broadway, West Cape May, New Jersey 08204, telephone (609) 884-1005 or by email fdonato@westcapemay.us, or to the Municipal Advisor, Phoenix Advisors, LLC at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, telephone (609) 291-0130.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement among the Borough, the Underwriter and the 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 the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs (financial or otherwise) of the Borough since the date hereof. The information contained in the Official Statement is not guaranteed as to accuracy or completeness.

BOROUGH OF WEST CAPE MAY

By: _____
Frank Donato III,
Chief Financial Officer

Dated: October __, 2019

APPENDIX A

**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION
ABOUT THE BOROUGH OF WEST CAPE MAY**

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INFORMATION REGARDING THE BOROUGH¹

The following material presents certain economic and demographic information of the Borough of West Cape May (the “Borough”), in the County of Cape May (the “County”), State of New Jersey (the “State”).

General Information

The Borough of West Cape May (the “Borough”), formerly known as Eldredge, is one of the four jurisdictions that comprise Cape Island in Cape May County and was incorporated as a Borough in late 1884. The Borough was home to Mayflower descendants, former slaves, riverboat pilots, and whalers.

History of the Borough

The Borough’s history goes back to the time of the Lenape Indians and several buildings date to the Colonial period. The area has a rich agricultural history which continues to be celebrated each year with a summer farmers’ market, and strawberry and lima bean festivals. It was once known as the “Lima Bean Capital East of the Rockies.” The Borough has reported ties to the Underground Railroad. From 1881 to 1931, the Hastings Goldbeating Company was located in the Borough employing women to pound one-inch strips of gold into gossamer-thin sheets used for decorative arts. Women still did the “booking” of gold leaf sheets until 1961.

Form of Government

The Borough operates under the Walsh Act Commission form of government. The Board of Commissioners consists of three members, who are elected at-large in non-partisan elections and serve 4-year, concurrent terms.

Once the Commissioners take office, they divide up the municipal departments, according to NJSA 40: 72-4. Each Commissioner becomes a Department Director and holds all the executive, administrative, judicial and legislative powers. There is no single chief executive.

Pension and Retirement Systems

Substantially all eligible employees participate in the Public Employees’ Retirement System, the Police and Firemen’s Retirement System or the Defined Contribution Retirement Program, which have been established by State statute and are administered by the New Jersey Division of Pensions and Benefits (the “Division”). Benefits, contributions, means of funding and the manner of administration are established pursuant to State statute. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations and the employees contribute a portion of the cost. Each Plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes the financial statements and required supplementary information. This report may be obtained by writing to the Division of Pensions

¹ Source: The Borough, unless otherwise indicated.

and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or is available online at www.nj.gov/treasury/pensions/financial-reports.shtml.

The Public Employees' Retirement System ("PERS") is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. 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 or other State pension fund or local jurisdiction's pension fund.

The Police and Firemen's Retirement System ("PFRS") is a cost-sharing multiple-employer defined benefit pension plan which was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A, to provide retirement, death, disability and medical benefits to certain qualified members. Membership is mandatory for substantially all full-time county and municipal police and firemen or officer employees with police powers appointed after June 30, 1944.

The Defined Contribution Retirement Program ("DCRP") is a multiple-employer defined contribution pension fund which was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and was expanded under the provisions of Chapter 89, P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

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Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Borough, the County, and the State:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough</u>				
2018	498	462	36	7.2%
2017	500	461	39	7.8%
2016	506	459	47	9.3%
2015	515	464	51	9.9%
2014	511	460	51	10.0%
<u>County</u>				
2018	45,785	41,945	3,840	8.4%
2017	46,097	41,862	4,235	9.2%
2016	46,661	42,076	4,585	9.8%
2015	48,038	42,694	5,344	11.1%
2014	48,551	42,607	5,944	12.2%
<u>State</u>				
2018	4,422,900	4,239,600	183,400	4.1%
2017	4,518,838	4,309,708	209,123	4.6%
2016	4,530,800	4,305,515	225,262	5.0%
2015	4,537,231	4,274,685	262,531	5.8%
2014	4,527,177	4,221,277	305,900	6.8%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

Income (as of 2017)

	<u>Borough</u>	<u>County</u>	<u>State</u>
Median Household Income	\$61,250	\$62,332	\$76,475
Median Family Income	82,500	78,624	94,337
Per Capita Income	37,313	36,256	39,069

Source: US Bureau of the Census 2017

Population

The following tables summarize population increases and the decreases for the Borough, the County, and the State.

<u>Year</u>	<u>Borough</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2017 Estimate	1,015	-0.9%	93,553	-3.8%	9,005,644	2.4%
2010	1,024	-6.5	97,265	-4.9	8,791,894	4.5
2000	1,095	6.7	102,326	7.6	8,414,350	8.9
1990	1,026	-6.0	95,089	15.6	7,730,188	5.0
1980	1,091	8.6	82,266	38.1	7,365,001	2.7

Source: United States Department of Commerce, Bureau of the Census

Largest Taxpayers

The ten largest taxpayers in the Borough and their assessed valuations are listed below:

<u>Taxpayers</u>	<u>2018 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Wilbraham Mansion, LLC	\$3,242,100	0.67%
Rayson Property Management	2,750,000	0.57%
The Depot Travel Park, Inc.	2,729,900	0.57%
Cape May Lumber Company	2,300,000	0.48%
CVS, Inc.	2,138,900	0.44%
Individual #1	2,058,200	0.43%
Cape West Associates, Inc.	1,862,800	0.39%
Individual #2	1,594,300	0.33%
Individual #3	1,649,614	0.34%
SPE Labrusciano, LLC	<u>1,114,800</u>	<u>0.23%</u>
Total	<u>\$21,440,614</u>	<u>4.46%</u>

Source: Comprehensive Annual Financial Report of the School District and Municipal Tax Assessor

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2018	\$6,171,131	\$6,036,130	97.81%
2017	5,817,554	5,672,384	97.50%
2016	5,634,406	5,474,921	97.17%
2015	5,254,800	5,112,418	97.29%
2014	5,221,504	5,081,454	97.32%

Source: Annual Audit Reports of the Borough

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2018	\$156,177	\$113,368	\$269,545	4.37%
2017	154,080	127,452	281,532	4.84%
2016	142,942	132,256	275,197	4.88%
2015	162,417	124,725	287,142	5.46%
2014	149,231	111,972	261,203	5.00%

Source: Annual Audit Reports of the Borough

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2018	\$230,782
2017	230,782
2016	230,782
2015	230,782
2014	230,782

Source: Annual Audit Reports of the Borough

Tax Rates per \$100 of Net Valuations Taxable and Allocations

The table below lists the tax rates for Borough residents for the past five (5) years.

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>	<u>Total</u>
2019	\$0.359	\$0.242	\$0.356	\$0.297	\$1.254
2018	0.357	0.247	0.382	0.279	1.265
2017	0.356	0.229	0.365	0.272	1.222
2016	0.350	0.228	0.397	0.247	1.222
2015	0.331	0.225	0.353	0.240	1.149

Source: Abstract of Ratables and State of New Jersey – Property Taxes

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2019	\$491,076,200	\$536,402,185	91.55%	n/a	\$536,402,185
2018	480,912,500	525,300,382	91.55	150,824	525,451,206
2017	468,451,000	485,693,105	96.45	142,823	485,835,928
2016	457,569,300	471,575,080	97.03	146,736	471,721,816
2015	455,763,800	436,973,921	104.30	150,096	437,124,017

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

Classification of Ratables

The table below lists the comparative assessed valuation for each classification of real property within the Borough for the past five (5) years.

