

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 20, 2025

NEW ISSUE - BOOK-ENTRY ONLY

RATINGS: SEE "RATINGS" HEREIN

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

**CITY OF CAPE MAY
IN THE COUNTY OF CAPE MAY,
STATE OF NEW JERSEY**

\$20,000,000*
GENERAL OBLIGATION BONDS, SERIES 2025

\$7,014,000
BOND ANTICIPATION NOTES

**DATED: DATE OF DELIVERY
DUE: SEPTEMBER 1, AS SHOWN ON THE
INSIDE FRONT COVER**

**DATED: SEPTEMBER 10, 2025
DUE: SEPTEMBER 9, 2026**

CALLABLE

NON-CALLABLE

The \$20,000,000* General Obligation Bonds, Series 2025 (the "Bonds") and the \$7,014,000 Bond Anticipation Notes (the "Notes" and together with the Bonds, the "Obligations") are general obligations of the City of Cape May, in the County of Cape May, State of New Jersey (the "City") and are secured by the full faith and credit of the City for the payment of principal thereof and interest thereon. The Obligations, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable property within the City for the payment of the principal thereof and the interest thereon without limitation as to rate or amount.

The Obligations will be issued in the form of one certificate for the aggregate principal amount thereof maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Obligations. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants or transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Obligations on behalf of the individual purchasers. Individual purchases may be made in the principal amount of \$5,000 each or any integral multiple thereof, except that any bonds in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof. See "BOOK-ENTRY ONLY SYSTEM" herein. So long as DTC or its nominee, Cede & Co., is the registered owner of the Obligations, payments of principal of and interest on the Obligations will be made to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants, which will in turn remit such payments to the owners of beneficial interest in the Obligations.

Principal of the Bonds is payable on September 1 in each of the years set forth on the inside front cover page hereof. Interest on the Bonds is payable on March 1 and September 1, commencing March 1, 2026 in each year until maturity or prior redemption, as applicable. The Notes shall be dated and shall bear interest from September 10, 2025, payable at maturity on September 9, 2026 as set forth on the inside front cover. Interest on the Obligations is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year.

The Bonds are subject to redemption prior to their stated maturities as set forth herein. The Notes are not subject to redemption prior to their stated maturity.

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

The Bonds, together with other available funds of the City, are being issued to: (i) refund, on a current basis, \$8,200,000 portion of prior bond anticipation notes of the City issued in the aggregate principal amount of \$15,214,000 on September 12, 2024 and maturing on September 11, 2025 (the "Prior Notes"), which Prior Notes were issued to temporarily finance the cost of various capital and water/sewer utility improvements and purposes in and by the City; (ii) permanently finance various general capital improvements in and for the City; and (iii) pay for the costs associated with the issuance and sale of the Bonds.

The Notes, together with other available funds of the City, are being issued to: (i) refund, on a current basis, \$7,014,000 portion of the Prior Notes, which Prior Notes were issued to temporarily finance the cost of various capital and water/sewer utility improvements and purposes in and by the City; and (ii) pay for the costs associated with the issuance and sale of the Notes.

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

The Obligations are offered when, as and if issued and subject to prior sale, withdrawal or modification of the offer without notice and to the approval of legality by the law firm of Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel to the City, and certain other conditions described herein. Certain legal matters will be passed upon for the City by the City Attorney, Christopher Gillin-Schwartz, Esq., Cape May, New Jersey. Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, has served as Municipal Advisor to the City in connection with the issuance of the Obligations. It is expected that the Obligations will be available for delivery through the facilities of DTC, New York, New York, on or about September 10, 2025.

Bids for the Bonds and the Notes must be submitted separately and will be received by the Municipal Advisor, on behalf of the Chief Financial Officer of the City, until 11:00 a.m. (with respect to the Bonds) and 11:30 a.m. (with respect to the Notes), prevailing New Jersey time, on Wednesday, August 27, 2025, via PARITY with respect to the Bonds and either Parity or email (stracey@muniadvisors.com) with respect to the Notes. Bids must be submitted in accordance with the Full Notice of Sale for both the Bonds and the Notes, which can each be viewed in electronic format, along with this Preliminary Official Statement, on www.munihub.com.

*Preliminary, subject to change.

\$20,000,000 GENERAL OBLIGATION BONDS, SERIES 2025

MATURITY SCHEDULE*, INTEREST RATES, YIELDS OR PRICES AND CUSIP**

<u>Year</u>	<u>Total Principal Amount*</u>	<u>Interest Rates</u>	<u>Yields</u>	<u>CUSIP**</u>
2026	\$900,000	%	%	
2027	1,000,000			
2028	1,100,000			
2029	1,100,000			
2030	1,200,000			
2031	1,200,000			
2032	1,300,000			
2033	1,300,000			
2034	1,400,000			
2035	1,400,000			
2036	1,500,000			
2037	1,500,000			
2038	1,600,000			
2039	1,700,000			
2040	1,800,000			

\$7,014,000 BOND ANTICIPATION NOTES

The Notes shall bear interest at the rate of ____% per annum (at a reoffering yield of ____%), which interest is payable on September 9, 2026. CUSIP**: _____

*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 and/or Noteholders only at the time of issuance of the Bonds and the Notes and the City 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 and the Notes 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 and the Notes.

**CITY OF CAPE MAY
IN THE COUNTY OF CAPE MAY
STATE OF NEW JERSEY**

MAYOR AND CITY COUNCIL

Zachary Mullock, Mayor
Maureen K. McDade, Deputy Mayor
Shaine P. Meier, Councilmember
Steve Bodnar, Councilmember
Lorraine Baldwin, Council Member

CITY MANAGER

Paul Dietrich

CHIEF FINANCIAL OFFICER

Kevin Hanie

CITY CLERK

Erin C. Burke

CITY SOLICITOR

Christopher Gillin-Schwartz, Esquire
Cape May, New Jersey

INDEPENDENT AUDITORS

Ford-Scott & Associates, L.L.C.
Ocean City, New Jersey

BOND COUNSEL

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

MUNICIPAL ADVISOR

Phoenix Advisors, a division of First Security Municipal Advisors, Inc.,
Hamilton, New Jersey

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

References in this Official Statement to laws, rules, regulations, ordinances, 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 City during normal business hours.

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

In order to facilitate the distribution of the Obligations, the Bond Underwriter or the Note Underwriter may engage in transactions intended to stabilize the price of the Obligations at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The prices at which the Obligations are offered to the public by the Bond Underwriter or the Note Underwriter and the yields resulting therefrom may vary from the initial public offering prices or yields shown on the inside front cover page hereof. In addition, the Bond Underwriter or the Note Underwriter may allow concessions or discounts from such initial public offering prices or yields to dealers and others.

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 Obligations in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

The Bond Underwriter or the Note Underwriter have reviewed the information in this Official Statement in accordance with and as part of their respective responsibilities to investors under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Bond Underwriter or the Note Underwriter do not guaranty the accuracy or completeness of such information.

TABLE OF CONTENTS

INTRODUCTION.....	1
THE BONDS	1
Payment of Bonds	3
THE NOTES.....	3
Payment of Notes	4
BOOK-ENTRY ONLY SYSTEM	5
SECURITY AND SOURCE OF PAYMENT	6
NO DEFAULT	7
PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT	7
DEBT INFORMATION OF THE CITY	9
FINANCIAL MANAGEMENT.....	9
CAPITAL IMPROVEMENT PROGRAM.....	13
TAX ASSESSMENT AND COLLECTION.....	13
TAX MATTERS.....	14
LITIGATION.....	16
APPROVAL OF LEGAL PROCEEDINGS	16
MUNICIPAL BANKRUPTCY	16
SECONDARY MARKET DISCLOSURE FOR THE BONDS	17
SECONDARY MARKET DISCLOSURE FOR THE NOTES.....	17
LEGALITY FOR INVESTMENT.....	17
UNDERWRITING	18
RATINGS	18
FINANCIAL STATEMENTS	18
CERTAIN RISK FACTORS	18
PREPARATION OF OFFICIAL STATEMENT	19
ADDITIONAL INFORMATION.....	19
MISCELLANEOUS	19

Certain General Information Concerning the City of Cape May, in the County of Cape May, State of New Jersey	Appendix A
Audited Financial Statements Of The City For The Fiscal Years Ended December 31, 2024 And 2023	Appendix B
Form of Bond Counsel Opinion for the Bonds	Appendix C
Form of Bond Counsel Opinion for the Notes	Appendix D
Form of Continuing Disclosure Certificate for the Bonds	Appendix E
Form of Continuing Disclosure Certificate for the Notes	Appendix F

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**OFFICIAL STATEMENT
of
CITY OF CAPE MAY
IN THE COUNTY OF CAPE MAY, STATE OF NEW JERSEY
\$20,000,000* GENERAL OBLIGATION BONDS, SERIES 2025**

AND

\$7,014,000 BOND ANTICIPATION NOTES

INTRODUCTION

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the City of Cape May (the "City"), in the County of Cape May (the "County"), State of New Jersey (the "State") in connection with the sale and issuance of its \$20,000,000* General Obligation Bonds, Series 2025 (the "Bonds") and \$7,014,000 Bond Anticipation Notes (the "Notes" and together with the Bonds, the "Obligations"). This Official Statement (the "Official Statement"), which includes the cover page and the Appendices attached hereto, has been authorized by City Council to be distributed in connection with the sale of the Obligations and has been executed by and on behalf of the City by the Chief Financial Officer.

This Official Statement contains specific information relating to the Obligations including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to the sale, issuance and delivery of the Obligations. This Official Statement should be read in its entirety.

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

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

*Preliminary, subject to change.

THE BONDS

General Description of the Bonds

The Bonds shall be dated the date of delivery and will mature on September 1 in the years and in the principal amounts as set forth on the inside front cover page hereof. The Bonds shall bear interest from the date of delivery and shall be payable on each March 1 and September 1 (each, an "Interest Payment Date") in each year until maturity or earlier redemption, if applicable, commencing March 1, 2026, at the rates shown on the inside front cover page hereof. The Bonds are issuable as fully registered book-entry only bonds in the form of one certificate for each year of maturity of the Bonds in the aggregate principal amount of such maturity. The Bonds may be purchased in book-entry only form in the amount of \$5,000, except that any bonds in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple 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 of the Bonds, payments of the principal of and interest on the Bonds will be made by the City directly to Cede & Co. or any successor or assign, as nominee for DTC. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year and will be credited to the participants of DTC as listed on the records of DTC as of the close of business on February 15 and August 15 (the "Record Dates" for the payment of interest on the Bonds). See "BOOK-ENTRY ONLY SYSTEM" herein.

Optional Redemption

The Bonds of this issue maturing prior to September 1, 2033 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after September 1, 2033 are subject to redemption at the option of the City, in whole or in part, on any date on or after September 1, 2032 upon notice as required herein at one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

Notice of redemption ("Notice of Redemption") shall be given by mailing such notice at least thirty (30) days but not more than sixty (60) days before the date fixed for redemption by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the City or a duly appointed Bond Registrar. So long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notice of Redemption shall be sent to such Securities Depository and shall not be sent to the beneficial owners of the Bonds. Any failure of the Securities Depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the City determines to redeem a portion of the Bonds prior to maturity, such Bonds shall be selected by the City; the Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

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

Authorization for the Issuance of the Bonds

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), and are authorized by various bond ordinances duly adopted by the City Council on the dates set forth in the chart below and on the following page and published and approved as required by law, and by a resolution duly adopted by the City Council on August 19, 2025.

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

Purpose of the Bonds

The Bonds, together with other available funds of the City, are being issued to: (i) refund, on a current basis, \$8,200,000 portion of prior bond anticipation notes of the City issued in the aggregate principal amount of \$15,214,000 on September 12, 2024 and maturing on September 11, 2025 (the "Prior Notes"), which Prior Notes were issued to temporarily finance the cost of various capital and water/sewer utility improvements and purposes in and by the City; (ii) permanently finance various general capital improvements in and for the City; and (iii) pay for the costs associated with the issuance and sale of the Bonds.

The purposes for which the Bonds are to be issued have been authorized by duly adopted, approved and published bond ordinances of the City, which bond ordinances are described in the following table by ordinance number, description and date of final adoption, and amount of the portion of Prior Notes being refunded with the Bonds to be issued for such purposes. The bond ordinances are:

Ordinance Number	Description and Date of Final Adoption	Amount Being Funded With the Bonds
459-2022	Construction of Police Station, Finally Adopted 4/19/22	\$4,750,000
470-2022	Various Capital Improvements, Finally Adopted 6/21/22	\$60,000
501-2023	Various Capital Improvements, Finally Adopted 6/7/23	\$2,190,000
511-2023	Acquisition of a Fire Truck, Finally Adopted 7/18/23	\$950,000
538-2024	Various Capital Improvements, Finally Adopted 7/2/24	\$9,100,000
553-2025	Various Improvements to City Owned Buildings And Grounds, Finally Adopted on March 18, 2025	\$2,000,000
566-2025	Various Capital Improvements, Finally Adopted on July 1, 2025	<u>\$950,000</u>
TOTAL BOND PROCEEDS		\$20,000,000

Payment of Bonds

As hereinafter stated, the Bonds are general obligations of the City for which the full faith and credit of the City will be pledged. The City is authorized and required by law to levy *ad valorem* taxes on all taxable property within the City for the payment of principal of and interest on the Bonds without limitation as to rate or amount.

THE NOTES

General Description of the Notes

The Notes comprise an issue of general obligation bond anticipation notes of the City in the aggregate principal amount of \$7,014,000, which Notes are being issued in anticipation of the issuance of bonds.

The Notes shall be dated and shall bear interest from September 10, 2025 and shall mature on September 9, 2026. The Notes shall bear interest at the rate shown on the inside front cover hereof, which interest is payable at maturity on September 9, 2026. The Notes will be issued as fully registered notes in book-entry only form and when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Notes (the "Securities Depository"). Purchases of beneficial interests in the Notes will be made in book-entry only form, without certificates, in denominations of \$5,000, except that any bonds in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof. Under certain circumstances, such beneficial interests in the Notes are exchangeable for one or more fully registered Note certificates in authorized denominations.

So long as DTC or its nominee, Cede & Co., is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made directly by the City as paying agent, or some other paying agent as may be designated by the City, to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the owners of beneficial interests in the Notes is the responsibility of the DTC Participants (as hereinafter defined). See "BOOK-ENTRY ONLY SYSTEM" herein.

Optional Redemption

The Notes are not subject to redemption prior to their stated maturity.

Authorization for the Issuance of the Notes

The Notes are authorized and are to be issued pursuant to the Local Bond Law. The Notes also are authorized by various bond ordinances of the City set forth below.

The bond ordinances included in the sale of the Notes were published in full or in summary form after adoption along with the statement required by the Local Bond Law that the twenty day period of limitation within which a suit, action or proceeding questioning the validity of the authorizing bond ordinances can be commenced, began to run from the date of the first publication of such estoppel statement. The Local Bond Law provides that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and any person shall be estopped from questioning the sale or the execution or the delivery of the Notes by the City.

Purpose of the Notes

The Notes, together with other available funds of the City, are being issued to: (i) refund, on a current basis, \$7,014,000 portion of the Prior Notes, which Prior Notes were issued to temporarily finance the cost of various capital and water/sewer utility improvements and purposes in and by the City; and (ii) pay for the costs associated with the issuance and sale of the Notes.

Ordinance Number	Description and Date of Final Adoption	Amount Being Funded with the Notes
353-2018	Various Improvements to the Water/Sewer Utility, Finally Adopted 6/19/18	\$354,000
398-2020	Various Improvements to the Water and Sewer Utility, Finally Adopted 6/16/20	\$500,000
436-2021	Various Water-Sewer Utility Improvements, Finally Adopted 8/17/21	\$800,000
469-2022	Various Water-Sewer Utility Improvements, Finally Adopted 6/21/22	\$1,360,000
500-2023	Various Water-Sewer Utility Improvements, Finally Adopted 6/7/23	\$2,000,000
521-2023	Various Water-Sewer Utility Improvements, Finally Adopted 10/17/23	\$2,000,000
Total Notes		<u>\$7,014,000</u>

Payment of Notes

As hereinafter stated, the Notes are general obligations of the City for which the full faith and credit of the City will be pledged. The City is authorized and required by law to levy *ad valorem* taxes on all taxable property within the City for the payment of principal of and interest on the Notes without limitation as to rate or amount.

BOOK-ENTRY ONLY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Obligations, payment of principal and interest and other payments on the Obligations to Direct and Indirect Participants (defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Obligations and other related transactions by and between DTC, Direct Participants and Beneficial Owners, is based on certain information furnished by DTC to the City. Accordingly, the City does not make any representations as to the completeness or accuracy of such information.

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered bonds and notes 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 Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. One fully-registered Note certificate will be issued for the Notes in the aggregate principal amount of the issue of Notes, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a 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 Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Bond or Note ("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 Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations 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 Obligations with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations 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 such other DTC nominee) will consent or vote with respect to the Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy (the "Omnibus Proxy") to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Obligations 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 City or any hereafter designated paying agent, if any, 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 nor its nominee, the City or a hereafter designated paying agent, if any, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or a hereafter designated 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 depository with respect to the Obligations at any time by giving reasonable notice to the City or a hereafter designated paying agent, if any. Under such circumstances, in the event that a successor depository is not obtained, Bond or Note certificates are required to be printed and delivered.

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

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

THE CITY OR A HEREAFTER DESIGNATED PAYING AGENT, IF ANY, 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 OBLIGATIONS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE OBLIGATIONS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE OBLIGATIONS.

Discontinuation of Book-Entry Only System

If the City, 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 Obligations at any time, the City will attempt to locate another qualified Securities Depository. If the City fails to find such Securities Depository, or if the City determines, in its sole discretion, that it is in the best interest of the City or that the interest of the Beneficial Owners might be adversely affected if the book-entry only system of transfer is continued (the City undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination) the City shall notify DTC of the termination of the book-entry only system.

SECURITY AND SOURCE OF PAYMENT

The Obligations are valid and legally binding general obligations of the City, and the City has pledged its full faith and credit for the payment of the principal of and interest on the Obligations. The Obligations are direct obligations of the City and, unless paid from other sources, the City is required by law to levy *ad valorem* taxes upon all the taxable property within the City for the payment of the principal of and interest on the Obligations without limitation as to rate or amount.

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

The Obligations are not a debt or obligation, legal, moral or otherwise, of the State, or any county, municipality or any political subdivision thereof, other than the City.

NO DEFAULT

The City has never defaulted in the payment of principal of, redemption premium, if any, and interest on any bonds or notes or other obligations of the City, nor are any payments of principal of or interest on the City's indebtedness past due.

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Procedure for Authorization

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

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

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

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

Short Term Financing

Local governmental units (including the City) may issue bond anticipation notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or subsequent resolution so provides. Such bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount of bonds authorized in the ordinance, as may be amended and supplemented,

creating such capital expenditure. A local unit's bond anticipation notes may be issued and renewed for periods not exceeding one (1) year, with the final maturity occurring and being paid no later than the first day of the fifth month following the close of the tenth fiscal year after the original issuance of the notes, provided that no notes may be renewed beyond the third anniversary date of the original notes and each anniversary date thereafter, unless an amount of such note at least equal to the first legally payable installment of the anticipated bonds (the first year's principal payment), is paid and retired from funds other than the proceeds of obligations on or before the third anniversary date and each anniversary date thereafter.

The issuance of tax anticipation notes by a municipality is limited in amount by the provisions of the Local Budget Law and may be renewed from time to time, but, in the case of a municipality such as the City, all such notes and renewals thereof must mature not later than 120 days after the end of the fiscal year in which such notes were issued.

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

Refunding bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding or refunding outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system, the present value of unfunded accrued liabilities for State administered early retirement incentive benefits, and amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of refunding bonds. The Local Finance Board, in the Division of Local Governmental Services, New Jersey Department of Community Affairs (the "Local Finance Board") must approve the authorization of the issuance of refunding bonds or the local unit may issue such refunding bonds in accordance with the regulations promulgated by the Local Finance Board.

Statutory Debt Limitation (N.J.S.A. 40A:2-6 et seq.)

There are statutory requirements which limit the amount of debt which the City is permitted to authorize. The authorized bonded indebtedness of a City is limited by the Local Bond Law and other laws to an amount equal to three and one half percent (3½%) of its stated average equalized valuation basis, subject to certain exceptions noted below. The stated equalized valuation basis is set by statute as the average of the equalized valuations of all taxable real property, together with improvements to such property, and the assessed valuation of certain Class II railroad property within the boundaries of the City for each of the last three (3) preceding years as annually certified in the valuation of all taxable real property, in the Table of Equalized Valuation by the Director of the Division of Taxation, in the New Jersey Department of the Treasury (the "Division of Taxation"). Certain categories of debt are permitted by statute to be deducted for the purposes of computing the statutory debt limit. The Local Bond Law permits the issuance of certain obligations, including obligations issued for certain emergency or self-liquidating purposes, notwithstanding the statutory debt limitation described above; but, with certain exceptions, it is then necessary to obtain the approval of the Local Finance Board. See "Exceptions to Debt Limitation-Extensions of Credit" herein.

Exceptions to Debt Limitation – Extensions of Credit (N.J.S.A. 40A:2-7 et seq.)

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

DEBT INFORMATION OF THE CITY

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

FINANCIAL MANAGEMENT

Accounting and Reporting Practices

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

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

The foundation of the State local finance system is the annual cash basis budget. Every local unit, including the City, must adopt an annual operating budget in the form required by the Division. Certain items of revenue and appropriation are regulated by law and the proposed operating budget cannot be finally adopted until it has been certified by the Director, or in the case of a local unit's examination of its own budget as described herein, such budget cannot be finally adopted until a local examination certificate has been approved by the Chief Financial Officer and governing body of the local unit. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and the Director, or in the case of the local examination, the local unit may review the adequacy of such appropriations. Among other restrictions, the Director or, in the case of local examination, the local unit may examine the budget with reference to all estimates of revenue and the following appropriations: (a) payment of interest and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of the preceding year, (d) reserve for uncollected taxes, and (e) other reserves and non-disbursement items. Taxes levied are a product of total appropriations, less non-tax revenues, plus a reserve predicated on the prior year's collection experience.

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

In accordance with the Local Budget Law and related regulations, (i) each local unit, with a population of 10,000 persons, must adopt and annually revise a six (6) year capital program (ii) each local unit, with a population under 10,000 persons, must adopt (with some exceptions) and annually revise a three (3) year capital program. See "CAPITAL IMPROVEMENT PROGRAM" herein.

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities, in addition to the general taxing power upon real property. For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate section of the budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "current" or operating budget.

State Supervision (N.J.S.A. 52:27BB-1 et seq.)

State law authorizes State officials to supervise fiscal administration in any municipality which is in default on its obligations; which experiences severe tax collection problems for two (2) successive years; which has a deficit greater than four percent (4%) of its tax levy for two (2) successive years; which has failed to make payments due and owing to the State, county, school district or special district for two (2) consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds twenty-five percent (25%) of its total operating appropriations (except dedicated revenue appropriations) for the previous budget year; or which has been subject to a judicial determination of gross failure to comply with the Local Bond Law, the Local Budget Law or the Local Fiscal Affairs Law which substantially jeopardizes its fiscal integrity. State officials are authorized to continue such supervision for as long as any of the conditions exist and until the municipality operates for a fiscal year without incurring cash deficit.

Limitations on Expenditures ("Cap Law") (N.J.S.A. 40A:4-45.1, et seq.)

N.J.S.A. 40A:4-45.3 places limits on municipal tax levies and expenditures. This law is commonly known as the "Cap Law" (the "Cap Law"). The Cap Law provides that the City shall limit any increase in its budget to 2.5% or the Cost-Of-Living Adjustment, whichever is less, of the previous year's final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than 2.5%, the City may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the City for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than 3.5% over the previous year's final appropriations. See N.J.S.A. 40A:4-45.14. In addition, N.J.S.A. 40A:4-45.15a restored "CAP" banking to the Local Budget Law. Municipalities are permitted to appropriate available "CAP Bank" in either of the next two (2) succeeding years' final appropriations. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the "CAP".

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

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

Deferral of Current Expenses

Supplemental appropriations made after the adoption of the budget and determination of the tax rate may be authorized by the governing body of a local unit, including the City, but only to meet unforeseen circumstances, to protect or promote public health, safety, morals or welfare, or to provide temporary housing or public assistance prior to the next succeeding fiscal year. However, with certain exceptions described below, such appropriations must be included in full as a deferred charge in the following year's budget. Any emergency appropriation must be

declared by resolution according to the definition provided in N.J.S.A. 40A:4-48, and approved by at least two-thirds of the full membership of the governing body and shall be filed with the Director. If such emergency appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director is required. N.J.S.A. 40A:4-49.

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

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between major appropriation accounts are prohibited until the last two (2) months of the municipality's fiscal year. Appropriation reserves may be transferred during the first three (3) months of the current fiscal year to the previous fiscal year's budget. N.J.S.A. 40A:4-59. Both types of transfers require a two-thirds vote of the full membership of the governing body. Although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Generally, transfers cannot be made from the down payment account, the capital improvement fund, contingent expenses or from other sources as provided in the statute.

Anticipation of Real Estate Taxes

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

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

This provision requires that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the sum will at least equal the tax levy required to balance the budget. The reserve requirement is calculated as follows:

Total of Local, County, and School Levies	-	Anticipated Revenues	=	Cash Required from Taxes to Support Local Municipal Budget and Other Taxes
<u>Cash Required from Taxes to Support Local Municipal Budget and Other Taxes</u>				Amount to be
Prior Year's Percentage of Current Tax Collection (or Lesser %)			=	Raised by Taxation

Anticipation of Miscellaneous Revenues

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

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

Local Examination of Budgets (N.J.S.A. 40A:4-78(b))

Chapter 113 of the Laws of New Jersey of 1996 (N.J.S.A. 40A:4-78(b)) authorizes the Local Finance Board to adopt rules that permit certain municipalities to assume the responsibility, normally granted to the Director, of conducting the annual budget examination required by the Local Budget Law. Since 1997 the Local Finance Board has developed regulations that allow "eligible" and "qualifying" municipalities to locally examine their budget every two (2) of three (3) years.

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

The Local Fiscal Affairs, N.J.S.A. 40A:5-1 et seq., as amended and supplemented (the "Local Fiscal Affairs Law"), regulates the non-budgetary financial activities of local governments. An annual, independent audit of the local unit's accounts for the previous year must be performed by a Registered Municipal Accountant licensed in the State of New Jersey. The audit, conforming to the Division of Local Government Services, in the New Jersey Department of Community Affairs (the "Division") "Requirements of Audit", must be completed within six (6) months (June 30) after the close of the City's fiscal year (December 31), and includes recommendations for improvement of the local unit's financial procedures. The audit report must be filed with the City Clerk and is available for review during regular municipal business hours and shall, within five (5) days thereafter be filed with the Director of the Division (the "Director"). A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of the City Clerk's receipt of the audit report. Accounting methods utilized in the conduct of the audit conform to practices prescribed by the Division, which practices differ in some respects from accounting principals generally accepted in the United States of America.

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

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

Investment of Municipal Funds

Investment of funds by municipalities is governed by N.J.S.A. 40A:5-14 et seq. Such statute requires municipalities to adopt a cash management plan pursuant to the requirements outlined by said statute. Once a municipality adopts a cash management plan it must deposit or invest its funds pursuant to such plan. N.J.S.A. 40A:5-15.1 provides for the permitted securities a municipality may invest in pursuant to its cash management plan. Some of the permitted securities are as follows: (a) obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"), (b) Government money market mutual funds which invest in securities permitted under the statute, (c) bonds of certain Federal Government agencies having a maturity date not greater than 397 days from the date of purchase, (d) bonds or other obligations of the particular municipality or school districts of which the local unit is a part or within which the school district is located, and (e) bonds or other obligations having a maturity date not greater than 397 days from the date of purchase and approved by

the Division of Investment, in the New Jersey Department of the Treasury. Municipalities are required to deposit their funds in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq. Municipalities are required to deposit their funds in interest-bearing bank accounts to the extent practicable and other permitted investments.

CAPITAL IMPROVEMENT PROGRAM

In accordance with the Local Budget Law, the City 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 (6) years as a general improvement program. The Capital Budget and Capital Improvement Program must be adopted as part of the annual budget pursuant to N.J.A.C. 5:30-4. The Capital Budget does not by itself confer any authorization to raise or expend funds, rather it is a document used for planning. Specific authorization to expend funds for such purposes must be granted, by a separate bond ordinance, by inclusion of a line item in the Capital Improvement Section of the budget, by an ordinance taking money from the Capital Improvement Fund, or other lawful means.

TAX ASSESSMENT AND COLLECTION

Assessment and Collection of Taxes

Property valuations (assessments) are determined on true values as arrived at by the cost approach, market data approach and capitalization of net income (where applicable). Current assessments are the result of maintaining new assessments on a "like" basis with established comparable properties for newly assessed or purchased properties resulting in a decline of the assessment ratio to true value to its present level. This method assures equitable treatment to like property owners. Because of the escalation of property resale values, annual adjustments could not keep pace with the rising values.

Upon the filing of certified adopted budgets by the City, the 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 provisions 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 district.

For calendar year municipalities, tax bills are sent in June of the current fiscal year. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. The August and November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal year, less the amount charged as the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined as by the municipal governing body as either one-quarter or one-half of the full tax levied for municipal, county or school purposes for the preceding fiscal year.

Fiscal year municipalities follow the same general rationale for the billing of property taxes, however billing is processed semi-annually. The provisions of P.L. 1994, C. 72 changed the procedures for State fiscal year billing originally established in P.L. 1991, C. 75. Chapter 72 moves the billing calculation back on a calendar year basis, which permits tax levies to be proved more readily than before.

The formula used to calculate tax bills under P.L. 1994, C. 72 are as follows:

The third and fourth installments, for municipal purposes, would equal one-half of an estimated annual tax levy, plus the balance of the full tax levied during the current tax year for school, county and special district purposes. The balance of the full tax for non-municipal purposes is calculated by subtracting amounts due on a preliminary basis from the full tax requirement for the tax year. The first and second installments, for municipal purposes, will be calculated on a percentage of the previous years billing necessary to bill the amount required to collect the full tax levy, plus the non-municipal portion, which represents the amount payable to each taxing district for the period of January 1 through June 30.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) on the first \$1,500 of the delinquency and, then eighteen percent (18%) per annum on any amount in excess of \$1,500. A penalty of up to six percent (6%) of the delinquency in excess of \$10,000 may be imposed on a

taxpayer who fails to pay that delinquency prior to the end of the tax year in which the taxes become delinquent. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State Statutes. Tax title liens are periodically assigned to the Solicitor (as defined herein) for in rem foreclosures in order to acquire title to these properties.

The provisions of chapter 99 of the Laws of New Jersey of 1997 allow a municipality to sell its total property tax levy to the highest bidder either by public sale with sealed bids or by public auction. The purchaser shall pay the total property tax levy bid amount in quarterly installments or in one annual installment. Property taxes will continue to be collected by the municipal tax collector and the purchaser will receive as a credit against his payment obligation the amount of taxes paid to the tax collector. The purchaser is required to secure his payment obligation to the municipality by an irrevocable letter of credit or surety bond. The purchaser is entitled to receive, all delinquent taxes and other municipal charges owing, due and payable upon collection by the tax collector. The statute sets forth bidding procedures, minimum bidding terms and requires the review and approval of the sale by the Division.

Tax Appeals

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. The taxpayer has a right to file a petition on or before the 1st day of April of the current tax year for its review. The County Board of Taxation and the Tax Court of New Jersey have the authority after a hearing to increase, decrease or reject the appeal petition. Adjustments by the County Board of Taxation are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer believes the decision of the County Board of Taxation to be incorrect, appeal of the decision may be made to the Tax Court of New Jersey. State tax court appeals tend to take several years to conclude by settlement or trial and any losses in tax collection from prior years, after an unsuccessful trial or by settlement, are charged directly to operations.

TAX MATTERS

Exclusion of Interest on the Bonds and Notes 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 Obligations in order to assure that interest on the Obligations will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the City to comply with such requirements may cause interest on the Obligations to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Obligations. The City will make certain representations in its tax certificate, which will be executed on the date of issuance of the Obligations, as to various tax requirements. The City has covenanted to comply with the provisions of the Code applicable to the Obligations and has covenanted not to take any action or fail to take any action that would cause interest on the Obligations to lose the exclusion from gross income under Section 103 of the Code. Bond Counsel will rely upon the representations made in the tax certificate and will assume continuing compliance by the City with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Obligations from gross income for federal income tax purposes and with respect to the treatment of interest on the Obligations for the purposes of alternative minimum tax.

Assuming the City observes its covenants with respect to compliance with the Code, Archer & Greiner P.C., Bond Counsel to the City, is of the opinion that, under existing law, interest on the Obligations is not includable for Federal income tax purposes in the gross income of the owners of the Obligations pursuant to Section 103 of the Code. Interest on the Obligations is not an item of tax preference under Section 57 of the Code for purposes of computing federal alternative minimum tax; however, interest on the Obligations is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under the Code.

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 Obligations from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Obligations ends with the issuance of the Obligations, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the owners of the Obligations 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 Obligations, under current IRS procedures, the IRS will treat the City as the taxpayer and the beneficial owners of the Obligations 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 Obligations 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 Obligations.

Payments of interest on tax-exempt obligations, including the Obligations, are generally subject to IRS Form 1099-INT information reporting requirements. If a Obligation 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.

Additional Federal Income Tax Consequences of Holding the Bonds and the Notes

Prospective purchasers of the Obligations should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Obligations, 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 Obligations from gross income pursuant to Section 103 of the Code and interest on the Obligations not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Obligations should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Obligations.

Changes in Federal Tax Law Regarding the Bonds or the Notes

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 Obligations or the Notes. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds or Notes will not have an adverse effect on the tax status of interest on the Bonds or the Notes or the market value or marketability of the Bonds or the Notes. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest, if applicable, on the Bonds or Notes from gross income for federal or state income tax purposes for all or certain taxpayers.

State Taxation for the Bonds and the Notes

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

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

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

Other Tax Consequences

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

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

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

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

LITIGATION

To the knowledge of the City's Solicitor, Christopher Gillin-Schwartz, Esquire, Cape May, New Jersey (the "Solicitor"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Obligations, or the levy or the collection of taxes to pay the principal of or the interest on the Obligations, or in any manner questioning the authority or the proceedings for the issuance of the Obligations or for the levy or the collection of taxes to pay the principal of or the interest on the Obligations, or contesting the corporate existence or the boundaries of the City or the title of any of the present officers. Moreover, to the knowledge of the Solicitor, no litigation is presently pending or threatened that, in the opinion of the Solicitor, would have a material adverse impact on the financial condition of the City if adversely decided. A Certificate to such effect will be executed by the Solicitor and delivered to the Underwriters (as hereinafter defined) at closing.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Obligations are subject to the approval of Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel to the City, whose approving legal opinions will be delivered with the Bonds and the Notes substantially in the forms set forth as Appendix C and Appendix D hereto. Certain legal matters will be passed on for the City by its Solicitor.

MUNICIPAL BANKRUPTCY

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

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

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

The City has not authorized the filing of a bankruptcy petition. This reference to the Bankruptcy Code or the State statute should not create any implication that the City expects to utilize the benefits of their provisions, or that if utilized, such action would be approved by the Local Finance Board, or that any proposed plan would include a dilution of the source of payment of and security for the Obligations, or that the Bankruptcy Code could not be amended after the date hereof.

SECONDARY MARKET DISCLOSURE FOR THE BONDS

The City has covenanted for the benefit of the holders of the Bonds and the beneficial owners of the Bonds to provide certain financial information and operating data of the City annually and to comply with the provisions of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed in a Continuing Disclosure Certificate (the "Bond Disclosure Certificate") to be executed on behalf of the City by its Chief Financial Officer, in the form appearing in APPENDIX E attached hereto. Such Bond Disclosure Certificate shall be delivered concurrently with the delivery of the Bonds. Annual financial information, including operating data, and notices of events specified in the Rule, if material, shall be filed with the Municipal Securities Rulemaking Board (the "MSRB"). This covenant is being made by the City to assist the purchaser of the Bonds in complying with the Rule.

The City has previously entered into continuing disclosure undertakings under the Rule. The City appointed Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, in October of 2014 to serve as continuing disclosure agent to assist in the filing of certain information on MSRB's Electronic Municipal Market Access Dataport ("EMMA") as required under its obligations.

SECONDARY MARKET DISCLOSURE FOR THE NOTES

The City has covenanted for the benefit of the holders of the Notes to provide notices of the occurrence of certain enumerated events with respect to the Notes, as set forth in section (b)(5)(i)(C) of the Rule (the "Notices"). The Notices will be filed by the City with the Municipal Securities Rulemaking Board and with a state information depository, if any. The specific nature of the Notices will be detailed in a certificate (the "Note Certificate") to be executed on behalf of the City by its Chief Financial Officer, in the form appearing in Appendix F hereto, such Note Certificate to be delivered concurrently with the delivery of the Notes. This covenant is being made by the City to assist the purchaser of the Notes in complying with the Rule.

LEGALITY FOR INVESTMENT

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

UNDERWRITING

The Bonds have been purchased from the City at a public sale for resale by _____ (the “Bond Underwriter”), at a purchase price of \$ _____. The purchase price of the Bonds reflects the par amount of the Bonds equal to \$20,000,000.00; minus a Bond Underwriter’s discount of \$ _____, plus an original issue premium in the amount of \$ _____.

The Notes have been purchased from the City at a public sale for resale by _____ (the “Note Underwriter”), at a purchase price of \$ _____. The purchase price of the Notes reflects the par amount of the Notes equal to \$7,014,000.00; minus a Note Underwriter’s discount of \$ _____, plus an original issue premium in the amount of \$ _____.

RATINGS

S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P” or the “Rating Agency”) has assigned the Bonds the rating of “AA” and assigned the Notes a rating of “SP-1+” based upon the creditworthiness of the City.

An explanation of the significance of the ratings on the Bonds and the Notes may be obtained from S&P at 55 Water Street, New York, New York 10041. Such ratings reflect only the views of such S&P, and an explanation of the significance of the ratings may be obtained from such S&P. There is no assurance that the ratings will continue for any period of time or that they will not be revised or withdrawn entirely by such S&P, if in the judgment of such S&P, circumstances so warrant. Any revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds or the Notes. Except as set forth in the Bond Certificate and the Note Certificate, respectively, the City has not agreed to take any action with respect to any proposed rating change or to bring such rating change, if any, to the attention of the owners of the Bonds or the Notes.

FINANCIAL STATEMENTS

The audited financial statements of the City for the fiscal years ended December 31, 2024 and 2023 have been prepared by Ford-Scott & Associates, L.L.C., Ocean City, New Jersey (the “Auditor”). Accordingly, the Auditor takes responsibility for their Accountant’s Compilation Report and Independent Auditor’s Report appearing and set forth in Appendix B attached hereto.

CERTAIN RISK FACTORS

Recent Healthcare Developments

In early March of 2020, the World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a newly discovered strain of coronavirus. On March 13, 2020, the President of the United States declared a national public health emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. The Governor of the State declared a state of emergency and a public health emergency on March 9, 2020. In response to the COVID-19 pandemic, federal and State legislation and executive orders were implemented to mitigate the spread of the disease and provide relief to state and local governments. The pandemic and certain mitigation measures altered the behavior of businesses and people with negative impacts on regional, State and local economies. The national public health emergency and the State public health emergency have since ended, while the state of emergency declared by the State and several executive orders signed by the Governor remain to manage COVID-19 on an endemic level. Depending on future circumstances, ongoing actions could be taken by State, federal and local governments and private entities to mitigate the spread and impacts of COVID-19, its variants or other critical health care challenges.

To date, the overall finances and operations of the City have not been materially adversely affected by the COVID-19 pandemic. Nonetheless, the degree of any future impact to the City’s operations and finances is difficult to predict due to the dynamic nature of the COVID-19 pandemic and any additional actions that may be taken by governmental and other health care authorities to manage the COVID-19 pandemic.

The American Rescue Plan Act of 2021, H.R. 1319 (the "Plan"), signed into law by the President of the United States on March 12, 2021, provided \$1.9 trillion in relief designed to provide funding to address the COVID-19 pandemic and alleviate the economic and health effects of the COVID-19 pandemic. The City received \$358,175.79 from the Plan. The deadline to obligate the funds was December 31, 2024, and such funds can only be spent on certain allowable uses as set forth in the Plan.

Climate

As a coastal community located on a barrier island, the City is susceptible to the effects of extreme weather events and natural disasters, including coastal storms and flooding, which could result in negative economic impacts. These effects may be amplified by a prolonged global temperature increase over the next several decades, which scientific studies indicate may be occurring. Scientific studies on climate change predict that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common, and extreme weather events like Superstorm Sandy will become more frequent. Coastal areas like the City are at risk of substantial flood damage over time, potentially affecting private development and public infrastructure. The economic impacts resulting from such extreme weather events could include a loss of ad valorem tax revenue, interruption of municipal services, and escalated recovery costs. No assurance can be given as to whether future extreme weather events will occur that could materially adversely affect the financial condition of the City.

Cyber Security

The City relies on a complex technology environment to conduct its various operations. As a result, the City faces certain cyber security threats at various times including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and digital networks and systems. To mitigate the risks of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the City has invested in multiple forms of cybersecurity and operational safeguards. In addition, the City maintains certain insurance coverage for cyberattacks and related events.

PREPARATION OF OFFICIAL STATEMENT

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

The Auditor takes responsibility for the financial statements to the extent specified in the Independent Auditors' Report.

Archer & Greiner P.C., has not participated in the preparation of the financial or statistical information in this Official Statement, nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including requests for information additional to that contained herein, may be directed to the City of Cape May, 643 Washington Street, Cape May, New Jersey, Kevin Hanie, Chief Financial Officer, (609) 884-9525 or Sherry L. Tracey of Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, at (609) 291-0130.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Obligations. 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 herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there have been no changes in the affairs in the City since the date thereof.