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2019	\$16,152,100	\$433,582,500	\$3,521,800	\$36,753,700	\$0	\$1,066,100	\$491,076,200
2018	15,962,500	424,392,600	3,521,800	35,969,500	0	1,066,100	480,912,500
2017	19,378,700	409,260,600	3,511,500	35,234,100	0	1,066,100	468,451,000
2016	18,128,200	399,794,400	3,511,500	35,069,100	0	1,066,100	457,569,300
2015	18,717,700	397,040,600	3,511,500	35,427,900	0	1,066,100	455,763,800

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

Financial Operations

The following table summarizes the Borough's Current Fund budget for the past five (5) fiscal years ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Fund Balance Utilized	\$372,400	\$354,000	\$354,000	\$481,500	\$536,000
Miscellaneous Revenues	246,355	240,640	286,021	304,653	292,720
Receipts from Delinquent Taxes	120,000	120,000	120,000	120,000	120,000
Amount to be Raised by Taxation	<u>1,504,543</u>	<u>1,600,541</u>	<u>1,664,709</u>	<u>1,712,726</u>	<u>1,762,570</u>
Total Revenue:	<u>\$2,243,299</u>	<u>\$2,315,181</u>	<u>\$2,424,730</u>	<u>\$2,618,879</u>	<u>\$2,711,289</u>
<u>Appropriations</u>					
General Appropriations	\$1,411,414	\$1,460,969	\$1,495,122	\$1,540,367	\$1,589,838
Operations (Excluded from CAPS)	462,680	471,488	478,696	507,639	499,636
Deferred Charges and Statutory Expenditures	2,000	0	0	0	0
Capital Improvement Fund	10,000	10,000	10,000	110,300	50,000
Municipal Debt Service	105,000	116,200	181,500	190,000	285,500
Reserve for Uncollected Taxes	<u>252,204</u>	<u>256,524</u>	<u>259,412</u>	<u>270,573</u>	<u>286,316</u>
Total Appropriations:	<u>\$2,243,299</u>	<u>\$2,315,181</u>	<u>\$2,424,730</u>	<u>\$2,618,879</u>	<u>\$2,711,289</u>

Source: Annual Adopted Budgets of the Borough

Fund Balance

Current Fund

The following table lists the Borough's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

Fund Balance - Current Fund

<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2018	\$1,170,734	\$536,000
2017	935,486	481,500
2016	645,640	354,000
2015	614,945	354,000
2014	916,565	372,400

Source: Annual Audit Reports of the Borough

Sewer/ Water Utility Operating Fund

The following table lists the Borough's fund balance and the amount utilized in the succeeding year's budget for the Sewer Utility Operating Fund for the past five (5) fiscal years ending December 31.

Fund Balance

Sewer/Water Utility Operating Fund

<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2018	\$273,207	\$51,800
2017	400,962	176,269
2016	407,909	80,000
2015	402,206	65,000
2014	311,131	50,611

Source: Annual Audit Reports of the Borough

Borough Indebtedness as of December 31, 2018

General Purpose Debt

Serial Bonds	\$0
Bond Anticipation Notes	2,850,000
Bonds and Notes Authorized but Not Issued	66,798
Other Bonds, Notes and Loans	0
Total:	<u>\$2,916,798</u>

Local School District Debt

Serial Bonds	\$0
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$0</u>

Regional School District Debt

Serial Bonds	\$640,573
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$640,573</u>

Self-Liquidating Debt

Serial Bonds	\$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	5,800
Other Bonds, Notes and Loans	3,644,176
Total:	<u>\$3,649,976</u>

TOTAL GROSS DEBT

\$7,207,347

Less: Statutory Deductions

General Purpose Debt \$133,399

Local School District Debt 0

Regional School District Debt 640,573

Self-Liquidating Debt 3,649,976

Total: \$4,423,948

TOTAL NET DEBT

\$2,783,399

Source: Annual Debt Statement of the Borough

Overlapping Debt (as of December 31, 2018)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Borough Percentage</u>	<u>Borough Share</u>
Local School District	\$0	100.00%	\$0
Regional School District	9,017,000	7.10%	640,573
County	384,897,073	1.02%	<u>3,916,595</u>
Net Indirect Debt			\$4,557,168
Net Direct Debt			<u>2,783,399</u>
Total Net Direct and Indirect Debt			<u>\$7,340,568</u>

Debt Limit

Average Equalized Valuation Basis (2016, 2017, 2018)	\$494,189,522
Permitted Debt Limitation (3 1/2%)	17,296,633
Less: Net Debt	<u>2,783,399</u>
Remaining Borrowing Power	<u>\$14,513,234</u>
Percentage of Net Debt to Average Equalized Valuation	0.563%
Gross Debt Per Capita based on 2010 population of 1,024	\$7,038
Net Debt Per Capita based on 2010 population of 1,024	\$2,718

Source: Annual Debt Statement of the Borough

Litigation

The status of pending litigation is included in the Notes to Financial Statements of the Borough's annual audit report.

² Borough percentage of County debt is based on the Borough's share of total equalized valuation in the County.

APPENDIX B

FINANCIAL STATEMENTS OF THE BOROUGH OF WEST CAPE MAY

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of West Cape May, as of December 31, 2018 and 2017, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2018 and 2017, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2019, on our consideration of the Borough of West Cape May's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of West Cape May's internal control over financial reporting and compliance.

Very truly yours,

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

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

July 26, 2019

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

	2018	2017
<u>ASSETS</u>		
Regular Fund:		
Cash:		
Cash Treasurer	\$ 465,836.86	1,051,700.32
Cash - Collector	1,287,428.13	858,013.64
Cash - Change	150.00	150.00
Total Cash	1,753,414.99	1,909,863.96
Other Receivables:		
Due from State - Chapter 20 P.L. 1971	388.95	888.95
Total Other Receivables	388.95	888.95
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	113,367.91	127,451.94
Tax Title and Other Liens	156,177.38	154,080.24
Property Acquired for Taxes - at Assessed Valuation	26,300.00	230,782.00
Revenue Accounts Receivable	718.94	788.18
Interfund Receivable:		
General Capital Fund	95.87	32,479.62
Due from TTL	1.55	-
Due from POAA Trust	0.03	-
Due from Fire Dedicated Trust	1.93	1.50
Due from Liquor Trust	22.95	352.93
Due from Dog Fund	764.66	1,343.18
Total Receivables and Other Assets	297,451.22	547,279.59
Total Regular Fund	2,051,255.16	2,458,032.50
Federal and State Grant Fund:		
Cash	-	-
Due from Current Fund	29,099.61	19,600.48
Federal and State Grants Receivable	63,242.92	63,242.92
Total Federal and State Grant Fund	92,342.53	82,843.40
Total Current Fund	\$ 2,143,597.69	2,540,875.90

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

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2018</u>	<u>2017</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 179,697.32	239,434.95
Reserve for Encumbrances/Accounts Payable	31,652.21	15,918.74
Payroll Taxes Payable	-	11,342.01
Prepaid Taxes	109,002.44	332,181.84
Overpaid Taxes	26,408.56	24,206.25
Local School Tax Payable	19,569.40	-
Regional School Tax Payable	-	-
County Added Tax Payable	18,899.04	20,278.55
Due to State:		
Marriage Licenses	100.00	25.00
Interfund Payable:		
Trust Other	5,871.80	5,875.94
POAA Trust		1.75
Tax Title Lien		0.90
Grant Fund	29,099.61	19,600.48
Unemployment Trust	534.73	534.73
Utility Operating - from Disbursement	2,360.00	21,748.40
Utility Operating - from General Account	134,694.15	-
Utility Capital	0.30	258,936.67
Other		
Reserve for Tax Map	4.78	4.78
Reserve for Storm Sewer Emergency	8,176.00	8,176.00
Reserve for Tax Sale Premiums	17,000.00	17,000.00
	<u>583,070.34</u>	<u>975,266.99</u>
Reserve for Receivables and Other Assets	297,451.22	547,279.59
Fund Balance	1,170,733.60	935,485.92
	<u>2,051,255.16</u>	<u>2,458,032.50</u>
Total Regular Fund		
Federal and State Grant Fund:		
Unappropriated Reserves	146.46	19,408.88
Appropriated Reserves	85,204.30	60,163.10
Encumbrances Payable	5,167.67	1,447.32
Due to HUD	1,824.10	1,824.10
	<u>92,342.53</u>	<u>82,843.40</u>
Total Federal and State Grant Fund		
Total Current Fund	<u>\$ 2,143,597.69</u>	<u>2,540,875.90</u>

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

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

	<u>2018</u>	<u>2017</u>
Revenue and Other Income Realized		
Fund Balance	\$ 481,500.00	354,000.00
Miscellaneous Revenue Anticipated	330,141.68	304,464.98
Receipts from Delinquent Taxes	140,447.96	131,126.43
Receipts from Current Taxes	6,036,130.29	5,672,383.55
Non Budget Revenue	89,467.15	65,579.38
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	210,918.29	160,413.78
Interfund Returned	34,056.70	150,410.29
2018 Emergency REHAB	674.50	-
Total Income	<u>7,323,336.57</u>	<u>6,838,378.41</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	543,662.00	507,700.00
Other Expenses	893,566.00	892,878.00
Deferred Charges & Statutory Expenditures	103,139.00	94,543.98
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	-	-
Other Expenses	515,759.55	487,047.82
Capital Improvements	110,300.00	10,000.00
Debt Service	189,105.00	181,245.50
Local District School Tax	1,127,291.48	1,046,992.52
Regional District School Tax	1,771,697.00	1,657,452.24
County Tax	1,333,167.81	1,262,780.19
County Share of Added Tax	18,899.04	20,278.55
Interfund Created	2.01	33,613.52
Total Expenditures	<u>6,606,588.89</u>	<u>6,194,532.32</u>
Excess in Revenue	<u>716,747.68</u>	<u>643,846.09</u>

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

	<u>2018</u>	<u>2017</u>
Statutory Excess to Fund Balance	<u>716,747.68</u>	<u>643,846.09</u>
Fund Balance January 1	<u>935,485.92</u>	<u>645,639.83</u>
	1,652,233.60	1,289,485.92
Decreased by:		
Utilization as Anticipated Revenue	<u>481,500.00</u>	<u>354,000.00</u>
Fund Balance December 31	<u>\$ 1,170,733.60</u>	<u>935,485.92</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	
Fund Balance Anticipated	\$ 481,500.00	-	-
Total Fund Balance Anticipated	481,500.00	-	-
Miscellaneous Revenues:			
Section A: Local Revenues			
Licenses:			
Other	33,500.00	-	10,410.50
Fines and Costs:			
Municipal Court	11,700.00	-	1,206.25
Interest and Costs on Taxes	26,000.00	-	5,752.14
Total Section A: Local Revenues	71,200.00	-	17,368.89
Section B: State Aid Without Offsetting Appropriations			
Energy Receipts Tax	89,303.00	-	-
Total Section B: State Aid Without Offsetting Appropriations	89,303.00	-	-
Section F: Special Items - Public and Private Programs			
Off-Set with Appropriations :			
Recycling Tonnage Grant	2,058.88	-	2,058.88
Clean Communities	-	5,120.67	-
Community Forestry Program - Volunteer Fire Assistance	-	3,000.00	-
Small Cities Block Grant	15,645.00	-	-
Stormwater Management	1,705.00	-	-
Total Section F: Special Items - Public and Private Programs	19,408.88	8,120.67	-
Off-Set with Appropriations			
		27,529.55	-

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

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section G: Other Special Items				
Cape May City Lease	39,741.00	-	39,740.24	(0.76)
Liquor License Trust Surplus	45,000.00	-	45,000.00	-
Reserve to Pay Bonds & Notes	40,000.00	-	40,000.00	-
Total Section G: Other Special Items	<u>124,741.00</u>	<u>-</u>	<u>124,740.24</u>	<u>(0.76)</u>
Total Miscellaneous Revenues:	304,652.88	8,120.67	330,141.68	17,368.13
Receipts from Delinquent Taxes	120,000.00	-	140,447.96	20,447.96
Amount to be Raised by Taxes for Support of Municipal Budget	1,712,725.65	-	1,933,359.09	220,633.44
Local Tax for Municipal Purposes				
Total Amount to be Raised by Taxes for Support of Municipal Budget	<u>1,712,725.65</u>	<u>-</u>	<u>1,933,359.09</u>	<u>220,633.44</u>
Budget Totals	2,618,878.53	8,120.67	2,885,448.73	258,449.53
Non- Budget Revenues:				
Other Non- Budget Revenues:	-	-	89,467.15	89,467.15
	<u>2,618,878.53</u>	<u>8,120.67</u>	<u>2,974,915.88</u>	<u>347,916.68</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Analysis of Realized Revenues

Allocation of Current Tax Collections:	
Revenue from Collections	6,036,130.29
Less: Reserve for Tax Appeals Pending	_____
Net Revenue from Collections	6,036,130.29
Allocated to:	
School, County and Other Taxes	4,373,343.85
Balance for Support of Municipal Budget Appropriations	1,662,786.44
Increased by:	
Appropriation "Reserved for Uncollected Taxes"	270,572.65
Amount for Support of Municipal Budget Appropriations	1,933,359.09

Receipts from Delinquent Taxes:	
Delinquent Tax Collection	125,779.83
Tax Title Lien Collections	14,668.13
Total Receipts from Delinquent Taxes	140,447.96

Analysis of Non-Budget Revenue:
Miscellaneous Revenue Not Anticipated:

BAN Premium	1,365.00
Class Refund - Franco	1,399.00
CMC Election Reimbursements	3,400.00
Comcast Franchise Fee	11,764.80
Copier Lease refund	136.83
Dunbar Refund	2,935.34
Electric Refund	680.00
GOV DEALS	25,557.75
Haverford Refund	100.00
Homestead Mailing	124.80
Interest on Investments	1,426.35
JIF Refunds	3,900.00
NJ League Refund	120.00
NSF Fees	35.00
Petty Cash Refund	333.75
Parking Fund	10,000.00
Payroll - cancellation of liability	2,037.47
Photocopies	58.62
Postage Refund	9.98
Recycling Rebate	2,849.90
Rental	57.37
Restitution	250.00
Sale of Fire Truck	5,000.00
Special Event Permits	350.00
Sr & Vet Admin Fee	230.00
Street Opening	2,093.15
Tax Sale Cost	473.04
Trailer Park	10,740.00
Vital Statistics	1,239.00
Wedding Fees	800.00
Total Miscellaneous Revenue Not Anticipated:	89,467.15

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Budget After Modifications	Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications			Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"							
DEPARTMENT OF PUBLIC AFFAIRS AND PUBLIC SAFETY							
Director's Office							
Salaries and Wages	\$ 14,000.00	11,700.00	11,700.00	11,251.38	-	448.62	-
Other Expenses	4,000.00	2,000.00	2,000.00	-	-	2,000.00	-
Fire							
Other Expenses							
Miscellaneous Other Expenses	29,000.00	29,000.00	29,000.00	26,663.20	801.00	1,535.80	-
Aid to Vol Fire Company	50,000.00	50,000.00	50,000.00	25,627.39	13,367.81	11,004.80	-
Police							
Salaries and Wages	100.00	100.00	100.00	-	-	100.00	-
Other Expenses	100.00	100.00	100.00	-	-	100.00	-
Municipal Prosecutor							
Salaries and Wages	7,650.00	7,650.00	7,650.00	7,318.70	-	331.30	-
Emergency Management Services							
Salaries and Wages	6,800.00	6,800.00	6,800.00	6,208.19	-	591.81	-
Other Expenses	2,000.00	2,000.00	2,000.00	311.35	-	1,688.65	-
Fire Safety Division							
Salaries and Wages	100.00	100.00	100.00	-	-	100.00	-
Other Expenses	100.00	100.00	100.00	-	-	100.00	-
Board of Health							
Other Expenses	200.00	200.00	200.00	-	-	200.00	-
Dog Regulation							
Other Expenses	9,500.00	9,500.00	9,500.00	4,409.60	-	5,090.40	-
Municipal Court							
Salaries and Wages	85,000.00	104,800.00	104,800.00	104,729.82	-	70.18	-
Other Expenses	11,000.00	9,700.00	9,700.00	4,041.73	1,045.00	4,613.27	-
Public Defender							
Salaries and Wages	4,500.00	4,500.00	4,500.00	4,459.30	-	40.70	-
Celebration of Public Events, Anniversary, Holidays							
Other Expenses	1,500.00	850.00	850.00	-	-	850.00	-
Emergency Medical Services - Contractual							
Public Employee Awards Program	65,000.00	65,000.00	65,000.00	51,198.83	-	13,801.17	-
(N.J.S.A. 40A:9-18)(N.J.S.A. 40A:5-31)	200.00	200.00	200.00	-	-	200.00	-