The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

CITY OF CAPE MAY,
IN THE COUNTY OF CAPE MAY,
STATE OF NEW JERSEY

/s/

KEVIN HANIE, Chief Financial Officer

Dated: September ____, 2025

APPENDIX A

**CERTAIN GENERAL INFORMATION CONCERNING
THE CITY OF CAPE MAY,
IN THE COUNTY OF CAPE MAY, STATE OF NEW JERSEY**

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INFORMATION REGARDING THE CITY¹

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

General Information

The City is governed by the Faulkner Act Council-Manager form of government, providing for the election of a five (5) member City Council (the “Council”). The Mayor is a member of Council and directly elected by the voters. The Council is the policy maker for the City. The City Manager, the chief executive and administrative officer of the City, is appointed by the Council. The City Manager is responsible for personnel, enforcement of ordinances, and overall administration. The Council appoints the City Manager, City Clerk, Deputy City Clerk, City Attorney, Municipal Judge, Municipal Prosecutor, Public Defender, Chief Financial Officer, Tax Assessor, Tax Collector, City Auditor and City Engineer. The Council also makes appointments to boards and commissions.

History and Geography

The City is the nation’s oldest seashore resort and is located at the southern tip of the State, where the Atlantic Ocean meets the Delaware Bay. The City is located at the southern terminus (Exit Zero) of the Garden State Parkway, 150 miles south of New York City, 100 miles east of Philadelphia, and 35 miles south of Atlantic City.

Sighted by Henry Hudson in 1609, settled by the Dutch in 1623, colonized by English Pilgrims from Plymouth, the City has a rich history that today is a major source of local prosperity. Named for Dutch explorer and sea captain Cornelius Jacobsen Mey, the City is located on the New Jersey peninsula known as Cape May. It is a surprise to many that the City is actually situated below the Mason-Dixon line extended and is on the same latitude as Washington, D.C.

As the premier Atlantic Ocean resort of the 19th Century, famous visitors included maestro John Philip Sousa, circus impresario P.T. Barnum, Abraham Lincoln, Civil War Generals Robert E. Lee and William Sherman, and Presidents James Buchanan, Franklin Pierce, Ulysses S. Grant and William Harrison.

Following the “Great Fire of 1878” which destroyed half of the town, residents and vacationers rebuilt the City in the Victorian architecture popular in that era. With over 600 Victorian homes and structures in use, the entire City has been declared a National Historic Landmark by the United States Department of the Interior. The City has one the largest collections of authentic Victorian structures in America.

¹ Source: The City, unless otherwise indicated.

Land Use and Natural Resources

The City comprises 2.2 square miles of land, of which 353 acres (non-riparian) is owned by the United States Coast Guard, and another 126 (non-riparian) acres is owned by the City and is designated as reserved open space inventory (ROSI) for recreational parks and environmentally sensitive protected areas. Additionally, the City owns, or maintains through long-term (99 year) leases for public right-of-way approximately two (2) miles of ocean beaches and harbor front property.

A large portion of the vacant land in the City is classified as wetlands and therefore protected from development. Protection of environmentally sensitive areas of the City has strong support from the residents and visitors of the City. The natural wetlands and underdeveloped areas provide safe habitat for the second largest migrating bird fly zone on the east coast. Such protection is seen as a means of protecting the quality of life, keeping traffic congestion under control and extending the useful life of City-owned water and sewer utilities, street network, schools, and other public facilities.

Residential land use consists mostly single-family homes. Due to the favorable climate, geographic location, sound economy, cultural opportunities, peaceful setting, and numerous other quality of life factors, the City has been identified in several nationwide surveys as one of the most ideal residential communities in America.

Non-residential land use, including hotels, motels, restaurants, bed and breakfast inns, retail stores, other commercial, apartments, multi-use and parking areas account for the remainder of land use. Approximately half of the City's beachfront streetscape is lined with a variety of accommodations including, shopping, dining and entertainment businesses. The remainder consists of large, private beachfront homes.

Following two (2) decades of planning, engineering and economic analysis to justify funding, the Federal government, in 1991, completed the \$15 million first of three (3) phases of a \$50 million project to restore and maintain the entire beachfront of the City. This massive public works project has dramatically increased the width and depth of the beaches protecting the area from Atlantic Ocean storms. The U.S. Army Corp of Engineers and the State have entered into a formal agreement calling for biannual maintenance of the restored beach for a 50-year period ending in 2040. In compliance with this agreement, the Corp of Engineers returns every other year to replenish the beachfront sand. During the President Clinton era the scheduled work was delayed one year for failure to adopt the Federal budget timely. The primary purpose is to provide shoreline protection to persons and property. Through several beach replenishment projects spanning over 30 years, the City's beaches have increased in area and height affording the City increased protection. No significant damage to properties, or municipal infrastructure, was sustained during Hurricane Irene (2011) or Superstorm Sandy (2012).

Local Economy

Tourism, commercial fishing and Coast Guard activities are the three (3) primary sources of the year-round strength of the local economy.

The City has maintained a strong economy due largely to the fact that the County has become a popular year-round resort for visitors in addition to the traditionally strong four (4) month summer season. The accommodations and food service industries support a population explosion, which escalates to approximately 40,000 to 50,000 visitors in the summer. As hundreds of the authentic original Victorian era structures have been restored during the past five (5) decades, many have been converted from private residences into restaurants, stores, guesthouses, and bed and breakfast inns. The City is nationally renowned for the quality of the historically preserved structures and the services provided by the business owners. The City is often cited in tourist and travel publications for the many fine eateries, and the Victorian style architecture of the residential homes, guesthouses and bed & breakfast inns. Set-off by the attraction of the finest beaches on the East Coast, the City is the second most visited destination in the State surpassed only by Atlantic City.

The City has a popular outdoor, three (3) block pedestrian mall known as the “Washington Street Mall.” The mall received a major renovation and upgrade, which was completed in the spring of 2008. In 2011, improvements commenced to expand the brick paver pedestrian walkways and Victorian light fixtures to the adjoining side streets incorporating additional retail shops into the Mall. Also, a separate center city, “Victorian Village” shopping area, and two (2) neighborhood commercial districts can be found in the City. Professional offices and banks are located throughout the community.

The Cape May Harbor is the hub of a multi-million-dollar fishing industry that employs several hundred people in the area. Statistics developed by the National Marine Fisheries Service reflect the total value of the State commercial catch in 2017 was \$190.5 million. The State is one of the world’s leading suppliers of ocean quahogs and surf clams. Cape May Harbor is one of six (6) major ports in the State. The fishing industry provides employment not only to the fishermen and dock workers, but to wholesalers, retailers, distributors and the food service industry. It is estimated that for each one (1) dollar of landed value, six (6) dollars are generated in the overall economy.

In recent years, Eco-tourism has increased as the City is a major stopping point for migratory birds and butterflies. The City is home to the World Series of Birding.

Statistical Sources: New Jersey Department of Agriculture

Sustainability

During the past five (5) years, the Council has successfully integrated its long-range planning agenda with the City’s long-term financial and capital planning programs to create a comprehensive and systematic sustainability approach for the City over the next two (2) decades. For the City, sustainability must be defined in the broadest sense of the term: Our strategies will allow us to sustain economic growth; sustain the City’s infrastructure to assist in providing the programs and services that our residents expect and demand; sustain exemplary environmental stewardship; and sustain the affordability of the City for our residents, businesses, and visitors.

As further evidence of the City's commitment and accomplishments concerning sustainability, the City has received the highly regarded Silver Certification in 2012, 2014 and 2017 and the Sustainable Champion Award in 2011, 2012 and 2014, by the statewide Sustainable Jersey program.

Transportation

The City is situated at the southernmost terminus (Exit 0) of the Garden State Parkway. Several interconnecting roads and highways permit tourists and travelers to reach the City by auto and mass transit bus. The Philadelphia International Airport, which is approximately 90 miles away, and the Atlantic City International Airport, which is approximately 40 miles away, are the closest facilities for business and international air travel. The County Airport located in Rio Grande is just six (6) miles away and permits small planes and jets to land and take-off. The Delaware River & Bay Authority ferry system with a port on the western end of the Cape May Canal allows both foot passengers and auto travelers from southern Mid-Atlantic States easy access to the City. The Delaware River & Bay Authority owns and operates five (5) ferries and maintains a daily schedule of crossings between terminals in Lewes, Delaware and the City.

Utilities

The State deregulated control over electric and natural gas utilities during the 1990's. The intention of deregulation was to encourage competition resulting in a reduction in cost, or stabilization of prices. In the past, the City has joined together with many other municipalities and counties in Southern New Jersey to seek bids on the purchase of electricity and natural gas. Bid periods are usually for a two (2) year term and have yielded mixed results. In some instances, the bids have resulted in a low bidder other than the "default provider" Atlantic City Electric. The purchase and delivery of natural gas is contracted for through South Jersey Gas Company, and the purchase of electricity is contracted through Atlantic City Electric and Hess Corporation, based on bids received by the South Jersey Power Co-operative.

Water Utility

The City operates a municipal water utility which supplies water not only to City residents, businesses, and visitors, but also to the Borough of Cape May Point, the Borough of West Cape May, a portion of the Township of Lower, and the United States Coast Guard ("USCG") Base. The total service region has a permanent population of approximately 6,700. The neighboring municipalities experience the same seasonal tourism impact as the City; and the USCG Base is the only basic training facility in the United States. The continued ability to provide a quality water supply for the total service region is the City's primary mission.

The Cape May Water Utility has eight (8) wells, five (5) of which are screened in the Cohansey Aquifer. Wells #1 and #2 are drilled and located in the City and have been shut down for many years due to the saline content of the water. Wells #3, #4 and #5 are drilled and located out of the City along the southern boundary of Lower Township, with varied levels of saltwater intrusion. Each well is located further inland, and north, in succession away from the Atlantic Ocean.

The City has commissioned studies of the salt-water intrusion and water supply problem from professional engineer consultants on two (2) occasions. The first study was completed by Killam Associates (1990), and the second study by Metcalf & Eddy, Inc. (1996). In addition, the New Jersey Department of Environmental Protection (NJDEP) and the United States Department of the Interior Geological Survey (USGS) have completed studies and issued reports on the problem. Other agencies such as the Southern Cape Regional Water Advisory Commission recognize the severity of the problem and have added input regarding alternatives considered. Some of the alternatives under consideration were: (1) continue under current conditions; (2) drill new wells farther north in the Cohansey Aquifer, requiring additional pipelines for transmission; (3) purchase water from the City of Wildwood Water Utility or New Jersey American Water systems requiring a more lengthy pipeline than option (2); (4) drill at least one (1) new well into the 800 Foot Sands Aquifer and construct a desalination plant to purify one (1) million gallons of water per day (mgd) while permitting expansion to two (2) mgd.

Beginning in 1997 the City commenced the development and construction of two (2) new wells located in the 800 Foot Sands Aquifer (Wells #6 and #7), and a two (2) mgd desalination plant. In the fall of 1998, the new desalination plant, the first in the State and the mid-Atlantic region, began producing potable water. Well #3 is dedicated to the desalination facility as a back-up source. Wells #4 and #5 remain available for periods of peak demand. The total combined capacity is 3.4 mgd of potable water. The peak seasonal demand is 2.8 mgd. In addition, locating the two (2) new wells into the 800 Foot Sands Aquifer provides a projected source of water at least through 2025, and reduces the draw on the Cohansey Aquifer thereby extending the life of Wells #3, #4 and #5.

Capital Improvement Program

The Council has adopted a three (3) year capital improvement program. Projects to be funded with long-term debt include continuation of upgrading the City's streets, improvements to City owned buildings, and other capital improvements. Annually, the City provides for capital maintenance and reconstruction of various streets including the water and sewer utility infrastructure.

The three (3) year capital improvement program also lists road and infrastructure improvements, updates to Public Safety Equipment and improvements to the current existing Seawall and Promenade. These improvements are reviewed on an annual basis and adjusted as needed. The City has been dedicated to its road and infrastructure program and has continually searched for grants to assist with those improvements. Lastly, the City will continue its progress in improving the City's public park to allow residents, students and visitors the ability to have education and recreation in some of the City's dedicated Open Space.

Fire Protection and Emergency Services

Due to the priceless concentration of the late 19th Century (Victorian) frame structures in the City, the City maintains a paid fire department with full-time fire-fighters, consisting of: one (1) chief, one (1) deputy chief, multiple lieutenants, and multiple fire-fighters.

In 1988, the City established a 24-hour Emergency Medical Services (EMS) for the community as part of the paid fire department's duties. The City has certified full-time and part-time emergency medical technicians on staff. The City provides EMS by contract for the Boroughs of West Cape May and Cape May Point. The City owns multiple ambulances as part of its emergency fleet. It is the City's goal to purchase a new ambulance every third year replacing the oldest ambulance with a new one.

The City's Office of Emergency Management has state-certified plans for handling emergencies, such as coastal flooding, hurricanes or hazardous substance spills. A corps of volunteers, coordinated with the Cape May County Office of Emergency Management, is well trained and equipped.

Law Enforcement

The City has a permanent police force of officers, consisting of: one (1) chief, one (1) captain, one (1) lieutenant, multiple sergeants, multiple detectives, and multiple officers. In addition, the Police Department has multiple full-time communications officers and clerical staff. During the busiest portion of the tourist season (May-October) the City employs several fully trained (Cape May County Police Academy) seasonal police officers.

In 2002, the City, through Interlocal Service Agreement with the Boroughs of West Cape May and Cape May Point, commenced to provide police services to the stated neighboring municipalities. The City added six (6) police officers, and expanded the number of police vehicles, enabling the City to provide the necessary coverage and service. In 2016, a new 10-year Interlocal Service Agreement was approved by the three (3) municipalities to continue the shared police service. The State encourages such agreements.

In addition to the police department, the City maintains a Code Enforcement Office normally staffed with two (2) full-time employees to enforce the various municipal ordinances and codes including animal control. Also, the City maintains a staff in the Construction and Zoning Office providing construction code review and inspection for building, fire prevention, electrical and plumbing codes.

Public Works

The City Department of Public Works is comprised of four (4) divisions: streets and roads, buildings and grounds, traffic maintenance, and recycling-solid waste. All operations are centralized at the City's Public Works complex on Canning House Lane.

There is a continuing street improvement and maintenance program, part of which is the responsibility of the Public Works Department. Independent contractors are also used for major projects under the City's capital improvement program.

Tourism, Civic Affairs and Recreation

The City established a Tourism Utility by ordinance in 2012. The Tourism Utility functions and operates under state statutes for budgeting and accounting purposes as an independent entity, however, under the direction and control of the governing body. The Department of Tourism, Civic Affairs, and Recreation, within the Tourism Utility, was established to manage and operate the new Convention Hall, and to continue to oversee the extensive recreation program and coordinate the many public events, activities, and entertainment programs for both residents and visitors. This will enable the City to separately account and budget for all tourism, recreational and civic activities, and to the extent possible based on revenue generated to contribute towards the payment of debt service obligations of the new Convention Hall.

The City has strong relationships with eight private non-profit organizations to perform functions that would otherwise have to be performed by City government at taxpayer expense. For instance, the Mid-Atlantic Center for the Arts has restored and fully operates the City-owned, but volunteer-restored Physick Estate, which is a museum of Victoriana and a center for the arts. The Cape May Historical Society has restored and maintains the City-owned Colonial House. Volunteers staff the City's Transportation/Welcome Center and information booths.

City Employees

The City currently employs both full-time and part-time employees. Of these employees, one (1) is the City Manager, one (1) is the Deputy City Manager, three (3) are statutory officers and 13 are department heads or administrative personnel. In addition to the year-round employees, the City hires approximately 200 seasonal employees as lifeguards, beach taggers, Police Class I or Class II Officers, and laborers for public works operations to manage and provide services based on the increased number of tourists and visitors during the summer season. Of the full-time employees, approximately 100 are covered by union representation.

Accumulated Sick and Vacation Leave

City employees have a standard benefits package similar to most public employees in the State. Employees may accumulate sick leave, provided uniformly at a rate of 15 days per year, but employees may not carry over any personal days from one year to the next, and may not accumulate more than one year of vacation time.

Upon retirement, City employees with 25 years or more of service are entitled to apply for payment of up to 50 percent of unused sick time up to a maximum of \$15,000 per retiree. Also, upon retirement with 25 years of service, the City will pay health insurance premiums for the lives of the employees and spouse at the time of retirement.

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 and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or are 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.

Employment and Unemployment Comparisons

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>City</u>				
2024	1,158	1,073	85	7.3%
2023	1,155	1,073	82	7.1%
2022	1,148	1,070	78	6.8%
2021	1,125	1,022	103	9.2%
2020	1,094	950	144	13.2%
<u>County</u>				
2024	45,403	41,787	3,616	8.0%
2023	45,309	41,745	3,564	7.9%
2022	44,892	41,701	3,191	7.1%
2021	44,379	39,976	4,403	9.9%
2020	43,358	37,045	6,313	14.6%
<u>State</u>				
2024	4,898,008	4,676,064	221,944	4.5%
2023	4,867,113	4,659,779	207,334	4.3%
2022	4,756,002	4,572,879	183,123	3.9%
2021	4,654,243	4,342,075	312,168	6.7%
2020	4,643,700	4,204,301	439,399	9.5%

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 2023)

	<u>City</u>	<u>County</u>	<u>State</u>
Median Household Income	\$57,230	\$88,046	\$101,050
Median Family Income	92,784	106,504	123,892
Per Capita Income	65,085	54,325	53,118

Source: US Bureau of the Census 2023

Population

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

<u>Year</u>	<u>City</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>
2024 est.	2,742	-0.94%	93,875	-1.46%	9,500,851	2.28%
2020	2,768	-23.26	95,263	-2.06	9,288,994	5.65
2010	3,607	-10.59	97,265	-4.95	8,791,894	4.49
2000	4,034	-13.58	102,326	7.61	8,414,350	8.85
1990	4,668	-3.81	95,089	15.59	7,730,188	4.96

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

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2024 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Congress Hall, LLC	\$27,401,100	0.91%
ADIS Inc.	25,967,400	0.86%
Oceanfront Properties, LLC	25,310,200	0.84%
Cape Coachman Realty, LLC	16,048,300	0.53%
Ocean Club Hotel CM, LLC	13,000,000	0.43%
Kejzman Hospitality, LLC	10,400,000	0.35%
Madison Cape May Re LLC	10,089,700	0.34%
Pella, LLC	8,884,800	0.30%
Individual #1	8,812,600	0.29%
Mahalo Cape May LLC	<u>8,475,100</u>	<u>0.28%</u>
Total	<u>\$154,389,200</u>	<u>5.13%</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>
2024	\$31,918,145	\$31,710,421	99.35%
2023	32,113,420	31,908,340	99.36%
2022	30,627,745	30,371,674	99.16%
2021	29,809,010	29,603,794	99.31%
2020	28,151,863	27,973,517	99.37%

Source: Annual Audit Reports of the City

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>
2024	\$12,875	\$204,338	\$217,213	0.68%
2023	12,175	288,675	300,850	0.94%
2022	11,464	254,485	265,949	0.87%
2021	10,781	182,849	193,629	0.65%
2020	10,107	151,549	161,656	0.57%

Source: Annual Audit Reports of the City

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2024	\$83,316
2023	83,316
2022	83,316
2021	83,316
2020	83,316

Source: Annual Audit Reports of the City

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

The table below lists the tax rates for City 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>
2025	\$0.361	\$0.065	\$0.283	\$0.384	\$1.093
2024	0.361	0.065	0.266	0.365	1.057
2023	0.361	0.067	0.269	0.377	1.074
2022	0.361	0.066	0.257	0.348	1.032
2021	0.363	0.065	0.266	0.321	1.015

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>
2025	\$3,028,160,800	\$5,621,237,795	53.87%	\$0	\$5,621,237,795
2024	3,007,475,900	5,582,839,985	53.87	0	5,582,839,985
2023	2,972,014,100	4,773,553,004	62.26	0	4,773,553,004
2022	2,948,578,600	4,378,643,600	67.34	0	4,378,643,600
2021	2,912,777,800	3,610,732,366	89.00	0	3,610,732,366

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 City 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>
2024	\$46,632,900	\$2,394,312,800	\$0	\$444,018,700	\$0	\$122,511,500	\$3,007,475,900
2023	57,872,800	2,356,032,600	0	434,609,400	0	123,499,300	2,972,014,100
2022	63,825,900	2,321,983,200	0	439,622,300	0	123,147,200	2,948,578,600
2021	57,306,100	2,290,501,500	0	441,823,000	0	123,147,200	2,912,777,800
2020	66,588,800	2,253,648,100	0	441,592,700	0	125,058,100	2,886,887,700

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

Financial Operations

The following table summarizes the City'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>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Fund Balance Utilized	\$3,360,000	\$3,400,000	\$4,140,163	\$5,900,000	\$6,000,000
Miscellaneous Revenues	6,721,027	7,887,544	8,885,302	10,044,252	11,203,535
Receipts from Delinquent Taxes	150,000	150,000	100,000	105,000	100,000
Amount to be Raised by Taxation	<u>10,560,830</u>	<u>10,626,859</u>	<u>10,726,011</u>	<u>10,857,708</u>	<u>10,932,100</u>
Total Revenue:	<u>\$20,791,857</u>	<u>\$22,064,403</u>	<u>\$23,851,476</u>	<u>\$26,906,960</u>	<u>\$28,235,635</u>
<u>Appropriations</u>					
General Appropriations	\$14,863,248	\$15,433,146	\$16,207,977	\$17,276,332	\$17,715,041
Operations (Excluded from CAPS)	964,569	1,568,929	1,164,812	1,111,498	1,912,196
Deferred Charges and Statutory Expenditures	535,485	0	901,595	1,022,081	1,163,250
Capital Improvement Fund	422,000	447,000	462,000	1,622,000	1,235,000
Municipal Debt Service	2,765,000	3,333,200	3,795,200	4,486,625	4,843,800
Reserve for Uncollected Taxes	<u>1,241,555</u>	<u>1,282,128</u>	<u>1,319,892</u>	<u>1,388,424</u>	<u>1,366,348</u>
Total Appropriations:	<u>\$20,791,857</u>	<u>\$22,064,403</u>	<u>\$23,851,476</u>	<u>\$26,906,960</u>	<u>\$28,235,635</u>

Source: Annual Adopted Budgets of the City

Fund Balance

Current Fund

The following table lists the City'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.