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

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
DEPARTMENT OF REVENUE AND FINANCE						
Director's Office						
Salaries and Wages	18,500.00	18,500.00	18,102.63	-	397.37	-
Other Expenses	10,000.00	5,000.00	2,595.38	486.16	1,918.46	-
Financial Administration						
Salaries and Wages	46,500.00	46,500.00	38,411.90	-	8,088.10	-
Other Expenses						
Audit Services	23,000.00	23,000.00	23,000.00	-	-	-
Miscellaneous Other Expenses	8,000.00	6,938.30	6,441.39	-	496.91	-
Borough Clerk						
Salaries and Wages	86,000.00	88,300.00	88,296.48	-	3.52	-
Other Expenses	16,000.00	9,711.70	7,738.70	1,973.00	-	0.00
Elections						
Other Expenses	4,000.00	4,000.00	3,424.04	-	575.96	-
Assessment of Taxes						
Salaries and Wages	15,900.00	15,900.00	13,672.11	-	2,227.89	-
Other Expenses	5,000.00	5,000.00	2,164.20	786.75	2,049.05	-
Collection of Taxes						
Salaries and Wages	40,500.00	40,542.00	40,541.74	-	0.26	-
Other Expenses	2,000.00	1,958.00	355.00	-	1,603.00	-
Liquidation of Tax Title Liens & Foreclosed Property						
Other Expenses	200.00	200.00	-	-	200.00	-
Legal Services and Costs						
Other Expenses	100,000.00	100,000.00	58,883.50	-	41,116.50	-
Municipal Land Use Law (NJSA 40:55D-1)						
Planning & Zoning Board						
Salaries and Wages	12,000.00	12,000.00	8,684.98	-	3,315.02	-
Other Expenses	4,000.00	4,000.00	897.25	-	3,102.75	-
Code Enforcement Officer						
Salaries and Wages	14,000.00	14,000.00	7,649.97	-	6,350.03	-
Other Expenses	500.00	500.00	-	-	500.00	-
Zoning Officer						
Salaries and Wages	36,300.00	36,300.00	33,659.89	-	2,640.11	-
Other Expenses	500.00	500.00	100.00	-	400.00	-
Grant Coordinator						
Contractual	10,000.00	10,000.00	7,520.00	-	2,480.00	-

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Insurance						
General Liability	23,389.00	23,389.00	21,200.38	-	2,188.62	-
Workers Compensation Insurance	51,689.00	51,689.00	48,001.62	-	3,687.38	-
Employee Group Health	150,000.00	150,000.00	150,000.00	-	-	-
Historic Preservation						
Other Expenses	1,000.00	1,000.00	-	-	1,000.00	-
Construction Code Enforcement						
Other Expenses	3,000.00	3,000.00	1,950.14	-	1,049.86	-
DEPARTMENT OF PUBLIC WORKS, PARKS AND RECREATION						
Director's Office						
Salaries and Wages	17,000.00	17,000.00	17,000.00	-	-	-
Other Expenses	2,000.00	2,000.00	1,671.07	18.17	310.76	-
Public Buildings and Grounds						
Other Expenses	36,500.00	35,730.00	27,075.76	6,239.21	2,415.03	-
Road Repairs and Maintenance						
Salaries and Wages	86,700.00	86,700.00	86,700.00	-	-	-
Other Expenses	11,000.00	11,000.00	5,067.15	764.00	5,168.85	-
Engineering						
Other Expenses	1,000.00	1,000.00	-	-	1,000.00	-
Recreation						
Other Expenses	300.00	300.00	-	-	300.00	-
Garbage and Trash Removal						
Other Expenses	110,000.00	110,000.00	108,990.82	-	1,009.18	-
Recycling						
Salaries and Wages	40,000.00	32,270.00	27,686.19	-	4,583.81	-
Other Expenses	9,500.00	9,500.00	1,236.95	3,127.54	5,135.51	-
Environmental Commission (NJS 40:56A-1, et seq.)						
Other Expenses	500.00	500.00	-	-	500.00	-
Shade Tree Commission						
Other Expenses	500.00	500.00	-	-	500.00	-
Parks and Playgrounds						
Other Expenses	500.00	500.00	-	-	500.00	-
General Office						
Other Expenses	30,000.00	32,000.00	28,956.43	3,043.57	-	-

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

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
UTILITY EXPENSES AND BULK PURCHASES						
Electricity	55,000.00	55,000.00	36,069.18	-	18,930.82	-
Street Lighting	28,000.00	28,000.00	24,184.12	-	3,815.88	-
Telephone	16,000.00	19,000.00	17,700.35	-	1,299.65	-
Fuel Oil & Gasoline	12,000.00	12,000.00	9,642.10	-	2,357.90	-
Postage	8,000.00	8,000.00	6,000.00	-	2,000.00	-
TOTAL OPERATIONS WITHIN "CAPS"	1,437,228.00	1,437,228.00	1,227,490.91	31,652.21	178,084.88	0.00
Contingent	-	-	-	-	-	-
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	1,437,228.00	1,437,228.00	1,227,490.91	31,652.21	178,084.88	0.00
Detail:						
Salaries and Wages	531,550.00	543,662.00	514,373.28	-	29,288.72	-
Other Expenses	905,678.00	893,566.00	713,117.63	31,652.21	148,796.16	0.00
Statutory Expenditures:						
Contributions to:						
Public Employees' Retirement System	57,639.00	57,639.00	57,639.00	-	-	-
Social Security System (O.A.S.I.)	40,000.00	40,000.00	39,281.39	-	718.61	-
Unemployment Compensation Insurance	3,000.00	3,000.00	2,718.69	-	281.31	-
Defined Contribution Retirement Program	2,500.00	2,500.00	1,887.48	-	612.52	-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	103,139.00	103,139.00	101,526.56	-	1,612.44	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	1,540,367.00	1,540,367.00	1,329,017.47	31,652.21	179,697.32	0.00
OPERATIONS - EXCLUDED FROM "CAPS" (A) Operations - Excluded from "CAPS"						
Interlocal Municipal Service Agreements						
Cape May City Interlocal Services Agreements	486,230.00	486,230.00	486,230.00	-	-	-
Police Protection Contractual						
	486,230.00	486,230.00	486,230.00	-	-	-