<u>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Balance</u>	<u>Utilized in Budget</u>
	<u>12/31</u>	<u>of Succeeding Year</u>
2024	\$13,171,926	\$6,000,000
2023	14,427,489	5,900,000
2022	12,724,427	4,140,163
2021	9,863,172	3,400,000
2020	7,794,717	3,360,000

Source: Annual Audit Reports of the City

Water/Sewer Utility Operating Fund

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

Fund Balance		
<u>Water/Sewer Utility Operating Fund</u>		
<u>Year</u>	<u>Balance</u>	<u>Utilized in Budget</u>
	<u>12/31</u>	<u>of Succeeding Year</u>
2024	\$2,629,561	\$472,500
2023	2,431,249	412,500
2022	2,185,322	323,088
2021	1,338,074	534,305
2020	913,406	518,000

Source: Annual Audit Reports of the City

Beach Utility Operating Fund

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

Fund Balance		
<u>Beach Utility Operating Fund</u>		
<u>Year</u>	<u>Balance</u>	<u>Utilized in Budget</u>
	<u>12/31</u>	<u>of Succeeding Year</u>
2024	\$2,302,723	\$782,850
2023	2,576,093	1,136,573
2022	2,539,486	645,500
2021	2,240,400	450,000
2020	1,753,161	400,000

Source: Annual Audit Reports of the City

City Indebtedness as of December 31, 2024

General Purpose Debt

Serial Bonds	\$26,575,000
Bond Anticipation Notes	8,200,000
Bonds and Notes Authorized but Not Issued	9,902,380
Other Bonds, Notes and Loans	19,887
Total:	<u>\$44,697,267</u>

Regional School District Debt

Serial Bonds	\$7,037,549
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$7,037,549</u>

Self-Liquidating Debt

Serial Bonds	\$10,565,000
Bond Anticipation Notes	7,014,000
Bonds and Notes Authorized but Not Issued	3,355,000
Other Bonds, Notes and Loans	1,189,728
Total:	<u>\$22,123,728</u>

TOTAL GROSS DEBT

\$73,858,543

Less: Statutory Deductions	
General Purpose Debt	\$704,613
Regional School District Debt	7,037,549
Self-Liquidating Debt	22,123,728
Total:	<u>\$29,865,889</u>

TOTAL NET DEBT

\$43,992,654

Source: Annual Debt Statement of the City

Overlapping Debt (as of December 31, 2024)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>City Percentage</u>	<u>City Share</u>
Regional School District	\$17,842,000	39.44%	\$7,037,549
County	381,517,496	5.81%	<u>22,180,071</u>
Net Indirect Debt			\$29,217,620
Net Direct Debt			<u>43,992,654</u>
Total Net Direct and Indirect Debt			<u>\$73,210,274</u>

Debt Limit

Average Equalized Valuation Basis (2022, 2023, 2024)	\$4,911,678,863
Permitted Debt Limitation (3 1/2%)	171,908,760
Less: Net Debt	<u>43,992,654</u>
Remaining Borrowing Power	<u>\$127,916,106</u>
Percentage of Net Debt to Average Equalized Valuation	0.896%
Gross Debt Per Capita based on 2020 population of 2,768	\$26,683
Net Debt Per Capita based on 2020 population of 2,768	\$15,893

Source: Annual Debt Statement of the City

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

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE CITY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2024 AND 2023**

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FORD - SCOTT

& ASSOCIATES, L.L.C.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Cape May, as of December 31, 2024 and 2023, 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, 2024 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 City of Cape May as of December 31, 2024, and 2023, or changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2024 and 2023, 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, 2024 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the City of Cape May and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 City of 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.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Cape May's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division of Local Government Services will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division of Local Government Services, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of the internal control relevant to the audit 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 City of Cape May's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude, whether in our judgement there are conditions or events considered in the aggregate, that raise substantial doubt about the City of Cape May's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charge with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control – related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cape May basic financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards and schedule of state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and NJ OMB 15-08 respectively, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, schedule of expenditures of federal awards and the schedule of state financial assistance are fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2025, on our consideration of the City of Cape May's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness 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 City of Cape May's internal control over financial reporting and compliance.

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

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

June 30, 2025

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

<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
Regular Fund:		
Cash:		
Treasurer	\$ 20,529,995.72	18,508,391.42
Investment in BAN	2,000,000.00	2,000,000.00
Petty Cash and Change Funds	950.00	950.00
Total Cash	<u>22,530,945.72</u>	<u>20,509,341.42</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	204,338.30	288,675.28
Tax Title and Other Liens	12,874.66	12,174.93
Property Acquired for Taxes - at Assessed Valuation	83,316.00	83,316.00
Revenue Accounts Receivable	37,327.32	31,723.48
Due from State:		
Chapter 20 P.L. 1971	33,026.45	33,776.45
Interfund Receivable:		
TTL Premium	140.49	72.65
Animal Control	4,291.64	3,728.22
COAH	0.01	0.01
Utility Operating	100,630.30	50,630.30
Total Receivables and Other Assets	<u>475,945.17</u>	<u>504,097.32</u>
Deferred Charges:		
Overexpenditure of Appropriations	37,339.19	198,840.88
Overexpenditure of Appropriation Reserves	49,253.76	-
Emergency	60,870.15	-
Special Emergency	250,000.00	-
Total Deferred Charges	<u>397,463.10</u>	<u>198,840.88</u>
Total Regular Fund	<u>23,404,353.99</u>	<u>21,212,279.62</u>
Federal and State Grant Fund:		
Cash	1,907,802.72	26,618.74
Federal and State Grants Receivable	9,725,357.71	5,080,486.52
Due from Current Fund	305,907.28	305,907.28
Revolving Loan Receivable	600,000.00	600,000.00
Total Federal and State Grant Fund	<u>12,539,067.71</u>	<u>6,013,012.54</u>
Total Current Fund	<u>\$ 35,943,421.70</u>	<u>27,225,292.16</u>

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>2024</u>	<u>2023</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 1,054,966.82	1,470,941.60
Reserve for Encumbrances	2,281,012.81	240,541.03
Accounts Payable	496,959.01	24,486.50
Prepaid Taxes	806,371.51	719,020.64
Overpaid Taxes	11,072.02	-
County Added Tax Payable	43,128.97	68,598.18
Regional School Tax (Overpaid)	(0.07)	(0.07)
Due to State:		
Marriage Licenses	2,250.00	475.00
DCA Training Fees	21,549.00	16,852.00
Interfund Payable:		
Grant Fund	305,907.28	305,907.28
POAA Trust	3,106.00	3,106.00
Street Opening Trust	11,550.00	11,550.00
Beach Utility Operating	1,399.00	1,399.00
General Capital	3,069,812.30	1,825,731.30
Tourism Operating	241,529.95	241,529.95
Performance Bond Trust	10,000.00	10,000.00
Police Off Duty Trust	192,509.57	241,630.00
Fire Safety Trust	4,600.00	4,600.00
Lifeguard Pension Trust	46,276.35	21,593.91
Parking Trust	36,600.00	36,600.00
Retirement Trust	115,000.00	115,000.00
Other:		
Payroll Taxes Payable	232,326.73	96,046.88
Tax Title Lien Exchange	1,482.58	1,482.58
Reserve for Municipal Relief Fund	-	35,216.53
Reserve for Escrow Deposits	309,115.67	331,177.37
Reserve for Insurance	490,983.59	490,983.59
	<u>9,789,509.09</u>	<u>6,314,469.27</u>
Reserve for Receivables and Other Assets	442,918.72	470,320.87
Fund Balance	<u>13,171,926.18</u>	<u>14,427,489.48</u>
Total Regular Fund	<u>23,404,353.99</u>	<u>21,212,279.62</u>
Federal and State Grant Fund:		
Unappropriated Reserves	514,120.93	431,669.19
Appropriated Reserves	10,858,333.30	4,717,193.62
Due to General Capital Fund	191,317.50	191,317.50
Reserve for Encumbrances	375,295.98	72,832.23
Reserve for Revolving Loans Receivable	600,000.00	600,000.00
Total Federal and State Grant Fund	<u>12,539,067.71</u>	<u>6,013,012.54</u>
Total Current Fund	<u>\$ 35,943,421.70</u>	<u>27,225,292.16</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>2024</u>	<u>2023</u>
Revenue and Other Income Realized		
Fund Balance	\$ 5,900,000.00	4,140,163.00
Miscellaneous Revenue Anticipated	19,013,333.68	11,890,021.64
Receipts from Delinquent Taxes	278,523.02	252,127.70
Receipts from Current Taxes	31,710,420.51	31,908,339.87
Non Budget Revenue	160,569.13	250,953.96
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	1,090,890.21	1,370,587.92
Total Income	<u>58,153,736.55</u>	<u>49,812,194.09</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	8,154,416.00	7,752,440.88
Other Expenses	7,204,336.34	6,577,548.00
Deferred Charges & Statutory Expenditures	2,265,788.95	2,076,829.00
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	878,484.00	861,256.00
Other Expenses	7,236,238.40	791,555.59
Capital Improvements	1,622,000.00	462,000.00
Debt Service	4,484,631.72	3,753,713.60
Deferred Charges	1,022,081.00	901,595.00
Local District School Tax	1,962,587.00	1,943,346.00
Regional District School Tax	7,974,327.50	7,764,030.00
County Tax	10,958,858.05	11,162,036.72
County Share of Added Tax	43,128.97	68,598.18
Refund of Prior Year Revenue	-	830.82
Interfund Created	50,631.26	54,431.18
Total Expenditures	<u>53,857,509.19</u>	<u>44,170,210.97</u>
Excess/(Deficit) in Revenue	<u>4,296,227.36</u>	<u>5,641,983.12</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>2024</u>	<u>2023</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	348,209.34	198,840.88
Total Adjustments	<u>348,209.34</u>	<u>198,840.88</u>
Statutory Excess to Fund Balance	<u>4,644,436.70</u>	<u>5,843,225.25</u>
Fund Balance January 1	<u>14,427,489.48</u>	<u>12,724,427.23</u>
	19,071,926.18	18,567,652.48
Decreased by:		
Utilization as Anticipated Revenue	<u>5,900,000.00</u>	<u>4,140,163.00</u>
Fund Balance December 31	<u>\$ 13,171,926.18</u>	<u>14,427,489.48</u>

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

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated	\$ 5,900,000.00		5,900,000.00	-
Total Fund Balance Anticipated	5,900,000.00	-	5,900,000.00	-
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Alcoholic Beverages	55,000.00		57,946.00	2,946.00
Other	325,000.00		364,576.30	39,576.30
Fees and Permits	400,000.00		405,412.70	5,412.70
Fines and Costs:				
Municipal Court	206,000.00		341,661.49	135,661.49
Interest and Costs on Taxes	40,000.00		56,154.15	16,154.15
Parking Meters	2,000,000.00		2,628,697.19	628,697.19
Interest on Investments and Deposits	400,000.00		792,892.66	392,892.66
Hotel Room Tax	3,000,000.00		3,408,901.48	408,901.48
Lease and Rent Contracts	450,000.00		548,220.68	98,220.68
T.V. Cable Receipts	40,000.00		45,836.76	5,836.76
Victorian Towers - In Lieu of Taxes	190,000.00		221,936.92	31,936.92
Emergency Medical Services	350,000.00		412,645.83	62,645.83
Total Section A: Local Revenues	7,456,000.00	-	9,284,882.16	1,828,882.16
Section B: State Aid Without Offsetting Appropriations				
Energy Receipts Tax (P.L. 1997, Chapters 162 & 167)	341,658.00		341,658.22	0.22
Municipal Relief Fund	35,216.53		35,216.53	-
Total Section B: State Aid Without Offsetting Appropriations	376,874.53	-	376,874.75	0.22
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	700,000.00		825,356.00	125,356.00
Total Section C: Uniform Construction Code Fees	700,000.00	-	825,356.00	125,356.00
Section D: Interlocal Municipal Service Agreements				
Interlocal Agreement (Police Protection) with West Cape May	547,574.00		542,120.00	(5,454.00)
Interlocal Agreement (Police Protection) with Cape May Point	330,910.00		330,910.00	-
Total Section D: Interlocal Municipal Service Agreements	878,484.00	-	873,030.00	(5,454.00)

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	
Section F: Special Items - Public and Private Programs			
Off-Set with Appropriations			
Recycling Tonnage	14,585.62		-
Bureau of Housing Inspection	8,407.00		-
Body Armor Grant	2,163.69		-
Clean Communities	21,777.09		-
NJ Emergency Management Grant	10,000.00		-
COPS in Shops	960.00		-
2024 Boardwalk Preservation Fund		6,722,552.00	-
DCA - Small Cities Block Grant		270,672.00	-
2024 Wawa Foundation Grant - Police Department		10,000.00	-
Total Section F: Special Items - Public and Private Programs			
Off-Set with Appropriations	57,893.40	7,003,224.00	-
Section G: Other Special Items			
Uniform Fire Safety Act	225,000.00		17,073.37
Water & Sewer Utility Contribution to Street Improvements	50,000.00		-
Reserve to Pay Debt Service	300,000.00		-
Total Section G: Other Special Items	575,000.00	-	17,073.37
Total Miscellaneous Revenues:	10,044,251.93	7,003,224.00	1,965,857.75
Receipts from Delinquent Taxes	105,000.00		173,523.02
Amount to be Raised by Taxes for Support of Municipal Budget			
Local Tax for Municipal Purposes	10,857,708.16		1,293,167.07
Total Amount to be Raised by Taxes for Support of Municipal Budget			
	10,857,708.16	-	1,293,167.07
Budget Totals	26,906,960.09	7,003,224.00	3,432,547.84
Non- Budget Revenues:			
Other Non- Budget Revenues:	-		160,569.13
	\$ 26,906,960.09	7,003,224.00	3,593,116.97

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	31,710,420.51
Less: Reserve for Tax Appeals Pending	<u>-</u>
Net Revenue from Collections	31,710,420.51
Allocated to:	
School, County and Other Taxes	<u>20,947,969.02</u>
Balance for Support of Municipal Budget Appropriations	10,762,451.49
Increased by:	
Appropriation "Reserved for Uncollected Taxes"	<u>1,388,423.74</u>
Amount for Support of Municipal Budget Appropriations	<u><u>12,150,875.23</u></u>

Receipts from Delinquent Taxes:

Delinquent Tax Collection	<u>278,523.02</u>
Total Receipts from Delinquent Taxes	<u><u>278,523.02</u></u>

Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Accident Report	1,025.00
Clerk's office	8,735.10
Clerk-Liquor License Transfer	750.00
Copy Machines	175.77
Sale of Municipal Assets	86,664.91
GIS	1,090.00
Parking Fees	13,500.00
Police Applications	1,300.00
NSF Fees	280.00
Shade Tree	9,200.00
Marriage Ceremony/Fees	21,025.00
2% Admin Fee	550.00
Cape May Pt - Court	11,667.78
Dog Excess Revenue	563.42
Fire Violation Fine	2,000.00
Miscellaneous	<u>2,042.15</u>

Total Miscellaneous Revenue Not Anticipated:	<u><u>160,569.13</u></u>
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CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT:					
General Administration	\$ 210,000.00	240,000.00	235,624.72		-
Salaries & Wages	213,250.00	213,250.00	193,627.65	18,005.76	1,616.59
Other Expenses					-
Mayor and Council	42,200.00	42,200.00	33,537.52		-
Salaries & Wages	7,700.00	7,700.00	3,758.18	65.99	-
Other Expenses					-
City Clerk	267,500.00	267,500.00	250,501.68		-
Salaries & Wages	42,200.00	42,200.00	41,348.11	755.92	-
Other Expenses					-
Financial Administration	199,500.00	199,500.00	195,928.74		-
Salaries & Wages	19,500.00	19,500.00	17,530.19	1,629.03	-
Other Expenses					-
Audit Services	35,000.00	35,000.00	28,875.00		-
Other Expenses					-
Assessment of Taxes	138,500.00	138,500.00	120,413.11		-
Salaries & Wages	23,000.00	23,000.00	5,028.71	5,091.43	-
Other Expenses				191,500.00	-
Preparation of Tax Map - Special Emergency					-
Collection of Taxes	98,500.00	98,500.00	97,605.49		-
Salaries & Wages	17,750.00	17,750.00	7,872.52	5,297.85	-
Other Expenses					-
Legal Services					-
Other Expenses	476,000.00	376,000.00	331,740.56	5,635.31	-
Miscellaneous Other Expenses					-
Engineering & Planning Services	70,000.00	35,000.00	28,997.72	1,804.50	-
Other Expenses					-
Economic Development	5,000.00	5,000.00			-
Other Expenses					-
Emergency Medical Services - Collection	19,500.00	19,500.00	17,276.99	1,520.10	-
Contractual Expenses					-
INSURANCE					
General Liability	396,222.00	396,222.00	375,553.67		-
Workers Compensation Insurance	553,000.00	353,000.00	340,519.03		-
Employee Group Health	2,358,500.00	2,558,500.00	1,093,803.31	1,502,035.88	-
Employee Group Health Waiver					(37,339.19)
Salaries & Wages	95,000.00	95,000.00			-
LAND USE ADMINISTRATION					
Planning Board					-
Salaries & Wages	25,500.00	25,500.00	24,640.25		-
Other Expenses	26,500.00	26,500.00	23,979.01	1,594.93	-
Zoning Board of Adjustment					-
Salaries & Wages	57,500.00	67,500.00	64,086.53		-
Other Expenses	20,600.00	20,600.00	18,447.14	1,617.69	-

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
PUBLIC SAFETY						
Fire						
Salaries & Wages	2,055,000.00	1,985,000.00	1,963,315.59		21,684.41	-
Other Expenses	118,600.00	178,600.00	167,785.54	4,195.05	6,619.41	-
Aid to Volunteer Fire Company						
Other Expenses	20,000.00	20,000.00	20,000.00		-	-
Police						
Salaries & Wages	2,034,516.00	2,034,516.00	1,974,422.62		60,093.38	-
Other Expenses	270,250.00	330,250.00	290,865.11	17,394.06	21,990.83	-
County Dispatch Service						
Other Expenses	195,000.00	195,000.00	195,000.00		-	-
Emergency Management Services						
Salaries & Wages	8,000.00	8,000.00	3,276.60		4,723.40	-
Other Expenses	8,000.00	8,000.00	5,324.96	779.72	1,895.32	-
Parking and Traffic Maintenance						
Salaries & Wages	134,500.00	134,500.00	124,189.77		10,310.23	-
Other Expenses	69,400.00	69,400.00	40,367.46	9,946.36	19,086.18	-
Public Safety						
Other Expenses	1,000.00	1,000.00			1,000.00	-
Municipal Court						
Salaries & Wages	145,500.00	145,500.00	121,932.68		23,567.32	-
Other Expenses	154,205.00	154,205.00	117,789.54	983.36	35,432.10	-
Public Defender						
Other Expenses	8,300.00	8,300.00			8,300.00	-
PUBLIC WORKS FUNCTION						
Road Repairs and Maintenance						
Salaries & Wages	896,500.00	896,500.00	896,500.00		(0.00)	-
Other Expenses	346,600.00	346,600.00	267,792.09	55,410.64	23,397.27	-
Sanitary Landfill Contractual						
Other Expenses	27,000.00	27,000.00	25,938.01	1,060.99	1.00	-
Recycling						
Salaries & Wages	207,500.00	107,500.00	60,011.09		47,488.91	-
Other Expenses	75,000.00	75,000.00	69,897.26	1,612.03	3,490.71	-
Public Buildings and Grounds						
Salaries & Wages	803,500.00	888,500.00	864,913.32		23,586.68	-
Other Expenses	490,000.00	525,000.00	463,754.25	20,050.21	41,195.54	-
Emergency - 2024 Lightning Strike		450,000.00	36,366.05	2,499.69	22,004.41	389,129.85
Shade Tree Commission						
Other Expenses	48,150.00	68,150.00	39,200.00		28,950.00	-
Property Maintenance Enforcement						
Other Expenses	2,500.00	2,500.00			2,500.00	-