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

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
(A) Public and Private Programs Off-Set by Revenues						
Recycling Tonnage Grant	2,058.88	2,058.88	2,058.88	-	-	-
Clean Communities	-	5,120.67	5,120.67	-	-	-
Community Forestry Program - Volunteer Fire Assistance	-	3,000.00	3,000.00	-	-	-
Stormwater Management	1,705.00	1,705.00	1,705.00	-	-	-
Small Cities Block Grant	15,645.00	15,645.00	15,645.00	-	-	-
Matching Funds for Grants	2,000.00	2,000.00	2,000.00	-	-	-
Total Public and Private Programs Off-Set by Revenues	21,408.88	29,529.55	29,529.55	-	-	-
Total Operations - Excluded from "CAPS" Detail:	507,638.88	515,759.55	515,759.55	-	-	-
Salaries and Wages	-	-	-	-	-	-
Other Expenses	507,638.88	515,759.55	515,759.55	-	-	-
(C) Capital Improvements						
Capital Improvement Fund	35,000.00	35,000.00	35,000.00	-	-	-
Fire Trucks	75,300.00	75,300.00	75,300.00	-	-	-
Total Capital Improvements	110,300.00	110,300.00	110,300.00	-	-	-
(D) Debt Service						
Payment of Bond Anticipation Notes	175,000.00	175,000.00	175,000.00	-	-	-
Interest on Notes	15,000.00	15,000.00	14,105.00	-	-	895.00
Total Debt Service	190,000.00	190,000.00	189,105.00	-	-	895.00
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	807,938.88	816,059.55	815,164.55	-	-	895.00
SUBTOTAL GENERAL APPROPRIATIONS	2,348,305.88	2,356,426.55	2,144,182.02	31,652.21	179,697.32	895.00
(M) Reserve for Uncollected Taxes	270,572.65	270,572.65	270,572.65	-	-	-
TOTAL GENERAL APPROPRIATIONS	\$ 2,618,878.53	2,626,999.20	2,414,754.67	31,652.21	179,697.32	895.00

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

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Budget		2,618,878.53			Cancelled	895.00
Appropriations by 40A:4-87		8,120.67			Overexpended	-
Emergency Appropriations		-				
		<u>2,626,999.20</u>				<u>895.00</u>
Reserve for Uncollected Taxes			270,572.65			
Federal and State Grants			29,529.55			
Deferred Charges			-			
Capital Improvement Fund			-			
Due to Water-Sewer Operating - Health Insurance Disbursements			134,694.15			
			1,979,958.32			
			<u>2,414,754.67</u>			

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

	2018	2017
<u>Assets</u>		
<u>Animal Control Fund</u>		
Cash and Investments	\$ 2,264.06	2,804.18
	2,264.06	2,804.18
<u>Other Funds</u>		
Cash and Investments	1,222,956.17	1,220,433.36
Due from Current Fund:		
Unemployment Compensation	534.73	534.73
Other Trust Account - (Due from Disbursement)	5,881.14	5,881.14
POAA Trust	-	1.75
Tax Title Lien Redemption	-	0.90
	1,229,372.04	1,226,851.88
	\$ 1,231,636.10	1,229,656.06

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

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

<u>Liabilities, Reserves and Fund Balance</u>	<u>2018</u>	<u>2017</u>
<u>Animal Control Fund</u>		
Reserve for Animal Control Expenditures	\$ 1,499.40	1,458.00
Due to State of New Jersey	-	3.00
Due to Current Fund	764.66	1,276.58
Due to Disbursement	-	66.60
	<u>2,264.06</u>	<u>2,804.18</u>
<u>Other Funds</u>		
Due to Current Fund - Other Trust	9.34	5.20
Due to Current Fund - Liquor License	22.95	352.93
Due to Current Fund - Fire Dedicated Trust	1.93	1.50
Due to Current Fund - TTL Redemption	1.55	-
Due to Current Fund - POAA	0.03	-
Due to General Capital	-	40,000.00
Reserve for Unemployment Compensation	534.73	534.73
Reserve for Site Plan Escrow	90,646.63	81,174.12
Reserve for TTL Premium	31,401.00	10,501.00
Reserve for TTL Redemption	20,180.69	18,438.52
Reserve for POAA Trust	391.01	377.01
Reserve for COAH	582,927.04	530,085.53
Reserve for Liquor License	346,124.43	391,124.43
Reserve for Fire Dedicated Trust	6,500.10	6,500.10
Reserve for Farmers Market	34,091.08	24,828.92
Reserve for Wilbraham Park	15,213.81	16,492.87
Reserve for Lima Bean Festival	44,286.03	38,640.56
Reserve for Jersey Tomato	25,970.82	26,671.51
Reserve for Shade Tree	9,193.72	15,740.23
Reserve for Environmental Trust	19,730.91	23,950.44
Reserve for Christmas Parade	2,144.24	1,432.28
	<u>1,229,372.04</u>	<u>1,226,851.88</u>
	<u>\$ 1,231,636.10</u>	<u>1,229,656.06</u>

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

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

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Cash	\$ 1,478,097.93	293,272.49
Deferred Charges to Future Taxation -		
Funded	-	-
Unfunded	2,916,798.00	803,702.00
Interfunds and Receivables		
Due from Trust Other - COAH	-	40,000.00
	<u>4,394,895.93</u>	<u>1,136,974.49</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	391,008.19	4,681.25
Interfunds:		
Due to Current Fund	95.87	32,479.62
Bond Anticipation Notes Payable	2,850,000.00	775,000.00
Improvement Authorizations:		
Funded	72,990.23	31,470.23
Unfunded	920,719.46	104,205.72
Reserve for Capital Projects	535.28	535.28
Reserve for Wilbraham Park	5,000.00	5,000.00
Reserve to Pay Notes	133,398.51	150,000.00
Capital Improvement Fund	6,496.00	33,400.00
Fund Balance	14,652.39	202.39
	<u>\$ 4,394,895.93</u>	<u>1,136,974.49</u>

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

2017	28,702.00
2018	66,798.00

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

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

	2018	2017
Beginning Balance January 1	\$ 202.39	202.39
Increased by:		
Premium on BANS	14,450.00	
Ending Balance December 31	\$ 14,652.39	202.39

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

	2018	2017
ASSETS		
Operating Fund:		
Cash	\$ 330,387.97	944,350.12
Due from Current (Health Insurance)	134,694.15	21,748.40
Due from Vendor (Eurofins) (Disbursement)	2,360.00	-
	467,442.12	966,098.52
Receivables and Other Assets with Full Reserves:		
Consumer Accounts Receivable	32,139.42	42,876.18
	32,139.42	42,876.18
Deferred Charges:		
Emergency Appropriation	-	46,760.00
Overexpenditures of Appropriations	-	2,508.75
	-	49,268.75
Total Operating Fund	499,581.54	1,058,243.45
Capital Fund:		
Cash	810,477.75	-
USDA Grant Receivable	595.33	595.33
Fixed Capital - Completed	5,012,475.00	5,012,475.00
Fixed Capital - Authorized and Uncompleted	3,233,000.00	3,233,000.00
Due from Current Fund	0.30	258,936.67
Due from Water & Sewer Operating Fund	-	555,362.88
Total Capital Fund	9,056,548.38	9,060,369.88
	\$ 9,556,129.92	10,118,613.33

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

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2018</u>	<u>2017</u>
Operating Fund:		
Appropriation Reserves	\$ 139,897.71	3,761.89
Reserve for Encumbrances	8,850.97	559.45
Due to Current (Payroll)	92.99	-
Due to Water & Sewer Capital Fund	-	555,362.88
Utility Overpayments	2,191.98	3,693.15
Utility Prepayments	7,842.32	14,699.73
Accrued Interest on Bonds and Notes	35,359.59	36,328.52
	<u>194,235.56</u>	<u>614,405.62</u>
Reserve for Receivables	32,139.42	42,876.18
Fund Balance	273,206.56	400,961.65
 Total Operating Fund	 <u>499,581.54</u>	 <u>1,058,243.45</u>
Capital Fund:		
Encumbrance Payable	2,410.25	2,784.25
Bond Anticipation Notes Payable	-	75,000.00
USDA Bonds/Loans Payable	3,644,175.56	3,708,631.41
Improvement Authorizations:		
Unfunded	188,932.13	192,379.63
Reserve for Amortization	4,586,499.44	4,447,043.59
Deferred Reserve for Amortization	9,000.00	9,000.00
Capital Improvement Fund	110,000.00	110,000.00
Reserve for Debt Service	137,854.00	137,854.00
Reserve for USDA Receivable	377,452.00	377,452.00
Fund Balance	225.00	225.00
 Total Capital Fund	 <u>9,056,548.38</u>	 <u>9,060,369.88</u>
	<u>\$ 9,556,129.92</u>	<u>10,118,613.33</u>