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
HEALTH AND HUMAN SERVICES					
Uniform Fire Safety	189,500.00	199,500.00	195,735.92		-
Salaries & Wages	42,000.00	42,000.00	23,811.06	2,055.69	-
Other Expenses					
Environmental Commission	1,200.00	1,200.00	200.00		-
Salaries & Wages	10,000.00	10,000.00	5,116.20		-
Other Expenses					
PARKS AND RECREATION FUNCTIONS					
Civic Affairs	100,000.00	55,000.00	52,935.63		-
Salaries & Wages	69,150.00	69,150.00	60,763.57		-
Other Expenses					
Historic Preservation Commission	60,000.00	60,000.00	56,810.47	436.59	-
Salaries & Wages	49,250.00	49,250.00	30,078.26		-
Other Expenses					
Grants Coordinator	50,000.00	50,000.00	49,024.20		-
Other Expenses					
UNIFORM CONSTRUCTION CODE					
State Uniform Construction Code	419,500.00	464,500.00	457,882.28		-
Construction Official	57,000.00	67,000.00	47,399.94	3,170.34	-
Salaries & Wages					
Other Expenses					
UNCLASSIFIED					
Celebration of Public Events, Anniversary or Holiday	67,000.00	67,000.00	61,338.35	2,295.58	-
UTILITY EXPENSES AND BULK PURCHASES					
General Office Operations	140,500.00	140,500.00	134,875.71	5,182.05	-
Street Lighting	160,000.00	135,000.00	119,298.85	15,701.15	(0.00)
Gas Lighting	38,500.00	38,500.00	26,285.95		-
Gas Lighting - Parts	30,000.00	30,000.00	22,257.00		-
TOTAL OPERATIONS WITHIN "CAPS"	<u>15,020,543.00</u>	<u>15,710,543.00</u>	<u>12,643,151.16</u>	<u>1,879,327.90</u>	<u>351,790.66</u>
Contingent	-	-	-	-	-
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	<u>15,020,543.00</u>	<u>15,710,543.00</u>	<u>12,643,151.16</u>	<u>1,879,327.90</u>	<u>351,790.66</u>
Detail:					
Salaries & Wages	8,189,416.00	8,154,416.00	7,794,464.01	-	-
Other Expenses	6,831,127.00	7,556,127.00	4,848,687.15	1,879,327.90	351,790.66

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
DEFERRED CHARGES AND STATUTORY EXPENDITURES:					
Deferred Charges:					
Overexpenditure of Appropriations	198,840.88	198,840.88	198,840.88	-	-
Statutory Expenditures:					
Contributions to:					
Public Employees' Retirement System	485,860.07	485,860.07	485,860.07	-	-
Social Security System (O.A.S.I.)	425,000.00	435,000.00	430,113.77	4,886.23	-
Police and Firemen's Retirement System of NJ	1,095,088.00	1,095,088.00	1,095,088.00	-	-
Unemployment Compensation Insurance	27,000.00	27,000.00	27,000.00	-	-
Reserve for Retirement Trust	15,000.00	15,000.00	15,000.00	-	-
Defined Contribution Retirement Program (DCRP)	9,000.00	9,000.00		9,000.00	-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	2,255,788.95	2,265,788.95	2,251,902.72	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	17,276,331.95	17,976,331.95	14,895,053.88	1,879,327.90	351,790.66
OPERATIONS - EXCLUDED FROM "CAPS"					
(A) Operations - Excluded from "CAPS"					
Length of Service Award Program - Fire	20,000.00	20,000.00	4,287.00	15,713.00	-
General Liability	28,276.00	28,276.00	(13,680.00)	41,956.00	-
Workers Compensation Insurance	53,545.00	53,545.00		53,545.00	-
Interlocal Municipal Service Agreements					
Police Protection West Cape May & Cape May Point	547,574.00	547,574.00	515,151.41	32,422.59	-
Contractual - West Cape May - Salaries & Wages	330,910.00	330,910.00	330,910.00	-	-
Contractual - Cape May Point - Salaries & Wages	48,300.00	48,300.00	48,300.00	-	-
Rental of Borough Property - West Cape May					
	1,028,605.00	1,028,605.00	884,968.41	143,636.59	-

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
(A) Public and Private Programs Off-Set by Revenues					
Matching Funds for Grants	25,000.00	25,000.00			-
Body Armor Grant	2,163.69	2,163.69	2,163.69		-
Recycling Tonnage Grant	14,585.62	14,585.62	14,585.62		-
Bureau of Housing Inspection	8,407.00	8,407.00	8,407.00		-
Clean Communities Program	21,777.09	21,777.09	21,777.09		-
NJLPS COPS in Shops	960.00	960.00	960.00		-
Emergency Management Grant	10,000.00	10,000.00	10,000.00		-
2024 Boardwalk Preservation Fund		6,722,552.00	6,722,552.00		-
DCA - Small Cities Block Grant		270,672.00	270,672.00		-
2024 Wawa Foundation Grant - Police Department		10,000.00	10,000.00		-
Total Public and Private Programs Off-Set by Revenues	82,893.40	7,086,117.40	7,061,117.40	-	-
Total Operations - Excluded from "CAPS"	1,111,498.40	8,114,722.40	7,946,085.81	-	-
Detail:					
Salaries & Wages	878,484.00	878,484.00	846,061.41	-	-
Other Expenses	233,014.40	7,236,238.40	7,100,024.40	-	-
(C) Capital Improvements					
Capital Improvement Fund	300,000.00	300,000.00	300,000.00		-
Reserve for Open Space Acquisitions	222,000.00	222,000.00	222,000.00		-
Improvements to Municipal Facilities	1,100,000.00	1,100,000.00	662,144.37	401,684.91	-
Total Capital Improvements	1,622,000.00	1,622,000.00	1,184,144.37	401,684.91	-
(D) Debt Service					
Payment of Bond Principal	3,355,000.00	3,355,000.00	3,355,000.00		-
Payment of Bond Anticipation Notes and Capital Notes	100.00	100.00			100.00
Interest on Bonds	1,044,225.00	1,044,225.00	1,044,224.42		0.58
Interest on Notes	100.00	100.00			100.00
Green Trust Loan Program:					
Loan Repayments for Principal and Interest	20,200.00	20,200.00	20,185.99		14.01
Capital Lease Obligations:					
Principal	52,000.00	52,000.00	50,221.31		1,778.69
Interest	15,000.00	15,000.00	15,000.00		-
Total Debt Service	4,486,625.00	4,486,625.00	4,484,631.72	-	1,993.28

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
(E) Deferred Charges					
Ordinance # 263-2013	718,000.00	718,000.00	718,000.00	-	-
Ordinance # 311-2016	300,000.00	300,000.00	300,000.00	-	-
Ordinance # 501-2023	1,700.00	1,700.00	1,700.00	-	-
Ordinance # 511-2023	2,381.00	2,381.00	2,381.00	-	-
Total Deferred Charges	<u>1,022,081.00</u>	<u>1,022,081.00</u>	<u>1,022,081.00</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	<u>8,242,204.40</u>	<u>15,245,428.40</u>	<u>14,636,942.90</u>	<u>401,684.91</u>	<u>1,993.28</u>
SUBTOTAL GENERAL APPROPRIATIONS	<u>25,518,536.35</u>	<u>33,221,760.35</u>	<u>29,531,996.78</u>	<u>2,281,012.81</u>	<u>353,783.94</u>
(M) Reserve for Uncollected Taxes	<u>1,388,423.74</u>	<u>1,388,423.74</u>	<u>1,388,423.74</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS	<u>\$ 26,906,960.09</u>	<u>34,610,184.09</u>	<u>30,920,420.52</u>	<u>2,281,012.81</u>	<u>353,783.94</u>
Budget				Cancelled	391,123.13
Appropriations by 40A:4-87		26,906,960.09		Overexpended	(37,339.19)
Special Emergency		7,003,224.00			
Emergency		250,000.00			
		<u>450,000.00</u>			
		<u>34,610,184.09</u>			<u>353,783.94</u>
Reserve for Uncollected Taxes		1,388,423.74			
Federal and State Grants		7,061,117.40			
Rental of Borough Property - West Cape May		39,300.00			
Deferred Charge		198,840.88			
Due from Police Off Duty Trust		(49,120.43)			
Due to General Capital		1,544,081.00			
Disbursements		<u>20,737,777.93</u>			
		<u>30,920,420.52</u>			

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

	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
<u>Animal Control Fund</u>		
Cash and Investments	\$ 6,838.23	5,931.57
	<u>6,838.23</u>	<u>5,931.57</u>
<u>Length of Service Award Program (LOSAP) - Unaudited</u>		
Investments		
Mutual Funds	395,145.10	339,406.91
	<u>395,145.10</u>	<u>339,406.91</u>
<u>Other Funds</u>		
Cash and Investments	5,479,596.26	5,076,807.92
Due from Current Fund	419,641.92	444,079.91
Due from Water & Sewer Operating	22,500.00	22,500.00
Revenue Accounts Receivable	726.00	408.00
	<u>5,922,464.18</u>	<u>5,543,795.83</u>
	<u>\$ 6,324,447.51</u>	<u>5,889,134.31</u>

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

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

	2024	2023
<u>Liabilities, Reserves and Fund Balance</u>		
<u>Animal Control Fund</u>		
Reserve for Animal Control Expenditures	\$ 2,539.99	2,184.75
Due to Current Fund	4,291.64	3,728.22
Due to State of New Jersey	6.60	18.60
	<u>6,838.23</u>	<u>5,931.57</u>
<u>Length of Service Award Program (LOSAP) - Unaudited</u>		
Net Assets Available for Benefits	395,145.10	339,406.91
	<u>395,145.10</u>	<u>339,406.91</u>
<u>Other Funds</u>		
Reserve for:		
Due to Current Fund	140.50	72.66
Unemployment Compensation	100,521.14	90,629.93
Retirement Fund	381,490.30	337,536.01
Parking Offense Adjudication Act	32,256.45	29,074.40
Street Openings	244,580.25	223,769.37
Tax Lien Premiums	2,070.26	2,070.26
Parking Escrow	285,866.38	269,945.50
Lifeguard Pension	614,382.86	625,021.60
Police Forfeiture	22.98	2,127.13
COAH	2,607,968.66	2,284,231.43
Fire Safety	14,915.23	13,879.33
Neighborhood Revitalization	152,699.48	147,990.72
Security Deposits	28,455.89	27,578.41
DARE	573.58	555.87
Small Cities Block Grant	799,440.69	774,788.52
Public Assistance	3,818.42	3,700.67
Performance Bond	342,323.51	397,888.72
Police Off-Duty	306,290.92	307,374.82
Flexible Spending	108.00	1,499.00
Fishermen's Memorial	3,800.18	3,345.76
Dallas Field	738.50	715.72
	<u>5,922,464.18</u>	<u>5,543,795.83</u>
	<u>\$ 6,324,447.51</u>	<u>5,889,134.31</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>2024</u>	<u>2023</u>
Cash	\$ 9,560,092.79	8,922,363.81
Deferred Charges to Future Taxation -		
Funded	27,024,750.81	30,449,148.15
Unfunded	18,102,380.00	9,772,081.00
Deferred Charge -		
Overexpenditure of Capital Improvement Fund	99,728.00	-
State Grant Receivable	303,066.77	303,066.77
NJEIT Loans Receivable	35,670.53	35,670.53
Due from Current Fund	3,069,812.30	1,825,731.30
Due from Grant Fund	191,317.50	191,317.50
	<u>58,386,818.70</u>	<u>51,499,379.06</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	7,401,764.45	5,893,003.69
Bond Anticipation Notes Payable	8,200,000.00	-
Serial Bonds Payable	26,575,000.00	29,930,000.00
Green Trust Loan Payable	19,887.18	39,382.51
Capital Lease Payable	429,863.63	479,765.64
Improvement Authorizations:		
Funded	1,367,767.33	2,568,892.55
Unfunded	8,825,857.53	6,927,096.09
Reserve to Pay Bonds or Notes	404,612.97	653,280.97
Reserve for Open Space	3,718,569.00	3,496,569.00
Reserves for Mall Improvements	26,575.60	26,575.60
Capital Improvement Fund	-	67,892.00
Fund Balance	1,416,921.01	1,416,921.01
	<u>\$ 58,386,818.70</u>	<u>51,499,379.06</u>

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

2023	9,772,081.00
2024	9,902,380.00

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

	<u>2024</u>	<u>2023</u>
Beginning Balance January 1	\$ 1,416,921.01	1,416,921.01
Increased by:		
None	-	-
Decreased by:		
Appropriated to Finance Improvement Authorizations	-	-
Ending Balance December 31	\$ <u>1,416,921.01</u>	<u>1,416,921.01</u>

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>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Operating Fund:		
Cash	\$ 2,120,017.98	2,253,306.33
Investment in BANS	901,000.00	901,000.00
Due from Water and Sewer Utility Capital Fund	417,412.00	202,412.00
	<u>3,438,429.98</u>	<u>3,356,718.33</u>
Receivables and Other Assets with Full Reserves:		
Consumer Accounts Receivable	251,218.83	172,472.65
	<u>251,218.83</u>	<u>172,472.65</u>
Deferred Charges:		
Overexpenditure of Appropriation	68,378.99	-
	<u>68,378.99</u>	<u>-</u>
Total Operating Fund	<u>3,758,027.80</u>	<u>3,529,190.98</u>
Capital Fund:		
Cash	4,233,831.77	1,825,980.36
Loans Receivable	266,689.47	266,689.47
Fixed Capital	18,975,433.85	18,975,433.85
Fixed Capital - Authorized and Uncompleted	35,604,155.99	33,804,155.99
Total Capital Fund	<u>59,080,111.08</u>	<u>54,872,259.67</u>
	<u>\$ 62,838,138.88</u>	<u>58,401,450.65</u>

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,**

	2024	2023
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Appropriation Reserves	\$ 44,951.53	564,793.34
Reserve for Encumbrances	421,307.87	47,867.16
Accounts Payable	117,820.43	100,916.48
Overpaid Rents	27,389.65	31,007.48
Sales Tax Payable	190.71	190.71
Accrued Interest on Bonds and Notes	141,647.51	106,754.24
Reserve for Sewer Treatment Plant	809.71	809.71
Due to Current Fund	100,630.30	50,630.30
Due to Trust Fund	22,500.00	22,500.00
	<u>877,247.71</u>	<u>925,469.42</u>
Reserve for Receivables	251,218.83	172,472.65
Fund Balance	2,629,561.26	2,431,248.91
Total Operating Fund	<u>3,758,027.80</u>	<u>3,529,190.98</u>
Capital Fund:		
Encumbrances Payable	1,877,903.77	2,357,995.66
Bond Anticipation Notes Payable	9,915,000.00	4,870,000.00
Serial Bonds Payable	8,310,000.00	9,350,000.00
Loans Payable	1,189,727.73	1,241,961.92
Improvement Authorizations:		
Funded	488,019.21	488,019.21
Unfunded	2,655,898.57	3,056,862.91
Due to Utility Operating	417,412.00	202,412.00
Reserve for Amortization	31,540,206.88	30,447,972.69
Deferred Reserve for Amortization	1,789,655.23	1,789,655.23
Reserve for Debt Service	317,981.35	499,073.71
Capital Improvement Fund	200,000.00	190,000.00
Fund Balance	378,306.34	378,306.34
Total Capital Fund	<u>59,080,111.08</u>	<u>54,872,259.67</u>
	<u>\$ 62,838,138.88</u>	<u>58,401,450.65</u>

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

2023	5,080,000.00
2024	1,835,000.00

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

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

	<u>2024</u>	<u>2023</u>
Revenue and Other Income Realized		
Fund Balance Utilized	\$ 412,500.00	323,088.00
Water and Sewer Rents	6,916,022.16	6,844,348.27
Reserve to Pay Bonds and Notes	225,000.00	225,000.00
Miscellaneous	277,915.08	227,296.07
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	311,825.62	393,026.62
Total Income	<u>8,143,262.86</u>	<u>8,012,758.96</u>
Expenditures		
Operations:		
Salaries and Wages	1,000,000.00	900,000.00
Other Expenses	4,768,378.99	4,750,000.00
Capital Improvements	60,000.00	60,000.00
Debt Service	1,584,950.51	1,540,656.24
Deferred Charges and Statutory Expenditures	187,500.00	193,088.00
Total Expenditures	<u>7,600,829.50</u>	<u>7,443,744.24</u>
Excess in Revenue	<u>542,433.36</u>	<u>569,014.72</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by		
Statute Deferred Charges to Budgets of		
Succeeding Year	68,378.99	-
Total Adjustments	<u>68,378.99</u>	<u>-</u>
Excess in Operations	<u>610,812.35</u>	<u>569,014.72</u>
Fund Balance January 1	<u>2,431,248.91</u>	<u>2,185,322.19</u>
	3,042,061.26	2,754,336.91
Decreased by:		
Utilization as Anticipated Revenue	<u>412,500.00</u>	<u>323,088.00</u>
Fund Balance December 31	<u>\$ 2,629,561.26</u>	<u>2,431,248.91</u>

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

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

	<u>2024</u>	<u>2023</u>
Beginning Balance January 1	\$ 378,306.34	378,306.34
Increased by:		
None	-	-
Decreased by:		
None	-	-
Ending Balance December 31	\$ <u>378,306.34</u>	<u>378,306.34</u>

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

**WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Anticipated Budget	Realized	Excess or (Deficit)
Operating Surplus Anticipated	\$ 412,500.00	412,500.00	-
Anticipated Revenue:			
Rents	6,840,000.00	6,916,022.16	76,022.16
Miscellaneous	150,000.00	277,915.08	127,915.08
Reserve to Pay Bond and Notes	225,000.00	225,000.00	-
	<u>\$ 7,627,500.00</u>	<u>7,831,437.24</u>	<u>203,937.24</u>
Analysis of Realized Revenue:			
Water and Sewer Rents			
Accounts Receivable	6,916,022.16		
Total Water & Sewer Rents		<u>6,916,022.16</u>	
Miscellaneous Revenue			
Interest on Investments	188,304.79		
Penalties and Interest	8,504.91		
Sewer Connections	2,735.53		
Meter Installations	61,465.00		
Disconnection Fee	1,450.00		
Special Reading Charge	4,400.00		
Shut Off Notice Fee	8,925.00		
WCM Interlocal	1,470.00		
Miscellaneous	659.85		
Total Miscellaneous		<u>277,915.08</u>	

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

**WATER AND SEWER UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Budget	Appropriations	Budget After Modifications	Paid or Charged	Expended	(Over expended) Unexpended Balance Cancelled
					Encumbered	Reserved
Operations:						
Salaries and Wages	\$ 1,000,000.00		1,000,000.00	967,899.27		32,100.73
Other Expenses	4,700,000.00		4,700,000.00	4,347,071.12	421,307.87	-
	<u>5,700,000.00</u>		<u>5,700,000.00</u>	<u>5,314,970.39</u>	<u>421,307.87</u>	<u>32,100.73</u>
						<u>(68,378.99)</u>
Capital Improvements:						
Capital Improvement Fund	10,000.00		10,000.00	10,000.00		-
Current Fund Share of Roads	50,000.00		50,000.00	50,000.00		-
	<u>60,000.00</u>		<u>60,000.00</u>	<u>60,000.00</u>	<u>-</u>	<u>-</u>
Debt Service:						
Payment of Bond Principal	1,100,000.00		1,100,000.00	1,092,879.19		0.00
Interest on Bonds	380,000.00		380,000.00	343,518.19		0.00
Interest on Notes	200,000.00		200,000.00	148,553.13		-
	<u>1,680,000.00</u>		<u>1,680,000.00</u>	<u>1,584,950.51</u>	<u>-</u>	<u>0.00</u>
						<u>7,120.81</u>
						<u>36,481.81</u>
						<u>51,446.87</u>
						<u>95,049.49</u>
Deferred Charges and Statutory Expenditures:						
Statutory Ordinances						
Public Employee's Retirement System	85,000.00		85,000.00	85,000.00		-
Social Security System (O.A.S.I.)	75,000.00		75,000.00	62,149.20		12,850.80
Unemployment Compensation Insurance	5,000.00		5,000.00	5,000.00		-
Reserve for Retirement Trust	22,500.00		22,500.00	22,500.00		-
	<u>187,500.00</u>		<u>187,500.00</u>	<u>174,649.20</u>	<u>-</u>	<u>12,850.80</u>
						<u>-</u>
	<u>\$ 7,627,500.00</u>		<u>7,627,500.00</u>	<u>7,134,570.10</u>	<u>421,307.87</u>	<u>44,951.53</u>
						<u>26,670.50</u>
						<u>95,049.49</u>
						<u>(68,378.99)</u>
						<u>26,670.50</u>
						<u>7,134,570.10</u>
						<u>7,134,570.10</u>