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

2017	5,800.00
2018	5,800.00

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

	<u>2018</u>	<u>2017</u>
Revenue and Other Income Realized		
Fund Balance	\$ 176,268.75	80,000.00
Water Rents	476,572.16	471,065.80
Sewer Rents	564,276.36	527,994.64
Miscellaneous Revenue Not Anticipated	422.63	643.51
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	387.58	24,942.34
Total Income	<u>1,217,927.48</u>	<u>1,104,646.29</u>
Expenditures		
Operations	847,635.00	743,000.00
Debt Service	264,510.07	329,862.75
Statutory Expenses	57,268.75	8,000.00
Total Expenditures	<u>1,169,413.82</u>	<u>1,080,862.75</u>
Excess in Revenue	<u>48,513.66</u>	<u>23,783.54</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	-	2,508.75
Emergency Appropriation	-	46,760.00
Total Adjustments	<u>-</u>	<u>49,268.75</u>
Excess in Operations	<u>48,513.66</u>	<u>73,052.29</u>
Fund Balance January 1	<u>400,961.65</u>	<u>407,909.36</u>
Decreased by:	449,475.31	480,961.65
Utilization as Anticipated Revenue	<u>176,268.75</u>	<u>80,000.00</u>
Fund Balance December 31	<u>\$ 273,206.56</u>	<u>400,961.65</u>

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Integral Part of this Statement

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

	2018	2017
Beginning Balance January 1	\$ 225.00	225.00
Ending Balance December 31	\$ 225.00	225.00

**WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Anticipated Budget	Realized	Excess or (Deficit)
	<u> </u>	<u> </u>	<u> </u>
Surplus Anticipated	\$ 176,268.75	176,268.75	-
Water Rents	470,000.00	476,572.16	6,572.16
Sewer Rents	525,000.00	564,276.36	39,276.36
Miscellaneous	-	422.63	422.63
	<u>\$ 1,171,268.75</u>	<u>1,217,539.90</u>	<u>46,271.15</u>

Analysis of Realized Revenue:

Rents

Consumer Accounts Receivable:
Current Collections

1,024,647.62

1,024,647.62

Miscellaneous Revenue

Miscellaneous

422.63

422.63

**WATER AND SEWER UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Operations:						
Salaries and Wages	\$ 118,000.00	118,000.00	112,796.50	-	5,203.50	-
Other Expenses	730,000.00	729,635.00	586,089.82	8,850.97	134,694.21	-
	<u>848,000.00</u>	<u>847,635.00</u>	<u>698,886.32</u>	<u>8,850.97</u>	<u>139,897.71</u>	<u>-</u>
Debt Service:						
Payment of Bond Anticipation Notes	75,000.00	75,000.00	75,000.00	-	-	-
Interest on Notes	1,000.00	1,365.00	396.07	-	-	968.93
USDA Principal & Interest	190,000.00	190,000.00	189,114.00	-	-	886.00
	<u>266,000.00</u>	<u>266,365.00</u>	<u>264,510.07</u>	<u>-</u>	<u>-</u>	<u>1,854.93</u>
Deferred Charges and Statutory Expenditures:						
Emergency Authorizations	46,760.00	46,760.00	46,760.00	-	-	-
Overexpenditure of Appropriations	2,508.75	2,508.75	2,508.75	-	-	-
Social Security System	8,000.00	8,000.00	8,000.00	-	-	-
	<u>57,268.75</u>	<u>57,268.75</u>	<u>57,268.75</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,171,268.75</u>	<u>1,171,268.75</u>	<u>1,020,665.14</u>	<u>8,850.97</u>	<u>139,897.71</u>	<u>1,854.93</u>
<u>Statement of Expenditures:</u>						
Accrued Interest on Bonds			189,510.07			
Deferred Charge			49,268.75		Over expended	
Due to Current - Social Security			92.99			
Disbursed			781,793.33		Canceled	
			<u>1,020,665.14</u>			<u>1,854.93</u>
						<u>1,854.93</u>

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

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

	2018	2017
<u>General Fixed Assets</u>		
Land	\$ 341,726.00	341,726.00
Buildings and Site Improvements	1,713,522.00	1,680,401.00
Machinery and Equipment	1,547,763.00	1,783,077.30
	3,603,011.00	3,805,204.30
 Investment in General Fixed Assets	 3,603,011.00	 3,805,204.30
	\$ 3,603,011.00	3,805,204.30

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Description of Funds

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

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

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

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

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

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

C. Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

No depreciation has been provided for in the financial statements.

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

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

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

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

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

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

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

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

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

D. Required Financial Statements

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

E. Comparative Data

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

F. Recent Accounting Pronouncements Not Yet Effective

In 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 Borough'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 Borough's financial reporting.

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

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

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

In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 89, "Accounting for Interest Cost 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 Borough'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 Borough's financial reporting.

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NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2018 and 2017 statutory budgets included a reserve for uncollected taxes in the amount of \$270,572.65 and \$259,411.90. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2018 and 2017 statutory budgets was \$481,500.00 and \$354,000.00. In addition, the Borough operates a self-liquidating Water and Sewer utility. Under New Jersey Statutes a separate budget for the Water and Sewer utility must be adopted concurrently with the operating budget of the Borough. The Water and Sewer utility budget must be a balanced cash basis budget with fund balance being used to balance the budget. The amount of fund balance budgeted to balance the 2018 and 2017 statutory budgets was \$176,268.75 and \$80,000.00.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1, these transfers can be made in the form of a resolution and approved by Borough Commission. There were no significant budget transfers approved in the 2018 and 2017 calendar years:

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2018, the Borough’s Commission approved total budget insertions of \$8,120.67. The Borough’s Commission approved total budget insertions in the amount of \$8,351.82 during the 2017 calendar year. The following schedule details the significant budget insertions:

<u>Budget Category</u>	<u>2018</u>	<u>2017</u>
Clean Communities	\$ 5,120.67	5,351.82
NJ Forest Service Community Forestry Program	3,000.00	3,000.00

The Borough may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. The Governing Body did not approve any emergency authorizations in 2018.

NOTE 3: INVESTMENTS

As of December 31, 2018, and 2017, the municipality had no investments.

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

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

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

NOTE 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The municipality’s policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or fund that may pass to the municipality relative to the happening of a future condition. As of December 31, 2018, \$5,764,174.53 of the government’s bank balance of \$1,285,458.47 was exposed to custodial credit risk.

NOTE 5: FIXED ASSETS

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2018 and 2017:

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

	Balance 12/31/2017	Additions	Retirements/ Adjustments	Balance 12/31/2018
Land	\$ 341,726.00	-	-	341,726.00
Building and Site Improvements	1,680,401.00	-	33,121.00	1,713,522.00
Equipment and Machinery	1,783,077.30	95,974.00	(331,288.30)	1,547,763.00
	<u>\$ 3,805,204.30</u>	<u>95,974.00</u>	<u>(298,167.30)</u>	<u>3,603,011.00</u>

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NOTE 6: SHORT-TERM OBLIGATIONS

	Balance 12/31/16	Issued	Retired	Balance 12/31/17
Bond Anticipation Notes payable:				
General	\$ 945,000.00		170,000.00	\$ 775,000.00
Utility	2,485,000.00		2,410,000.00	75,000.00
	<u>\$ 3,430,000.00</u>	-	<u>2,580,000.00</u>	<u>\$ 850,000.00</u>
	Balance 12/31/17	Issued	Retired	Balance 12/31/18
Bond Anticipation Notes payable:				
General	\$ 775,000.00	2,850,000.00	775,000.00	\$ 2,850,000.00
Utility	75,000.00		75,000.00	-
	<u>\$ 850,000.00</u>	<u>2,850,000.00</u>	<u>850,000.00</u>	<u>\$ 2,850,000.00</u>

The General note was issued on 09/21/18 in the amount of \$2,850,000.00 and is due and payable on 09/21/19 with interest at 3.00%. As of December 31, 2018, the Borough has authorized but not issued bonds in the amount of \$66,798.00 and \$5,800.00 in the General Capital Fund and Water and Sewer Utility Capital Fund respectively.