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

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Operating Fund:		
Cash	\$ 2,792,837.59	2,615,079.05
Investment in BANS	-	210,000.00
Due from Current Fund	1,399.00	1,399.00
	<u>2,794,236.59</u>	<u>2,826,478.05</u>
Deferred Charges:		
Overexpenditure of Appropriation	-	16,172.50
	<u>-</u>	<u>16,172.50</u>
Total Operating Fund	<u>2,794,236.59</u>	<u>2,842,650.55</u>
Capital Fund:		
Cash	684,706.67	1,302,575.42
Due from Beach Operating	159,900.00	64,900.00
Fixed Capital - Authorized and Uncompleted	7,325,000.00	6,000,000.00
Total Capital Fund	<u>8,169,606.67</u>	<u>7,367,475.42</u>
	<u>\$ 10,963,843.26</u>	<u>10,210,125.97</u>

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

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

	<u>2024</u>	<u>2023</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Appropriation Reserves	\$ 263,772.58	102,524.25
Encumbrances Payable	27,980.19	54,060.81
Accounts Payable	4,994.27	5,479.10
Accrued Interest on Bonds and Notes	34,866.67	39,593.33
Due to Beach Capital	159,900.00	64,900.00
	<u>491,513.71</u>	<u>266,557.49</u>
Fund Balance	2,302,722.88	2,576,093.06
Total Operating Fund	<u>2,794,236.59</u>	<u>2,842,650.55</u>
Capital Fund:		
Encumbrances Payable	149,063.80	419,663.95
Bond Anticipation Notes Payable	-	210,000.00
General Serial Bonds Payable	2,255,000.00	2,650,000.00
Reserve for Amortization	3,550,000.00	2,945,000.00
Improvement Authorizations		
Funded	85,327.50	319,504.97
Unfunded	1,446,936.79	160,027.92
Reserve to Pay Bonds	77,353.96	77,353.96
Capital Improvement Fund	484,000.00	464,000.00
Fund Balance	121,924.62	121,924.62
Total Capital Fund	<u>8,169,606.67</u>	<u>7,367,475.42</u>
	<u>\$ 10,963,843.26</u>	<u>10,210,125.97</u>

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

2023	195,000.00
2024	1,520,000.00

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

	<u>2024</u>	<u>2023</u>
Revenue and Other Income Realized		
Fund Balance Utilized	\$ 1,136,572.50	645,500.00
Beach Fees	3,714,630.50	3,031,367.00
Miscellaneous Revenue	130,875.24	102,515.83
Miscellaneous Not Anticipated Revenue	226.00	13,318.88
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	105,329.82	259,805.37
Prior Year Accounts Payable Cancelled	5,479.10	-
Total Income	<u>5,093,113.16</u>	<u>4,052,507.08</u>
Expenditures		
Operations:		
Salaries and Wages	2,420,500.00	2,134,500.00
Other Expenses	780,800.00	645,000.00
Capital Improvements	20,000.00	20,000.00
Debt Service	706,438.34	346,172.50
Deferred Charges and Statutory Expenditures	302,172.50	240,900.00
Total Expenditures	<u>4,229,910.84</u>	<u>3,386,572.50</u>
Excess/(Deficit) in Revenue	<u>863,202.32</u>	<u>665,934.58</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by		
Statute Deferred Charges to Budgets of		
Succeeding Year	-	16,172.50
Total Adjustments	<u>-</u>	<u>16,172.50</u>
Excess in Operations	<u>863,202.32</u>	<u>682,107.08</u>
Fund Balance January 1	<u>2,576,093.06</u>	<u>2,539,485.98</u>
	3,439,295.38	3,221,593.06
Decreased by:		
Utilization as Anticipated Revenue	<u>1,136,572.50</u>	<u>645,500.00</u>
Fund Balance December 31	<u>\$ 2,302,722.88</u>	<u>2,576,093.06</u>

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

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

	<u>2024</u>	<u>2023</u>
Beginning Balance January 1	\$ 121,924.62	121,924.62
Increased by:		
None	-	-
Decreased by:		
None	-	-
Ending Balance December 31	\$ <u>121,924.62</u>	<u>121,924.62</u>

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

**BEACH UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	\$ 1,136,572.50	1,136,572.50	-
Anticipated Revenue:			
User Fees	3,000,000.00	3,714,630.50	714,630.50
Miscellaneous	100,000.00	130,875.24	30,875.24
Miscellaneous Not Anticipated Revenue	-	226.00	226.00
	<u>\$ 4,236,572.50</u>	<u>4,982,304.24</u>	<u>745,731.74</u>
Analysis of Realized Revenue:			
Beach Fees			
Collections	<u>3,714,630.50</u>		
Total Beach Fees		<u>3,714,630.50</u>	
Miscellaneous Revenue			
Miscellaneous	226.00		
Interest on Investments	<u>130,875.24</u>		
Total Miscellaneous		<u>131,101.24</u>	

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

BEACH UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
\$						
Operations:						
Beach Front (Lifeguards)						
Salaries & Wages	1,266,000.00	1,254,000.00	1,141,932.97		112,067.03	-
Other Expenses	110,800.00	110,800.00	89,382.19	10,392.91	11,024.90	-
Beach Tag Program						
Salaries & Wages	502,000.00	514,000.00	510,421.19		3,578.81	-
Other Expenses	169,000.00	169,000.00	138,067.60	8,007.78	22,924.62	-
Insurance						
Liability Insurance	22,000.00	22,000.00	22,000.00		-	-
Workers Compensation	35,000.00	35,000.00	35,000.00		-	-
Employee Group Insurance	17,000.00	17,000.00			17,000.00	-
Audit Services						
Other Expenses	5,500.00	5,500.00	1,125.00		4,375.00	-
Tax Collector						
Salaries & Wages	17,000.00	17,000.00	17,000.00		-	-
Police						
Salaries & Wages	124,500.00	124,500.00	124,500.00		-	-
Police Dispatch						
Other Expenses	50,000.00	50,000.00	50,000.00		-	-
Fire						
Salaries & Wages	88,000.00	88,000.00	88,000.00		-	-
Legal						
Other Expenses	6,000.00	6,000.00			6,000.00	-
Road Repairs & Maintenance						
Salaries & Wages	263,000.00	263,000.00	263,000.00		-	-
Other Expenses	96,000.00	96,000.00	89,263.69	4,321.17	2,415.14	-
Public Buildings & Grounds						
Salaries & Wages	78,000.00	78,000.00	78,000.00		-	-
Other Expenses	200,000.00	200,000.00	198,832.07	1,095.83	72.10	-
General Administration						
Salaries & Wages	21,000.00	21,000.00	21,000.00		-	-
Other Expenses	5,000.00	5,000.00	2,384.26		2,615.74	-
Financial Administration						
Salaries & Wages	19,000.00	19,000.00	19,000.00		-	-
Other Expenses	3,000.00	3,000.00	3,000.00		-	-
Sanitary Landfill						
Other Expenses	8,500.00	8,500.00	4,335.02		4,164.98	-
Beach Safety						
Other Expenses	10,000.00	10,000.00			10,000.00	-

BEACH UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Operating						
Salaries and Wages	27,000.00	27,000.00			27,000.00	-
Other Expenses	15,000.00	15,000.00	11,461.66		3,538.34	-
Engineering & Planning						
Other Expenses	28,000.00	28,000.00	5,436.46		18,401.04	-
	15,000.00	15,000.00	15,000.00	4,162.50	-	-
Mayor, Council & Clerk -Salaries & Wages	3,201,300.00	3,201,300.00	2,928,142.11	27,980.19	245,177.70	-
Capital Improvements:						
Capital Improvement Fund	20,000.00	20,000.00	20,000.00		-	-
	20,000.00	20,000.00	20,000.00	-	-	-
Debt Service:						
Payment on Bond Principal	395,000.00	395,000.00	395,000.00		-	-
Payment of Bond Anticipation Notes & Capital Notes	210,000.00	210,000.00	210,000.00		-	-
Interest on Bonds	108,000.00	108,000.00	101,438.34		-	6,561.66
Interest on Notes	100.00	100.00			-	100.00
	713,100.00	713,100.00	706,438.34	-	-	6,661.66
Deferred Charges and Statutory Expenditures:						
Various Ordinances	75,000.00	75,000.00	75,000.00		-	
Overexpenditure of Appropriations	16,172.50	16,172.50	16,172.50		-	
Social Security System	145,000.00	145,000.00	126,405.12		18,594.88	
Unemployment	26,000.00	26,000.00	26,000.00		-	
Lifeguard Pension	40,000.00	40,000.00	40,000.00		-	
	302,172.50	302,172.50	283,577.62	-	18,594.88	-
\$	4,236,572.50	4,236,572.50	3,938,158.07	27,980.19	263,772.58	6,661.66
		Cash Disbursed	\$	3,621,712.23	Cancelled	100.00
		Deferred Charge		91,172.50	Overexpended	
		Capital Improvement Fund		20,000.00		100.00
		Due to Beach Capital		210,000.00		
		Accrued Interest		(4,726.66)		
			\$	3,938,158.07		

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

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Operating Fund:		
Cash	\$ 2,666,097.12	2,299,252.21
Change Fund	500.00	500.00
Due from Current Fund	241,529.95	241,529.95
	<u>2,908,127.07</u>	<u>2,541,282.16</u>
Total Operating Fund	<u>2,908,127.07</u>	<u>2,541,282.16</u>
	<u>2,908,127.07</u>	<u>2,541,282.16</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Appropriation Reserves	131,306.84	256,620.01
Encumbrances Payable	36,167.91	48,372.67
Accounts Payable	4,510.96	-
Sales Tax Payable	630.89	630.89
Due to Security Deposit	37,017.50	37,017.50
	<u>209,634.10</u>	<u>342,641.07</u>
Fund Balance	2,698,492.97	2,198,641.09
Total Operating Fund	<u>2,908,127.07</u>	<u>2,541,282.16</u>
	<u>\$ 2,908,127.07</u>	<u>2,541,282.16</u>

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

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

	<u>2024</u>	<u>2023</u>
Revenue and Other Income Realized		
Fund Balance Utilized	\$ -	-
Tourism Fees	1,491,937.86	1,434,656.90
Other Credits to Income:		
Miscellaneous Revenue not Anticipated	74,500.01	56,405.56
Unexpended Balance of Appropriation Reserves	238,414.01	149,583.34
Prior Year Accounts Payable Canceled	-	931.50
Total Income	<u>1,804,851.88</u>	<u>1,641,577.30</u>
Expenditures		
Operations:		
Salaries and Wages	550,000.00	550,000.00
Other Expenses	700,000.00	700,000.00
Statutory Expenditures	55,000.00	55,000.00
Total Expenditures	<u>1,305,000.00</u>	<u>1,305,000.00</u>
Excess/(Deficit) in Revenue	<u>499,851.88</u>	<u>336,577.30</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by		
Statute Deferred Charges to Budgets of		
Succeeding Year	-	-
Total Adjustments	<u>-</u>	<u>-</u>
Excess in Operations	<u>499,851.88</u>	<u>336,577.30</u>
Fund Balance January 1	<u>2,198,641.09</u>	<u>1,862,063.79</u>
	2,698,492.97	2,198,641.09
Decreased by:		
Utilization as Anticipated Revenue	<u>-</u>	<u>-</u>
Fund Balance December 31	<u>\$ 2,698,492.97</u>	<u>2,198,641.09</u>

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

**TOURISM UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Anticipated Budget	Realized	Excess or (Deficit)
Anticipated Revenue:			
Tourism Fees & Events	\$ 370,000.00	388,415.22	18,415.22
Hotel Room Tax	700,000.00	700,000.00	-
Lease and Rent Contracts	170,000.00	331,572.64	161,572.64
Mercantile License Fee	65,000.00	71,950.00	6,950.00
Miscellaneous	-	74,500.01	74,500.01
	<u>\$ 1,305,000.00</u>	<u>1,566,437.87</u>	<u>261,437.87</u>

Analysis of Realized Revenue:

Tourism Fees	
Collections	388,415.22
	<u>388,415.22</u>

Miscellaneous Revenue Not Anticipated:

Miscellaneous	2,404.00
Special Event Application Fees	1,530.00
Interest	70,566.01
	<u>74,500.01</u>

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

TOURISM UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Operations:						
Salaries and Wages	\$ 550,000.00	550,000.00	550,000.00		-	-
Other Expenses	700,000.00	700,000.00	545,377.97	36,167.91	118,454.12	-
Statutory Expenditures:						
Social Security System (O.A.S.I.)	55,000.00	55,000.00	42,147.28		12,852.72	-
	<u>1,305,000.00</u>	<u>1,305,000.00</u>	<u>1,137,525.25</u>	<u>36,167.91</u>	<u>131,306.84</u>	<u>-</u>
	<u>\$ 1,305,000.00</u>	<u>1,305,000.00</u>	<u>1,137,525.25</u>	<u>36,167.91</u>	<u>131,306.84</u>	<u>-</u>
			Cash Disbursed \$	1,137,525.25		
			\$	<u>1,137,525.25</u>		

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

	<u>2024</u>	<u>2023</u>
<u>General Fixed Assets</u>		
Land, Buildings and Improvements	\$ 27,718,436.93	27,718,436.93
Machinery and Equipment	12,443,883.99	11,662,925.45
	<u>40,162,320.92</u>	<u>39,381,362.38</u>
<u>Investment in General Fixed Assets</u>		
Investment in General Fixed Assets	40,162,320.92	39,381,362.38
	<u>\$ 40,162,320.92</u>	<u>39,381,362.38</u>

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Cape May is a shore community located at the southern tip of the State of New Jersey in the County of Cape May. The population according to the 2020 census is 3,350.

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

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

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

B. Description of Funds

The accounting policies of the City of 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 respect to public funds. Under this method of accounting, the City of 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 sewer capital facilities other than those acquired in the Current and General Capital Funds.

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

Tourism Utility Operating -- The Tourism Utility Operating Fund was created January 1, 2012, by adopting City Ordinance 244-2011. The purpose of the fund is to account for and properly budget and pay for the management and operation of Convention Hall as well as for all the activities and events provided through the City's Department of Tourism, Civic Affairs and Recreation.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

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.

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 City budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the City's Current Fund, in addition the receivables for utility billings are recorded with offsetting reserves in the Utility Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the City 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 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 City 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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

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 a Utility Fund are 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 utility capital fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The 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 City is responsible for remitting 100% of the City of Cape May School District and the Lower Cape May Regional High School District and the County of Cape May 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 City of 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.

Levy of Utility Charges – The City operates a water and sewer utility fund. Rates are determined by ordinance and changed as necessary. Water and Sewer charges are based on flat fees and usage based on the type of City. Charges are billed annually and due in quarterly installments.

Interest on Delinquent Utility Charges – It is the policy of the City to collect interest for the nonpayment of utility charges on or before the date when they would become delinquent. The 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.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles or the statutory 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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

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 City'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. Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

The following GASB Statements became effective for the year ended December 31, 2024:

In April 2022, the Governmental Accounting Standards Board (GASB) issued Statement No.99, "Omnibus 2022". This statement, and the requirements related to leases, PPP's and SBITAs which is effective for fiscal years beginning after June 15, 2022, and all reporting periods, thereafter, may have an effect on the School District's financial statements. This statement, and the requirements related financial guarantees and the classification and reporting of derivative instruments which is effective for fiscal years beginning after June 15, 2023, and all reporting periods, thereafter. This standard did not have a significant effect on the City's financial reporting for the year ended December 31, 2024.

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 100, "Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62". This statement, which is effective for fiscal years beginning after June 15, 2023, and all reporting periods, thereafter. This standard did not have a significant effect on the City's financial reporting for the year ended December 31, 2024.

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 101, "Compensated Absences". This statement, which is effective for fiscal years beginning after December 15, 2023, and all reporting periods, thereafter. This standard did not have a significant effect on the City's financial reporting for the year ended December 31, 2024.

G. Recent Accounting Pronouncements Not Yet Effective

In December 2023, the Governmental Accounting Standards Board (GASB) issued Statement No. 102, "Certain Risk Disclosures". This statement, which is effective for fiscal years beginning after June 15, 2024, and all reporting periods, thereafter, will not have any significant effect on the City's financial reporting.

In April 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 103, "Financial Reporting Model Improvements". This statement, which is effective for fiscal years beginning after June 15, 2025, and all reporting periods, thereafter, will not have any significant effect on the City's financial reporting.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

In September 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 104, "Disclosure of Certain Capital Assets". This statement, which is effective for fiscal years beginning after June 15, 2025, and all reporting periods, thereafter, will not have any significant effect on the City's financial reporting.

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 City is required to establish a reserve for uncollected taxes. The 2024 and 2023 statutory budgets included a reserve for uncollected taxes in the amount of \$1,388,423.74 and \$1,319,892.47. To balance the budget, the City is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2024 and 2023 statutory budgets was \$5,900,000.00 and \$4,140,163.00. In addition, the City operates a self-liquidating water and sewer utility, beach utility and tourism utility. Under New Jersey Statutes a separate budget for each utility must be adopted concurrently with the operating budget of the City. The utility budgets 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 water and sewer budget in 2024 and 2023 statutory budgets was \$412,500.00 and \$323,088.00. The amount of fund balance budgeted to balance the beach utility budget in 2024 and 2023 statutory budgets was \$1,136,572.50 and \$645,000.00. The amount of fund balance budgeted to balance to the tourism utility budget in 2024 and 2023 was \$0.00 and \$0.00.

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 the City Council. The following more significant budget transfers were approved in the 2024 and 2023 calendar years:

<u>Budget Category</u>	<u>2024</u>	<u>2023</u>
<u>Current Fund:</u>		
General Administration		
Salaries & Wages	\$ 30,000	
Legal Services		
Other Expenses: Miscellaneous Other Expenses	(100,000)	
Engineering & Planning Services		
Other Expenses	(35,000)	
Insurance		
Employee Group Health	200,000	
Workers Compensation Insurance	(200,000)	(1,000)
Fire		
Salaries & Wages	(70,000)	
Other Expenses	60,000	
Police		
Other Expenses	60,000	

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

<u>Budget Category</u>	<u>2024</u>	<u>2023</u>
<u>Current Fund: (Continued)</u>		
Recycling		
Salaries & Wages	(100,000)	
Public Buildings and Grounds		
Salaries & Wages	85,000	
Other Expenses	35,000	
Shade Tree Commission		
Other Expenses	20,000	
Uniform Fire Safety		
Salaries & Wages	10,000	
Civic Affairs		
Salaries & Wages	(45,000)	
Construction Official		
Salaries & Wages	45,000	
Other Expenses	10,000	
Utilities		
Street Lighting	(25,000)	
Statutory Expenditures		
Public Employees' Retirement System		1,000
Social Security System (O.A.S.I.)	10,000	
<u>Water/Sewer Utility Fund:</u>	None	None
<u>Tourism Utility Fund:</u>	None	None
<u>Beach Utility Fund:</u>		
Beach Front (Lifeguards)		
Salaries & Wages	(12,000)	100,000
Other Expenses		(47,000)
Beach Tag Program		
Salaries & Wages	12,000	22,000
Insurance		
Liability Insurance		(10,000)
Legal		
Other Expenses		(3,000)
Public Buildings & Grounds		
Other Expenses		(30,000)
Beach Safety		
Other Expenses		(10,000)
Engineering & Planning		
Other Expenses		(22,000)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

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 2024 and 2023, the following budget insertions were approved:

<u>Budget Category</u>	<u>2024</u>	<u>2023</u>
Small Cities-CDBG-Tennis Club ADA	\$ 270,672.00	
2023 Local Recreational Improvement		70,000.00
Boardwalk Preservation Fund	6,722,552.00	
R. Kennedy - Law Enforcement Against Drugs Support		3,000.00
2023 Small Cities CDBG		400,000.00
Wawa Foundation Grant - Police Department Equipment	10,000.00	10,000.00
2023 Next Gen 30, INC Donation -Kiwanis Park Benches		5,000.00

The City 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 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. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. During 2024 the following budget insertions for Emergency or Special Emergency appropriations were made.

Special Emergency – Preparation of Tax Map	\$250,000.00
Emergency – 2024 Lightning Strike	\$450,000.00

NOTE 3: INVESTMENTS

As of December 31, 2024, and 2023, the city did not have any investments.

Interest Rate Risk. The City 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 city can invest in any one issuer.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

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 City'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 funds that may pass to the city relative to the happening of a future condition. As of December 31, 2024, \$5,486,881.35 of the City's bank balance of \$50,317,343.15 was exposed to custodial credit risk. As of December 31, 2023, \$5,194,592.51 of the City's bank balance of \$44,380,604.88 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, 2024, and 2023:

	Balance 12/31/2022	Additions	Adjustments/ Retirements	Balance 12/31/2023
Land, Building and Improvements	\$ 27,718,436.93			27,718,436.93
Equipment and Machinery	10,294,936.90	924,676.15	443,312.40	11,662,925.45
	<u>38,013,373.83</u>	<u>924,676.15</u>	<u>443,312.40</u>	<u>39,381,362.38</u>
	Balance 12/31/2023	Additions	Adjustments/ Retirements	Balance 12/31/2024
Land, Building and Improvements	\$ 27,718,436.93			27,718,436.93
Equipment and Machinery	11,662,925.45	1,315,716.00	(534,757.46)	12,443,883.99
	<u>39,381,362.38</u>	<u>1,315,716.00</u>	<u>(534,757.46)</u>	<u>40,162,320.92</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

NOTE 6: LONG TERM DEBT

Long-term debt as of December 31, 2024, and 2023 consisted of the following:

	Balance 12/31/2022	Issued	Retired	Balance 12/31/2023	Amounts Due Within One Year
Bonds payable:					
General	\$ 22,415,000.00	10,175,000.00	2,660,000.00	29,930,000.00	3,355,000.00
Water Sewer Utility	10,345,000.00		995,000.00	9,350,000.00	1,040,000.00
Beach Utility	1,380,000.00	1,550,000.00	280,000.00	2,650,000.00	395,000.00
Total	34,140,000.00	11,725,000.00	3,935,000.00	41,930,000.00	4,790,000.00
Other liabilities:					
Loans Payable:					
General	58,493.71		19,111.20	39,382.51	19,111.20
Water Sewer Utility	1,294,196.11		52,234.19	1,241,961.92	52,234.19
Compensated Absences Payable	872,213.86	390,609.88		1,262,823.74	
Total long-term liabilities	<u>\$ 36,364,903.68</u>	<u>12,115,609.88</u>	<u>4,006,345.39</u>	<u>44,474,168.17</u>	<u>4,861,345.39</u>
	Balance 12/31/2023	Issued	Retired	Balance 12/31/2024	Amounts Due Within One Year
Bonds payable:					
General	\$ 29,930,000.00		3,355,000.00	26,575,000.00	3,520,000.00
Water Sewer Utility	9,350,000.00		1,040,000.00	8,310,000.00	940,000.00
Beach Utility	2,650,000.00		395,000.00	2,255,000.00	415,000.00
Total	41,930,000.00	-	4,790,000.00	37,140,000.00	4,875,000.00
Other liabilities:					
Loans Payable:					
General	39,382.51		19,495.33	19,887.18	19,887.18
Water Sewer Utility	1,241,961.92		52,234.19	1,189,727.73	52,234.19
Compensated Absences Payable	1,262,823.74		267,837.22	994,986.52	
Total long-term liabilities	<u>\$ 44,474,168.17</u>	<u>-</u>	<u>5,129,566.74</u>	<u>39,344,601.43</u>	<u>4,947,121.37</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

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

\$10,700,000 General Bonds dated July 15, 2013, due in annual installments through July 15, 2027, bearing interest at various rates. The balance remaining as of December 31, 2024 is \$2,730,000.00.

\$6,035,000 General Bonds dated July 15, 2014, due in annual installments through July 15, 2025, bearing interest at 3.00% per annum. The balance remaining as of December 31, 2024 is \$815,000.00.

\$10,155,000 General Bonds dated July 11, 2019, due in annual installments through February 1, 2031, bearing interest at various rates. The balance remaining as of December 31, 2024 is \$6,890,000.00.

\$7,670,000 General Bonds dated October 13, 2021, due in annual installments through October 15, 2036, bearing interest at various rates. The balance remaining as of December 31, 2024 is \$6,530,000.00.

\$10,175,000 General Bonds dated September 14, 2023, due in annual installments through September 1, 2036, bearing interest at various rates. The balance remaining as of December 31, 2024 is \$9,610,000.00.

\$324,621.37 Green Trust Loan dated November 9, 2005, due in annual installments through August 9, 2025, bearing interest at 2.00% per annum. The balance remaining as of December 31, 2024 is \$19,887.18.

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

\$2,335,000 Water and Sewer Utility Bonds dated July 15, 2013, due in annual installments through July 15, 2025, bearing interest at various rates. The balance remaining as of December 31, 2024 is \$150,000.00.

\$2,700,000 General Bonds dated July 15, 2014, due in annual installments through July 15, 2025, bearing interest at 3.00% per annum. The balance remaining as of December 31, 2024 is \$280,000.00.

\$4,250,000 General Bonds dated July 11, 2019, due in annual installments through February 1, 2031, bearing interest at various rates. The balance remaining as of December 31, 2024 is \$2,850,000.00.

\$5,505,000 Refunding Bonds dated December 15, 2021, due in annual installments through June 15, 2047, bearing interest at various rates. The balance remaining as of December 31, 2024 is \$5,030,000.00.

\$1,252,948.00 Environmental Infrastructure Trust Loan dated May 22, 2018, due in annual installments through August 1, 2047, bearing interest at 0.00% per annum. The balance remaining as of December 31, 2024 is \$819,727.73.

\$430,000.00 Environmental Infrastructure Trust Bond dated May 22, 2018, due in semiannual installments through August 1, 2047, bearing interest at various rates. The balance remaining as of December 31, 2024 is \$370,000.00.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

Outstanding bonds whose principal and interest are paid from the Beach Utility Operating Fund of the City:

\$2,005,000 General Bonds dated July 15, 2014, due in annual installments through July 15, 2026, bearing interest at 3.00% per annum. The balance remaining as of December 31, 2024 is \$440,000.00.

\$760,000 General Bonds dated July 11, 2019, due in annual installments through February 1, 2027, bearing interest at various rates. The balance remaining as of December 31, 2024 is \$360,000.00.

\$1,550,000 General Bonds dated September 14, 2023, due in annual installments through September 1, 2034, bearing interest at various rates. The balance remaining as of December 31, 2024 is \$1,455,000.00.

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

Year Ending December 31,	General Capital Fund	
	Principal	Interest
2025	\$ 3,520,000.00	931,925.00
2026	2,800,000.00	788,575.00
2027	2,890,000.00	669,625.00
2028	2,135,000.00	556,425.00
2029	2,265,000.00	477,162.50
2030-2034	9,490,000.00	1,359,900.00
2035-2036	3,475,000.00	169,500.00
	<u>\$ 26,575,000.00</u>	<u>4,953,112.50</u>

Year Ending December 31,	Utility Capital Fund		Beach Utility Capital Fund	
	Principal	Interest	Principal	Interest
2025	\$ 940,000.00	303,700.00	415,000.00	92,450.00
2026	535,000.00	264,900.00	460,000.00	75,700.00
2027	560,000.00	241,200.00	230,000.00	58,100.00
2028	590,000.00	220,200.00	120,000.00	50,200.00
2029	640,000.00	201,450.00	140,000.00	44,200.00
2030-2034	2,050,000.00	743,350.00	890,000.00	111,600.00
2035-2039	1,255,000.00	468,500.00		
2040-2044	1,020,000.00	249,000.00		
2045-2047	720,000.00	44,000.00		
	<u>\$ 8,310,000.00</u>	<u>2,736,300.00</u>	<u>2,255,000.00</u>	<u>432,250.00</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

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

Year Ending December 31,	General Capital Fund		Utility Capital Fund	
	Principal	Interest	Principal	Interest
2025	\$ 19,887.18	298.82	\$ 52,234.19	12,862.50
2026			52,234.19	12,362.50
2027			52,234.19	11,862.50
2028			52,234.19	11,362.50
2029			57,234.19	11,062.50
2030-2034			286,170.95	48,506.24
2035-2039			286,170.95	36,450.00
2040-2044			286,214.88	21,875.00
2045-2047			65,000.00	4,725.00
	<u>\$ 19,887.18</u>	<u>298.82</u>	<u>1,189,727.73</u>	<u>171,068.74</u>

As of December 31, 2024, 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 \$1,059,523.24, water and sewer utility budget was \$492,071.32 and the beach utility budget was \$101,438.34.

<u>Summary of Municipal Debt</u>	<u>Year 2024</u>	<u>Year 2023</u>	<u>Year 2022</u>
<u>Issued:</u>			
General - Bonds and Notes	\$ 34,794,887.18	\$ 29,969,382.51	\$ 25,388,493.71
Water/Sewer Utility - Bonds and Notes	19,414,727.73	15,461,961.92	14,509,196.11
Beach Utility - Bonds and Notes	2,255,000.00	2,860,000.00	1,380,000.00
Total Issued	<u>56,464,614.91</u>	<u>48,291,344.43</u>	<u>41,277,689.82</u>
<u>Authorized but not issued:</u>			
General - Bonds and Notes	9,902,380.00	9,772,081.00	12,569,595.00
Water/Sewer Utility - Bonds and Notes	1,835,000.00	5,080,000.00	3,092,588.00
Beach Utility - Bonds and Notes	1,520,000.00	195,000.00	2,099,900.00
Total Authorized But Not Issued	<u>13,257,380.00</u>	<u>15,047,081.00</u>	<u>17,762,083.00</u>
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 69,721,994.91</u>	<u>\$ 63,338,425.43</u>	<u>\$ 59,039,772.82</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of the debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.902%.

	Gross Debt	Deductions	Net Debt
Regional School District Debt	\$ 7,037,548.53	7,037,548.53	-
Water and Sewer Utility Debt	21,249,727.73	21,249,727.73	-
Beach Utility	3,775,000.00	3,775,000.00	-
General Debt	44,697,267.18	404,612.97	44,292,654.21
	<u>\$ 76,759,543.44</u>	<u>32,466,889.23</u>	<u>44,292,654.21</u>

Net Debt \$44,292,654.21 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$4,911,678,863.00 = 0.902%.

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$ 171,908,760
Net Debt	44,292,654
Remaining Borrowing Power	<u>\$ 127,616,106</u>

NOTE 7: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2024, and 2023, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2025, and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Current Fund	\$ 6,000,000.00	5,900,000.00
Water & Sewer Utility	472,500.00	412,500.00
Beach Utility	782,850.00	1,136,572.50
Tourism Utility	185,000.00	None

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

NOTE 8: 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:

	12/31/2024	12/31/2023
Balance of Tax	\$ 966,451.80	\$ 966,451.80
Deferred	966,451.80	966,451.80
Tax Payable	<u>\$ -</u>	<u>\$ -</u>

Regional 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:

	12/31/2024	12/31/2023
Balance of Tax	\$ 3,991,697.43	\$ 3,982,629.93
Deferred	3,991,697.50	3,982,630.00
Tax Payable	<u>\$ (0.07)</u>	<u>\$ (0.07)</u>

NOTE 9: TAXES COLLECTED IN ADVANCE

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

	Balance 12/31/24	Balance 12/31/23
Prepaid Taxes	\$ 806,371.51	\$ 719,020.64
Cash Liability for Taxes Collected in Advance	<u>\$ 806,371.51</u>	<u>\$ 719,020.64</u>

NOTE 10: PENSION FUNDS

Description of Plans

Substantially all of the City's employees participate in the Public Employees' Retirement System (PERS) and Police and Fireman's Retirement System (PFRS) 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/annual-reports.shtml>.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

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. 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). 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. Currently there are no individuals enrolled in DCRP.

Police and Fireman's Retirement System

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

Pension Plan for Lifeguards

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

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 the State of New Jersey legislation. PERS provided for employee contributions of 7.50% of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 17.61% of covered payroll. The City's contributions to PERS for the years ended December 31, 2024, 2023, and 2022 were \$570,860.07, \$554,492.98, and \$540,765.00.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The City's contributions to PFRS for the years ended December 31, 2024, 2023, and 2022 were \$1,095,088.00, \$1,053,367.90, and \$1,021,756.98.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)**

The total payroll for the year ended December 31, 2024, 2023, and 2022 was \$11,174,906.88, \$10,506,925.94, and \$9,770,748.99. Payroll covered by PFRS was \$3,719,518.00, \$3,420,536.00, \$2,972,646.00. Payroll covered by PERS was \$4,419,091.00, \$3,720,395.00, and \$3,164,890.00.

The Lifeguard Pension provides for employee contributions of 4.00% of employees' annual compensation. The City's trust for the Lifeguard Pension at December 31, 2024 was \$589,700.42. Currently there are twelve individuals receiving benefits. The benefits paid by the trust for the year ended December 31, 2024, 2023 and 2022 were \$92,789.00, \$82,786.50, and \$79,932.00.

Significant Legislation

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

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

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

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

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to $\frac{1}{60}$ th from $\frac{1}{55}$ th, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security and requires the pension to

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

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 1/7th of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced 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 11: 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 City's pension liabilities. However, due to the fact that the City reports on the regulatory basis of accounting, no financial statement impact will be recognized.

The following represents the City's pension liabilities as June 30, 2023:

Public Employees' Retirement System

The City has a liability of \$5,996,723 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022, that was rolled forward to June 30, 2023. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the City's proportion would be 0.0414013254%, which would be a decrease of 5.16% from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the City would have recognized pension expense of (\$152,080). At December 31, 2023, the City 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	\$ 57,336	\$ (24,513)
Changes of assumptions	13,174	(363,427)
Changes in proportion	296,554	(600,300)
Net difference between projected and actual earnings on pension plan investments	27,616	
Total	<u>\$ 394,680</u>	<u>\$ (988,240)</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

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,	
2024	\$ (1,070,356)
2025	(425,005)
2026	952,339
2027	(58,668)
2028	8,130
Total	<u>\$ (593,560)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2023, measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases:	2.75% – 6.55% (based on years of service)
Investment rate of return:	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disable retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2023) 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, 2023, are summarized in the following table:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US equity	28.00%	8.98%
Non-U.S. developed markets equity	12.75%	9.22%
International small cap equity	1.25%	9.22%
Emerging markets equity	5.50%	11.13%
Private equity	13.00%	12.50%
Real estate	8.00%	8.58%
Real assets	3.00%	8.40%
High yield	4.50%	6.97%
Private credit	8.00%	9.20%
Investment grade credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk mitigation strategies	3.00%	6.21%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. 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 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

The sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.

The following presents the City's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 7,296,359	\$ 5,996,723	\$ 4,947,198

Pension plan fiduciary net position.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

Police and Firemen's Retirement System

The City has a liability of \$9,089,077 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2022, that was rolled forward to June 30, 2023. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the City's proportion would be 0.08226315%, which would be an increase of 1.77% from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the City would have recognized pension expense of \$340,285. At December 31, 2023, the City would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 389,176	\$ (433,468)
Changes of assumptions	19,617	(613,731)
Changes in proportion	272,495	(807,811)
Net difference between projected and actual earnings on pension plan investments	462,890	
Total	<u>\$ 1,144,178</u>	<u>\$ (1,855,010)</u>

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

Year ended June 30,	
2024	\$ (2,100,221)
2025	(1,885,611)
2026	3,271,080
2027	(195,107)
2028	175,951
Thereafter	23,075
Total	<u>\$ (710,832)</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

Actuarial Assumptions

The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation of July 1, 2021, which was rolled forward to June 30, 2023. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases:	3.25% - 16.25% (based on years of service)
Investment rate of return:	7.00%

Employee mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females. For healthy annuitants, mortality rates were based on the PubS-2010 amount-weighted mortality table with a 96.7% adjustment for males and 96% adjustment for females. Disability rates were based on the Pub-2010 amount-weighted mortality table with a 152% adjustment for males and 109.3% adjustment for females. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US equity	28.00%	8.98%
Non-U.S. developed markets equity	12.75%	9.22%
International small cap equity	1.25%	9.22%
Emerging markets equity	5.50%	11.13%
Private equity	13.00%	12.50%
Real estate	8.00%	8.58%
Real assets	3.00%	8.40%
High yield	4.50%	6.97%
Private credit	8.00%	9.20%
Investment grade credit	7.00%	5.19%
Cash equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk mitigation strategies	3.00%	6.21%

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

The sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.

The following presents the collective net pension liability of the participating employers as of June 30, 2022, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	12,144,491	9,089,077	6,544,521

In addition to the PFRS liabilities listed above, a special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The June 30, 2023, State special funding situation net pension liability amount of \$2,035,866,759 is the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2023, State special funding situation pension expense of \$231,575,656 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2023. The pension expense is deemed to be a State administrative expense due to the special funding situation.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and required contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2023, the State contributed an amount more than the actuarially determined amount.

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the City was 0.08226315% for 2023. The net pension liability amount allocated to the City was \$1,674,768. For the fiscal year ending June 30, 2023, State special funding situation pension expense of \$190,501 is allocated to the City.

Pension plan fiduciary net position.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

NOTE 12 – OTHER POST-RETIREMENT BENEFITS

General Information about the Plan:

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

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

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for post-retirement 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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

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 City these amounts are not accrued or recorded in the financial statements and the information listed in this note is for disclosure purposes only. Statewide across all member employers, the special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the Collective Total OPEB liabilities for the year ended June 30, 2023 were \$3,461,898,890 and \$11,427,677,896, 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 nonspecial funding situation during the measurement period July 1, 2022, through June 30, 2023. Employer and non-employer allocation percentages have been rounded for presentation purposes.

Special Funding Situation:

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

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

Net OPEB Liability:

Components of Net OPEB Liability

The components of the collective net OPEB liability of the participating employers in the Plan as of June 30, 2023, is as follows:

	June 30, 2023	
	Collective Total	Proportionate Share
Total OPEB Liability	\$ 14,889,576,786	\$ 28,890,395
Plan Fiduciary Net Position (Deficit)	(116,962,691)	(226,944)
Net OPEB Liability	<u>\$ 15,006,539,477</u>	<u>\$ 29,117,339</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	-0.79%	-0.79%

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

At June 30, 2023 the City's proportionate share of the Collective Net OPEB Liability was \$29,117,339. The State's proportionate share for the Special Funding Situation that is associated with the City is \$354,422. The City's proportion of the Collective Net OPEB Liability was 0.194031% which was an increase from the prior year of 31.32%. The State's proportionate share attributable to the City of the Collective Net OPEB Liability for the Special Funding Situation was 0.010158% which was a decrease from the prior year of 16.5%.

City's Proportionate Share of Collective Net OPEB Liability	\$	29,117,339
State's proportionate share that is associated with the City		354,422
Total	\$	<u><u>29,471,761</u></u>

For the Year ended June 30, 2023, the City's Total OPEB Expense was \$1,338,429 and the State of New Jersey realized Total OPEB Expense in the amount of (\$64,264) for its proportionate share of Total OPEB Expense that is associated with the City.

The total OPEB liability as of June 30, 2023, was determined by an actuarial valuation as of June 30, 2022, which was rolled forward to June 30, 2023. 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:

Investment Rate of Return
Including Inflation rate 3.65%

Salary increases*:

PERS	<u>Completed Years of Service</u>	<u>Annual Rate of Increase (%)</u>
	0	6.55
	5	5.75
	10	4.75
	15	3.75
	20	3.15
	25	2.85
	>=29	2.75
PFRS	<u>Completed Years of Service</u>	<u>Annual Rate of Increase (%)</u>
	0	16.25
	5	11.00
	10	6.00
	15	4.00
	>=17	3.25

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

Mortality:

Pre-Retirement Healthy Mortality:

PERS: Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

PFRS: Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

Post-Retirement Healthy Mortality

Chapter 330 Retirees: PUB-2010 "Safety" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Other Retirees: PUB-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Disable Retiree Mortality:

PERS Future Disabled Retirees: PUB-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

PFRS Future Disabled Retirees: PUB-2010 "Safety" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Chapter 330 Current Retirees: PUB-2010 "Safety" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Other Current Retirees: PUB-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Actuarial assumptions used in the July 1, 2022, valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2018 to June 30, 2021 and July 1, 2018 to June 30, 2021, respectively.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

Discount Rate

The discount rate for June 30, 2023, was 3.65%. The discount rate will change each year based on the Bond Buyer Go 20-Bond Municipal Bond Index each year.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB liability as of June 30, 2023, 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 (2.65%)	Discount Rate (3.65%)	1% Increase (4.65%)
Collective				
Net OPEB Liability	\$	12,753,792,805	15,006,539,477	17,890,743,651
Proportionate Share				
Net OPEB Liability	\$	24,746,312	29,117,339	34,713,589

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

The following presents the net OPEB liability as of June 30, 2023, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

		1% Decrease	Healthcare cost Trend Rate	1% Increase
Collective				
Net OPEB Liability	\$	12,753,792,805	15,006,539,477	17,890,743,651
Proportionate Share				
Net OPEB Liability	\$	24,746,312	29,117,339	34,713,589

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

At June 30, 2023, the State reported deferred outflows of resources and deferred inflows of resources related to retired employees' OPEB from the following sources:

	Collective Totals		Proportionate Share	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 629,024,174	(4,075,285,752)	1,342,741	(7,907,318)
Changes of assumptions	1,943,909,895	(4,241,868,248)	3,771,788	(8,230,539)
Net difference between projected and actual earnings on OPEB plan investments		(2,476,129)	15,860,303	(4,804)
Changes in proportion and differences between contributions and proportionate share of contributions				(1,716,243)
Total	\$ 2,572,934,069	(8,319,630,129)	20,974,832	(17,858,904)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

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

Year Ended June 30,	Collective Totals	Proportionate Share
2024	\$ (1,702,483,126)	933,339
2025	(1,394,440,795)	764,463
2026	(754,368,466)	413,561
2027	(353,621,247)	193,863
2028	(713,799,887)	391,321
Thereafter	(764,982,539)	419,380
Total	\$ <u>(5,683,696,060)</u>	<u>3,115,928</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, 2023, are as follows:

Service cost	\$ 597,135,801
Interest on Total OPEB Liability	581,375,849
Expected Investment Return	3,134,857
Administrative Expenses	12,616,744
Changes of Benefit Terms	23,039,435
Current Period Recognition (Amortization) of Deferred Inflows/ Outflows of Resources:	
Differences between Expected and Actual Experience	(899,529,226)
Changes in Assumptions	(803,252,884)
Differences between Projected and Actual Investment	
Earnings on OPEB Plan Investments	1,590,849
Total Collective OPEB Expense	\$ <u>(483,888,575)</u>

Schedule of City's Share of Net OPEB Liability

	2023	2022	2021	2020	2019	2018
City's Proportionate Share of Net OPEB Liability	0.194031%	0.147758%	0.155289%	0.112284%	0.103730%	0.105250%
City's Share of Net OPEB Liability	\$ 29,117,339	23,862,319	27,951,680	20,336,289	14,051,069	16,489,116
City's Covered Payroll	3,720,395	3,164,890	3,145,562	3,340,526	3,193,362	2,944,262
City's Proportionate Share of the Net OPEB Liability as a percentage of its Covered-Employee Payroll	782.64%	753.97%	888.61%	608.78%	440.01%	560.04%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	-0.79%	-0.36%	0.28%	0.97%	1.97%	1.98%

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)**

NOTE 13: ACCRUED SICK AND VACATION BENEFITS

The City has permitted employees to accrue unused vacation, personal and sick time, which may be taken as time off or paid at a later date at an agreed upon rate. Employees are only eligible to receive 50% of the sick time they have accrued, and the maximum dollar amount of sick time that may be earned is \$12,000. The monetary value of these earned and unused employee benefits has not been accrued by either charges to operations or to budgets of prior years, although in some cases they might be material, since the realization of this liability may be affected by conditions which preclude an employee from receiving full payment of the accrual. At December 31, 2024, the City estimates this liability to approximate \$994,986.52 based on 2024 pay rates and compensated absence balances.