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NOTE 7: LONG TERM DEBT

Long-term debt as of December 31, 2018 and 2017 consisted of the following:

	Balance 12/31/16	Issued	Retired	Balance 12/31/17	Amounts Due Within One Year
Bonds payable:					
General	\$ -	-	-	-	-
Utility	1,495,088.29	2,260,000.00	46,456.88	3,708,631.41	63,130.08
Total	\$ 1,495,088.29	2,260,000.00	46,456.88	3,708,631.41	63,130.08
Other liabilities:					
Compensated Absences Payable	\$ 26,280.01	6,184.50	4,915.11	27,549.40	-
Total long-term liabilities	\$ 1,521,368.30	2,266,184.50	51,371.99	3,736,180.81	63,130.08

	Balance 12/31/17	Issued	Retired	Balance 12/31/2018	Amounts Due Within One Year
Bonds payable:					
General	\$ -	-	-	-	-
Utility	3,708,631.41	-	64,455.85	3,644,175.56	65,321.68
Total	\$ 3,708,631.41	-	64,455.85	3,644,175.56	65,321.68
Other liabilities:					
Compensated Absences Payable	\$ 27,549.40	11,612.26	5,914.53	33,247.13	-
Total long-term liabilities	\$ 3,736,180.81	11,612.26	70,370.38	3,677,422.69	65,321.68

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

At December 31, 2018, there were no bonds and loans payable in the General Capital Fund.

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

\$293,200.00 FMHA Loan dated December 5, 1991, due in semiannual installments through December 2032, bearing interest at 5%. The balance remaining as of December 31, 2018 is \$139,604.81.

\$576,000.00 USDA Loan dated October 29, 2004, due in semiannual installments through December 2044, bearing interest at 4.5%. The balance remaining as of December 31, 2018 is \$474,681.22.

\$924,000.00 USDA Loan dated January 22, 2009, due in semiannual installments through July 2049, bearing interest at 4.125%. The balance remaining as of December 31, 2018 is \$817,337.33.

\$2,260,000.00 USDA Loan dated March 28, 2017, due in semiannual installments through July 2057, bearing interest at 2.75%. The balance remaining as of December 31, 2018 is \$2,212,552.20.

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

<u>Year</u>	<u>Utility Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 65,421.68	\$ 123,692.32
2020	67,801.70	121,312.30
2021	70,273.74	118,840.26
2022	72,841.56	116,272.44
2023	75,509.07	113,604.93
2024-2028	421,343.51	524,226.49
2029-2033	487,908.51	440,249.01
2034-2038	507,481.39	352,968.61
2039-2043	603,733.98	256,716.02
2044-2048	583,151.10	151,618.22
2049-2053	408,312.95	73,286.66
2054-2057	280,396.37	17,228.08
	<u>3,644,175.56</u>	<u>2,410,015.34</u>

As of December 31, 2018, the carrying value of the above bonds and notes approximates the fair value of the bonds. No interest was charged to capital projects during the year and the total interest charged to the current budget was \$14,105.00 and to the Water and Sewer Utility budget was \$189,114.00.

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<u>Summary of Municipal Debt</u>	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>
<u>Issued:</u>			
General - Bonds and Notes	\$ 2,850,000.00	\$ 775,000.00	\$ 945,000.00
Utility - Bonds and Notes	3,644,175.56	3,783,631.41	3,980,088.29
Total Issued	<u>6,494,175.56</u>	<u>4,558,631.41</u>	<u>4,925,088.29</u>
Less :			
Funds Temporarily Held to			
Pay Bonds and Notes			
General	133,398.51	150,000.00	190,756.00
Self-Liquidating	137,854.00	137,854.00	137,854.00
Total Deductions	<u>271,252.51</u>	<u>287,854.00</u>	<u>328,610.00</u>
Net Debt Issued	<u>6,222,923.05</u>	<u>4,270,777.41</u>	<u>4,596,478.29</u>
<u>Authorized but not issued:</u>			
General - Bonds and Notes	66,798.00	28,702.00	28,702.00
Utility - Bonds and Notes	5,800.00	5,800.00	5,800.00
Total Authorized But Not Issued	<u>72,598.00</u>	<u>34,502.00</u>	<u>34,502.00</u>
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 6,295,521.05</u>	<u>\$ 4,305,279.41</u>	<u>\$ 4,630,980.29</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .563%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ -	-	-
Regional School District Debt	640,573.46	640,573.46	-
Utility Debt	3,649,975.56	3,649,975.56	-
General Debt	2,916,798.00	133,398.51	2,783,399.49
	<u>7,207,347.02</u>	<u>4,423,947.53</u>	<u>2,783,399.49</u>

Net Debt \$2,783,399.49 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$494,189,522.33=.563%

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$	17,296,633.00
Net Debt		2,783,399.49
Remaining Borrowing Power	\$	<u>14,513,233.51</u>

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

NOTE 8: FUND BALANCES APPROPRIATED

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

	<u>2019</u>	<u>2018</u>
Current Fund	\$536,000.00	481,500.00
Water/Sewer Utility	51,800.00	176,268.75

As of the date of this audit, the Borough has adopted their 2019 municipal budget and the amount of fund balance appropriated for 2019 is approved. Municipalities are permitted to appropriate the full amount of fund balance, net of any amounts due from the State of NJ for Senior Citizens and Veterans Deductions, deferred charges, and cash deficit.

NOTE 9: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2018, the Borough did not have any deferred charges shown on the balance sheets of various funds.

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NOTE 10: SCHOOL TAXES

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

	School Tax Balance 12/31/2018	School Tax Balance 12/31/2017
School Tax Payable - Local School	\$ -	\$ -
School Tax Payable - Regional School	-	-
School Tax Deferred - Local School Payable	612,569.40	534,291.48
School Tax Deferred - Regional School Payable	917,637.26	854,057.26
School Tax Deferred - Local School	593,000.00	534,291.48
School Tax Deferred - Regional School	917,637.26	854,057.26
 Tax Payable	 <u>\$ 19,569.40</u>	 <u>\$ -</u>

NOTE 11: TAXES COLLECTED IN ADVANCE

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

	Balance 12/31/18	Balance 12/31/17
Prepaid Taxes	<u>\$ 109,002.44</u>	<u>\$ 332,181.84</u>
Cash Liability for Taxes Collected in Advance	<u>\$ 109,002.44</u>	<u>\$ 332,181.84</u>

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NOTE 12: PENSION FUNDS

Description of Plans

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

Public Employees' Retirement System

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

Defined Contribution Retirement Program (DCRP)

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

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.34% through June 30, 2018 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 12.70% of covered payroll. The Borough's contributions to PERS for the years ended December 31, 2018, 2017, and 2016 were \$58,438.79, \$54,043.98, and \$49,908.00.

The total payroll for the year ended December 31, 2018, 2017 and 2016 was \$640,736.63, \$576,351.29 and \$552,467.30. Payroll covered by PERS was \$490,031.00, \$429,520.00, and \$398,371.00.

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Significant Legislation

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

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

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

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

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

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

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

NOTE 13: PENSION LIABILITIES

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

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

Public Employees' Retirement System

The Municipality has a liability of \$1,186,030.00 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 July 1, 2017 that was rolled forward to June 30, 2018. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Municipality's proportion would be 0.00602366450%, which would be a decrease of 1.07% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Municipality would have recognized pension expense of \$95,140.00. At December 31, 2018, the Municipality would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 22,618.00	\$ (6,116.00)
Changes of assumptions	195,438.00	(379,229.00)
Changes in proportion	65,484.00	(12,077.00)
Net difference between projected and actual earnings on pension plan investments		(11,125.00)
Total	\$ 283,540.00	\$ (408,547.00)

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	\$ 5,043.95
2020	(8,644.57)
2021	(55,445.87)
2022	(49,675.73)
2023	(16,284.77)
Total	<u>\$ (125,007.00)</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 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 Municipality's proportionate share of the net pension liability to changes in the discount rate.