NOTE 14: RISK MANAGEMENT

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

Property and Liability Insurance - The City maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2024, and 2023 the City did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The City 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 City 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 City has a general liability limit of \$50,000 under JIF, which increases to \$1,000,000 under MEL.

New Jersey Unemployment Compensation Insurance – The City has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the City is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The City is billed quarterly for amounts due to the State.

NOTE 15: DEFERRED COMPENSATION

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

Voya Retirement Insurance and Annuity Company

NOTE 16: CONTINGENT LIABILITIES

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

NOTE 17: INTERFUND BALANCES

During the most current calendar year ended December 31, 2024, the following interfunds were included on the balance sheets of the various funds of the City of Cape May:

	Due From	Due To
Current Fund:		
Animal Control Fund	\$ 4,291.64	
Federal and State Grant Funds		305,907.28
General Capital Fund		3,069,812.30
Water Sewer Operating Fund	100,630.30	
Beach Operating Fund		1,399.00
Tourism Operating Fund		241,529.95
Trusts Other	140.50	419,641.92
Federal and State Grant Fund:		
Current Fund	305,907.28	
General Capital Fund		191,317.50
Other Trusts:		
Current Fund	419,641.92	140.50
Water Sewer Operating Fund	22,500.00	
Animal Control Fund:		
Current Fund		4,291.64
General Capital Fund:		
Current Fund	3,069,812.30	
Grant Fund	191,317.50	
Water Sewer Operating Fund:		
Water Sewer Capital Fund	417,412.00	
Current Fund		100,630.30
Trusts Other		22,500.00
Water Sewer Capital Fund:		
Water Sewer Operating Fund		417,412.00
Beach Operating Fund:		
Current Fund	1,399.00	
Beach Capital Fund		159,900.00
Beach Capital Fund:		
Beach Operating Fund	159,900.00	
Tourism Operating Fund:		
Current Fund	241,529.95	
	\$ <u>4,934,482.39</u>	<u>4,934,482.39</u>

The balances are primarily the result of disbursements made from the various funds which were not reimbursed prior to year end.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

NOTE 18: ECONOMIC DEPENDENCY

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

NOTE 19: CAPITAL LEASE OBLIGATIONS

During the year ended December 31, 2024, the city had capital lease agreements in effect for the following:

The city has a capital lease with U.S. Bancorp Government Leasing and Finance, Inc. for Energy Conservation Measures in the amount of \$825,000.00. Semi-annual payments are made on the 1st of May and November through 2031. Interest on the lease is 2.574% per annum.

The following is a schedule of the future capital lease payments.

Year Ending December 31,	Principal	Interest
2025	\$ 52,799.30	10,733.84
2026	55,816.22	9,355.52
2027	64,704.47	7,862.04
2028	56,653.28	6,247.97
2029	65,634.97	4,732.35
2030-2031	134,255.39	3,870.75
	<u>429,863.63</u>	<u>42,802.47</u>

NOTE 20: LENGTH OF SERVICE AWARD PROGRAM

The City's Length of Service Awards Program (LOSAP) was created by a City Ordinance adopted on January 20, 2004 pursuant to Section 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the City of Cape May approved the adoption of the LOSAP at the general election held on January 20, 2004, and the first year of eligibility for entrance into the LOSAP by qualified volunteers was fiscal year 2004. LOSAP provides tax-deferred income benefits to active volunteer firefighters and emergency medical personnel.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the City or its creditors. Since the City does not have a fiduciary relationship with the LOSAP, the balances and activities of the LOSAP are not reported in the City's financial statements.

As required by N.J.A.C. 5:30-14.49, the City must have an annual review of its LOSAP performed in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

NOTE 21: OPERATING LEASE OBLIGATIONS

Operating Leases

In November 2022, the City entered into an agreement to lease a postage machine for City Hall under an operating lease. The term of the lease is 60 months, and it will expire in October 2027. The total monthly payment for the lease is \$567.06. The City has the option to purchase the equipment at the termination of the lease for the fair market value.

In June 2019, the City entered into an agreement to lease copy machines for City Hall under an operating lease. The term for the lease is 60 months, and it expired in May 2024. The total monthly payment for the lease is \$491.12. The City did not purchase this equipment at the termination of the lease.

In March 2020, the City entered into an agreement to lease copy machines for City Hall under an operating lease. The term for the lease was 48 months, and it expired in February 2024. The total monthly payment for the lease was \$139.50. The City did not purchase this equipment at the termination of the lease.

In December 2020, the City entered into an agreement to lease copy machines for City Hall under an operating lease. The term for the lease is 48 months, and it expired in November 2024. The total monthly payment for the lease is \$54.96. The City has the option to purchase this equipment at the termination of the lease for the fair market value. The City did not purchase this equipment at the termination of the lease.

In June 2021, the City entered into an agreement to lease copy machines for City Hall under an operating lease. The term for the lease is 48 months, and it expired in May 2025. The total monthly payment for the lease was \$583.82. The City did not purchase this equipment at the termination of the lease.

In September 2021, the City entered into an agreement to lease copy machines for City Hall under an operating lease. The term for the lease is 48 months, and it will expire in August 2025. The total monthly payment for the lease is \$115.13. The City has the option to purchase this equipment at the termination of the lease for the fair market value.

In October 2022, the City entered into an agreement to lease copy machines for City Hall under an operating lease. The term for the lease is 48 months, and it will expire in September 2026. The total monthly payment for the lease is \$904.27. The City has the option to purchase this equipment at the termination of the lease for the fair market value.

In November 2023, the City entered into an agreement to lease copy machines for City Hall under an operating lease. The term for the lease is 48 months, and it will expire in October 2027. The total monthly payment for the lease is \$350.04. The City has the option to purchase this equipment at the termination of the lease for the fair market value.

In August 2023, the City entered into an agreement to lease vehicles for the City under an operating lease. The term for the lease is 60 months, and it will expire in July 2028. The total monthly payment for the lease is \$32,770.00. The City has the option to purchase this equipment at the termination of the lease for the fair market value.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(CONTINUED)

The total operating lease payments in 2024 and 2023 were \$394,698.33 and \$164,891.67 respectively.

The following is a schedule of the future minimum lease payments under these leases and the net minimum lease payments at December 31, 2024.

Year	Operating
2025	\$ 393,240.00
2026	393,240.00
2027	393,240.00
2028	229,390.00
Total minimum lease payments	1,409,110.00
Less amount representing interest	-
Present value of minimum lease payments	\$ 1,409,110.00

NOTE 22: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2024, and June 30, 2025, the date that the financial statements were available for issuance, for possible disclosure and recognition in the financial statements. No items have come to the attention of the City that would require disclosure.

Capital Ordinances

On March 18, 2025, the city adopted the following capital ordinance which authorized the following projects to be completed.

Project	Appropriation and Estimated Cost	Estimated Maximum Amount of Bonds & Notes
553-2025 Various Capital Improvements	\$ 2,200,000.00	\$ 2,095,238.00
Total	\$ 2,200,000.00	\$ 2,095,238.00

On June 3, 2025, the city introduced the following capital ordinances which authorized the following projects to be completed.

Project	Appropriation and Estimated Cost	Estimated Maximum Amount of Bonds & Notes
564-2025 Various Water-Sewer Utility Improvements	\$ 2,355,000.00	\$ 2,355,000.00
565-2025 Various Beach Utility Improvements	2,000,000.00	2,000,000.00
566-2025 Various Capital Improvements	4,620,000.00	4,400,000.00
Total	\$ 8,975,000.00	\$ 8,755,000.00

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APPENDIX C

FORM OF BOND COUNSEL OPINION FOR THE BONDS

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ARCHER & GREINER, P.C.
ATTORNEYS AT LAW
Riverview Plaza
10 Highway 35
Red Bank, NJ 07701-5902
732-268-8000
FAX 732-345-8420

September __, 2025

Mayor and City Council of the
City of Cape May
Cape May, New Jersey

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance and delivery of \$20,000,000 General Obligation Bonds, Series 2025 (the "Bonds"), of the City of Cape May (the "City"), a body politic and corporate of the State of New Jersey.

The Bonds are authorized by and are issued pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), bond ordinances duly adopted by the City Council and published as required by law, and a resolution duly adopted by the City Council on August 19, 2025.

The proceeds of the Bonds, along with certain available funds of the City, will be used to: (i) refund, on a current basis, \$8,200,000 portion of prior bond anticipation notes of the City issued in the aggregate principal amount of \$15,214,000 on September 12, 2024 and maturing on September 11, 2025 (the "Prior Notes"), which Prior Notes were issued to temporarily finance the cost of various capital and water/sewer utility improvements and purposes in and by the City; (ii) permanently finance various general capital improvements in and for the City; and (iii) pay for the costs associated with the issuance and sale of the Bonds.

The Bonds are issued in fully registered form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. One certificate shall be issued for the aggregate principal amount of the Bonds maturing in each year. Purchases of the Bonds will be made in book-entry only form, without certificates, in principal denominations of in principal denominations of \$5,000, except that those Bonds in excess of the largest principal amount thereof not equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the City as Paying Agent (or a duly appointed Paying Agent) directly to Cede & Co., as nominee for DTC. Disbursal of such payments to the DTC participants is the responsibility

of DTC and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of the DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semiannually on the first day of March and September (each an "Interest Payment Date"), commencing March 1, 2026, in each year until maturity or prior redemption, as applicable. The Bonds shall mature on September 1 in each of the years, in the principal amounts and at the interest rates as follows:

\$20,000,000 General Obligation Bonds, Series 2025

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2026	\$900,000	%	2034	\$1,400,000	%
2027	1,000,000		2035	1,400,000	
2028	1,100,000		2036	1,500,000	
2029	1,100,000		2037	1,500,000	
2030	1,200,000		2038	1,600,000	
2031	1,200,000		2039	1,700,000	
2032	1,300,000		2040	1,800,000	
2033	1,300,000				

The Bonds are subject to optional redemption prior to their stated maturity dates as set forth therein.

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

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

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Bonds in order for the interest thereon to be and remain excludable from gross income for Federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Bonds. The City will represent in its tax certificate relating to the Bonds that it expects and intends to comply, and will comply, to the extent permitted by law, with such requirements.

In our opinion, under existing law, and assuming continuing compliance by the City with the aforementioned covenant, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owners of the Bonds pursuant to Section 103 of the Code. Interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing federal alternative minimum tax; however, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under the Code.

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

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

The Bonds do not constitute "qualified tax-exempt obligations" as defined in and for the purpose of Section 265(b)(3)(B) of the Code.

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

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

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

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

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

Very truly yours,

ARCHER & GREINER P.C.

APPENDIX D

FORM OF BOND COUNSEL OPINION FOR THE NOTES

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ARCHER & GREINER, P.C.
ATTORNEYS AT LAW
Riverview Plaza
10 Highway 35
Red Bank, NJ 07701-5902
732-268-8000
FAX 732-345-8420

September ____, 2025

Mayor and City Council of the
City of Cape May
Cape May, New Jersey

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the City Council of the City of Cape May, in the County of Cape May, State of New Jersey (the "City"), and other proofs submitted to us relative to the issuance and sale of the

\$7,014,000 BOND ANTICIPATION NOTES

**CITY OF CAPE MAY
IN THE COUNTY OF CAPE MAY
STATE OF NEW JERSEY**

DATED: SEPTEMBER ____, 2025

The \$7,014,000 aggregate principal amount of Bond Anticipation Notes (the "Notes") of the City are dated September 10, 2025, mature September 9, 2026 and bear interest at the rate of _____ and _____ hundredths percentum (____%) per annum. The Notes are issued in fully registered form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. Individual purchases of the Notes will be made in book-entry only form in denominations of \$5,000, or multiples of \$1,000 in excess thereof, or in such amount necessary to issue the principal amount of the Note (subject to approval of the Chief Financial Officer of the City). So long as DTC or its nominee is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made by the City or a duly designated paying agent directly to Cede & Co., as nominee for DTC.

The bonds in anticipation of which the Notes are issued have been authorized pursuant to various bond ordinances of the City, having been in all respects duly adopted by the City Council, approved by the Mayor, and published as required by law. The proceeds from the Notes, together with other available funds of the City, will (i) refund, on a current basis, a portion of the Bond Anticipation Notes of the City issued in

the aggregate principal amount of \$15,214,000 on September 12, 2024 and maturing on September 11, 2025; and (ii) pay for the costs associated with the issuance and sale of the Notes.

We are of the opinion that (i) such proceedings and proofs show lawful authority for the issuance and sale of the Notes pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented, (ii) the Notes are valid and legally binding obligations of the City, and (iii) all the taxable property within the City is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of the principal of and interest on the Notes.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Notes in order for interest thereon to be and remain excludable from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the Notes to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Notes. The City has covenanted in its tax certificate relating to the Notes to maintain the exclusion of the interest on the Notes from gross income for Federal income tax purposes pursuant to section 103(a) of the Code.

In our opinion, under existing law, and assuming continuing compliance by the City with the aforementioned covenant, under existing statutes, regulations, rulings and court decisions, interest on the Notes is not includable for Federal income tax purposes in the gross income of the owners of the Notes pursuant to Section 103 of the Code. Interest on the Notes is not an item of tax preference under Section 57 of the Code for purposes of computing federal alternative minimum tax; however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under the Code.

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

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

The Notes do not constitute “qualified tax-exempt obligations” as defined in and for the purpose of Section 265(b)(3)(B) of the Code.

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

We have examined the form of the unexecuted Note and, in our opinion, the form is regular and proper.

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

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

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

Very truly yours,

ARCHER & GREINER P.C.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

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CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate dated as of September __, 2025 (the "Disclosure Certificate") is executed and delivered by the City of Cape May, County of Cape May, State of New Jersey (the "City" or the "Issuer") in connection with the issuance of its \$20,000,000 General Obligation Bonds, Series 2025, dated September __, 2025 (the "Bonds"). The Bonds are being issued pursuant to bond ordinances duly adopted by the City Council and published as required by law, and a resolution duly adopted by City Council on August 19, 2025 (the "Bond Resolution"). The City covenants and agrees as follows:

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

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

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

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

"Disclosure Representative" shall mean the Chief Financial Officer of the City or his designee, or such other person as the City shall designate in writing from time to time for the purposes of this Disclosure Certificate.

"Dissemination Agent" shall mean, Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey.

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

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

"State" shall mean the State of New Jersey.

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

SECTION 3. Provision of Annual Reports.

(a) The City shall provide or cause to be provided to the Dissemination Agent not later than 270 days following the end of each year, commencing with the year ending December 31, 2025, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the City are not available by September 1 of each year, the City shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the City, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the City.

(b) Not later than 285 days following the end of each year, commencing with the year ending December 31, 2025, the Dissemination Agent shall provide to EMMA a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

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

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

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

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

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

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

2. The general financial information and operating data of the City consistent with the information set forth in Appendix A to the Official Statement dated August __, 2025, prepared in connection with the sale of the Bonds (the "Official Statement") consisting of (i) City indebtedness including a schedule of outstanding debt issued by the City, (ii) property valuation information, and (iii) tax rate, levy and collection data and in the forepart thereof under the heading entitled, "Litigation".

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

SECTION 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies;
2. Nonpayment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances of the Bonds;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes relating to the Bonds;
12. Bankruptcy, insolvency, receivership or similar event of the City (Note to Section 5(a)(12): For the purposes of the event identified in Section 5(a) (12), the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City);
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement

relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material;
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

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

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

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

(e) If the Dissemination Agent has been instructed in writing by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such

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

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

SECTION 7. Compliance with the Rule. Except for as specifically disclosed in the Official Statement, the City has had no existing continuing disclosure obligations in the past 5 years.

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

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

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

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

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

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

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Underwriter(s), and the Beneficial

Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

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

(a) If to the City: Chief Financial Officer
City of Cape May
643 Washington Street
Cape May, New Jersey 08204

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

Phoenix Advisors,
a division of First Security Municipal Advisors, Inc.
2000 Waterview Drive, Suite 101
Hamilton, New Jersey 08691

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

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

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

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

CITY OF CAPE MAY

KEVIN HANIE,
Chief Financial Officer

Acknowledged and Accepted by:

PHOENIX ADVISORS,
a division of First Security Municipal Advisors, Inc.,
as Dissemination Agent

SHERRY L. TRACEY,
Senior Managing Director

EXHIBIT A

NOTICE TO MSRB VIA EMMA OF FAILURE TO FILE ANNUAL REPORT

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

Name of Bond Issue: \$20,000,000 General Obligation Bonds, Series 2025
Dated September __, 2025
(CUSIP Number 139537__)

Date of Issuance: September __, 2025

NOTICE IS HEREBY GIVEN that the above designated City has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Certificate dated as of September __, 2025 executed by the City.

DATED: _____

DISSEMINATION AGENT
(on behalf of the City)

cc: City of Cape May

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE NOTES

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**CERTIFICATE OF COMPLIANCE WITH
SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE NOTES**

I, KEVIN HANIE, Chief Financial Officer of the City of Cape May, in the County of Cape May, New Jersey (the "City"), a body politic and corporate organized and existing under the laws of the State of New Jersey, DO HEREBY CERTIFY to

_____, _____, _____, _____,
the purchaser (the "Purchaser") of \$7,014,000 aggregate principal amount of Bond Anticipation Notes of the City dated September 10, 2025 and maturing September 9, 2026 (the "Notes"), in connection with the issuance of the Notes, that pursuant to the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Rule"), specifically subsections (d)(3) and (b)(5)(i)(C) thereof, the City will provide notice of certain events (the "Notice") to the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access system ("EMMA") as a PDF file to www.emma.msrb.org, of any of the following events with respect to the Notes herein described, as applicable: (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 Notes, or other material events affecting the tax status of the Notes; (7) modifications to rights of Note holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee for the Notes or the change of name of a trustee for the Notes, if material; (15) incurrence of a Financial Obligation (as defined below) of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; or (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

Whenever the City (i) has or obtains knowledge of the occurrence of any of the aforementioned listed events not requiring a materiality determination, or (ii) determines that the occurrence of an aforementioned listed event requiring a materiality determination would be material to the holders of the Notes, the City shall file a Notice of each such occurrence with the MSRB via EMMA on a timely basis not in excess of ten (10) business days after the occurrence of any of the aforementioned events.

The City's obligations under this Certificate shall terminate upon the defeasance, prior redemption or payment in full of the Notes.

In the event the City fails to comply with any provision of this Certificate, any Noteholder may take such action as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Certificate. Notwithstanding the above, the remedy for a breach of the provisions of this Certificate or the City's failure to perform hereunder shall be limited to bringing an action to compel specific performance.

This Certificate shall inure solely to the benefit of the City, the Purchaser and the holders from time to time of the Notes, and shall create no further rights in any other person or entity hereunder.

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IN WITNESS WHEREOF, I have hereunto set my hand on behalf of the
City this ____ day of September, 2025.

CITY OF CAPE MAY, NEW JERSEY

KEVIN HANIE,
Chief Financial Officer

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