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

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Municipality's proportionate share of the net pension liability	\$ 1,425,908.07	\$ 1,186,030.00	\$ 984,908.58

Pension plan fiduciary net position.

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

NOTE 14 – OTHER POST-RETIREMENT BENEFITS

General Information about the Plan:

The Borough 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. 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>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of post retirement medical coverage for employees and their dependents who:

- 1) retired on a disability pension;
- or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer;
- or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer;
- or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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 Borough 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, where applicable, and the nonspecial funding situation, 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 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.

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:

	June 30, 2018	
	Collective Total	Proportionate Share
Total OPEB Liability	\$ 15,981,103,227.00	\$ 2,006,108.00
Plan Fiduciary Net Position	314,485,086.00	39,477.00
Net OPEB Liability	<u>\$ 15,666,618,141.00</u>	<u>\$ 1,966,631.00</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%	1.97%

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At June 30, 2018 the Borough's proportionate share of the Collective Net OPEB Liability was \$1,966,631.00. The Borough's proportion of the Collective Net OPEB Liability was 0.012553% which was an increase from the prior year of 9.75%.

For the Year ended June 30, 2018 the Borough's Total OPEB Expense was (\$10,221.00).

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.

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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.

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	\$ 18,381,085,096.00	\$ 15,666,618,141.00	\$ 13,498,373,388.00
Proportionate Share			
Net OPEB Liability	\$ 2,307,378.11	\$ 1,966,631.00	\$ 1,694,451.18

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:

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	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Collective			
Net OPEB Liability	\$ 13,068,471,450.00	\$ 15,666,618,141.00	\$ 19,029,006,023.00
Proportionate Share			
Net OPEB Liability	\$ 1,640,485.58	\$ 1,966,631.00	\$ 2,388,711.64

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:

	<u>Collective Totals</u>		<u>Proportionate Share</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ (3,180,882,321.00)	\$	(399,296.00)
Changes of assumptions		(3,974,042,874.00)		(498,862.00)
Net difference between projected and actual earnings on OPEB plan investments	8,279,239.00		1,039.00	
Changes in proportion and differences between contributions and proportionate share of contributions	2,106,728,269.00	(2,106,728,269.00)	221,799.00	(711,665.00)
Total	<u>\$ 2,115,007,508.00</u>	<u>\$ (9,261,653,464.00)</u>	<u>\$ 222,838.00</u>	<u>\$ (1,609,823.00)</u>

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

Year ended June 30,	<u>Collective Totals</u>	<u>Proportionate Share</u>
2019	\$ (1,049,390,011.00)	\$ (203,660.32)
2020	(1,049,390,011.00)	(203,660.32)
2021	(1,049,390,011.00)	(203,660.32)
2022	(1,050,264,681.00)	(203,830.07)
2023	(1,051,678,489.00)	(204,104.46)
Thereafter	(1,896,532,753.00)	(368,069.51)
Total	<u>\$ (7,146,645,956.00)</u>	<u>\$ (1,386,985.00)</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	\$ 896,235,148.00
Interest on Total OPEB Liability	764,082,232.00
Expected Investment Return	(9,389,460.00)
Administrative Expenses	8,200,113.00
Current Period Recognition (Amortization) of Deferred Inflows/ Outflows of Resources:	
Differences between Expected and Actual Experience	(445,501,726.00)
Changes in Assumptions	(606,176,763.00)
Differences between Projected and Actual Investment Earnings on OPEB Plan Investments	2,288,478.00
Total Collective OPEB Expense	\$ <u><u>609,738,022.00</u></u>

Schedule of Borough's Share of Net OPEB Liability

	<u>2018</u>
Borough's Proportionate Share of Net OPEB Liability	0.012553%
Borough's Share of Net OPEB Liability	\$ 1,966,631.00
Borough's Covered Payroll	490,031.00
Borough's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	401.33%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%

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NOTE 15: ACCRUED SICK AND VACATION BENEFITS

The Borough has permitted employees to accrue unused sick, vacation, personal, and comp time, which may be taken as time off or paid at a later date at an agreed upon rate. The monetary value of these earned and unused employee benefits has not been accrued by either charges to operations or to budgets of prior years, although in some cases they might be material, since the realization of this liability may be affected by conditions which preclude an employee from receiving full payment of the accrual. At December 31, 2018, the Borough estimates this liability to approximate \$33,247.11 based on 2018 pay rates and compensated absence balances. At December 31, 2017, the liability was \$27,549.40. The policy of not reflecting the accrued benefit is not in agreement with GASB Statement No. 12 but is required by the State of New Jersey. Effective January 1, 2002 the State of New Jersey is allowing municipalities to accrue a compensated absences liability. The Borough does not accrue the liability.

NOTE 16: ECONOMIC DEPENDENCY

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

NOTE 17: RISK MANAGEMENT

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

Property and Liability Insurance - The Borough maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2018 and 2017 the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

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

NOTE 18: CONTINGENT LIABILITIES

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

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NOTE 19: INTERFUND BALANCES

During the most current calendar year ended December 31, 2018, the following inter-funds were included on the balance sheets of the various funds of the Borough of West Cape May:

	Due From	Due To
Current Fund:		
Grant Fund	\$ -	29,099.61
Dog Fund	764.66	-
Trust - Other	-	5,871.80
Trust - Liquor	22.95	-
Trust - Fire Dedicated Trust	1.93	-
Trust - POAA	0.03	-
Trust - TTL	1.55	-
Utility Operating	-	137,054.15
General Capital	95.87	-
Utility Capital	-	0.30
Trust - Unemployment	-	534.73
Grant Fund:		
Current Fund	29,099.61	-
General Capital Fund:		
Current Fund	-	95.87
Utility Operating Fund:		
Utility Capital	-	-
Current Fund	137,054.15	-
Utility Capital Fund:		
Current Fund	0.30	-
Utility Operating	-	-
Trust Other Fund:		
Current Fund	6,415.87	9.34
Trust - Liquor License		
Current Fund	-	22.95
Trust - Fire Dedicated Trust		
Current Fund	-	1.93
Dog Trust Fund :		
Current Fund	-	764.66
POAA Trust Fund:		
Current Fund	-	0.03
Trust - Tax Title Lien		
Current Fund	-	1.55

The \$29,099.61 due to the Grant fund from the Current fund is due to the fact that there is only one bank account for the Current Fund and the Grant Fund.

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

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

NOTE 20: SUBSEQUENT EVENTS

On May 22, 2019, the Borough adopted an Ordinance Authorizing Renewal of the Franchise Agreement with the New Jersey Natural Gas Company. Solicitor Gillin-Schwartz discussed the reason for the renewal of the New Jersey Natural Gas Company Franchise Agreement, which will be renewed for a fifty (50) year term. The renewal of this Agreement was approved by Ordinance, since the Borough is a Walsh Act community.

The entity has evaluated subsequent events through July 26, 2019, the date which the financial statements were available to be issued and identified no additional events requiring disclosure.

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APPENDIX C

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

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_____, 2019

Board of Commissioners of the
Borough of West Cape May, in the
County of Cape May, New Jersey

Dear Council Members:

We have acted as bond counsel to the Borough of West Cape May, in the County of Cape May, New Jersey (the "Borough"), in connection with the issuance by the Borough of its \$3,830,000* General Improvement Bonds, Series 2019 (the "Bonds"), dated the date hereof. In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us as we have deemed necessary.

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, a resolution of the Borough adopted on September 11, 2019 pursuant to N.J.S.A. 40A:2-26(f), in all respects duly approved, and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law.

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are valid and legally binding obligations of the Borough payable from *ad valorem* taxes that may be levied upon all the taxable real property within the Borough without limitation as to rate or amount.

On the date hereof, the Borough has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the Borough continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Borough in the Certificate, it is our 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 alternative minimum tax. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, 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. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

This opinion is issued as of the date hereof. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

Very truly yours,

*Preliminary, subject to change.

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