CAPE MAY COUNTY BRIDGE COMMISSION

REPORT ON AUDIT
OF BASIC FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

CAPE MAY COUNTY BRIDGE COMMISSION
COUNTY OF CAPE MAY, NEW JERSEY
FOR THE YEAR ENDED DECEMBER 31, 2017
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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Commission Members
Cape May County Bridge Commission
Cape May Court House, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Cape May County Bridge Commission (a component unit of the County of Cape May) in the County of Cape May, State of New Jersey, for the year ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Cape May County Bridge Commission (a component unit of the County of Cape May) in the County of Cape May, State of New Jersey, as of December 31, 2017 and 2016, and the changes in financial position and, cash flows for the year and the period then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cape May County Bridge Commission's basic financial statements. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *government auditing Standards,* we have also issued our report dated July 18, 2018 on our consideration of the Cape May County Bridge Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing* Standards in considering the Commission's internal control over financial reporting and compliance.

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

Leon P. Costello

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

July 18, 2018

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("MD&A") of the Cape May County Bridge Commission ("Commission") provides an introduction to the major activities affecting the operations of the Commission's toll bridges. The MD&A also provides an introduction and overview to the financial performance and statements of the Commission for the years ended December 31, 2017, 2016 and 2015. The information contained in the MD&A should be considered in conjunction with the Commission's financial statements beginning on page 11.

The Commission's basic financial statements comprise two components: 1) proprietary fund basic financial statements, and 2) notes to those basic financial statements, which are essential to a full understanding of the data contained in the basic financial statements. The supplementary information following the basic financial statements and notes thereto contains detailed and separate information pertaining to the commission's operations.

Regarding supplementary information, of particular note the Commission reports a *Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget* (Schedule 3). That schedule compares the "actual" revenue and expenses to "budget" revenue and expenses, including operating revenues and expenses, and non-operating revenues and expenses. Principal and Interest are reported in these schedules as expenses, and depreciation is not reported as an expense. This is a departure from the Commission's basic financial statements, prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), where only the Interest Expense component of debt service is reported as an expense, and where depreciation is also reported as an expense.

The "Budget versus Actual" statement for the Commission's program is a very important tool for staff, as it measures the Commission's financial and operational performance, particularly as it compares to the Annual Budget as adopted by the Commission's Board and approved by the State of New Jersey, Department of Community Affairs.

For the purpose of the Management Discussion and Analysis, the ensuing discussion will review the official statements of the Cape May County Bridge Commission, those prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to enterprise or proprietary funds of state and local governments. These are the Commission's basic financial statements discussed above.

Bridges

The Commission operates five toll bridges. The Middle Thorofare Bridge is located between Cape May and Wildwood Crest in Cold Spring. The Grassy Sound Bridge is located between North Wildwood and Stone Harbor. The Townsends Inlet Bridge is located between Avalon and Sea Isle City. The Corson's Inlet Bridge is located in Strathmere at the south end of Ocean City. And the Ocean City Longport Bridge is located at the north end of Ocean City.

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Toll Revenue/Structure

Tolls at the five bridges are collected in only one direction with the opposite side being toll free.

The following chart depicts the classes of tolls for one-way toll bridges.

Class 2.	Passanger cars, pick up trucks, school buses, motorcycles	$ 1.50
Class 2.	using discount tickets $60.00/50 Tickets 1 ticket/crossing	
Class 2.	with one axle trailer cash or two discount tickets	2.25
Class 2.	with two axle trailer cash or three discount tickets	3.00
Class 2.	with three or more axle trailer cash or four discount tickets	3.75
Class 2D.	Two axle six tire trucks and buses	3.75
Class 2D.	with one axle trailer	6.00
Class 2D.	with two axle trailer	8.25
Class 2D.	with three or more axle trailer	10.50
Class 3.	Three axle trucks	2.25
Class 4.	Four axle vehicles	3.00
Class 5.	Five axle vehicles	3.75

Each year, the Grassy Sound Bridge will be closed for toll collection from about October 15 and will reopen to collect tolls around May 15. Closing Grassy Sound Bridge to toll collection has reduced operating expenses. It has also been a cost savings to reduce the hours of toll collection at several bridges during the winter.

One-way tolls have led to a reduction in operating costs and reduced the number of employees required. The second bridge to use a "one-way" toll is Middle Thorofare, beginning on May 15, 2003, which again reduced the need for extra employees and reduced expenses. It has also become easier and more convenient for the motoring public to pass through a tollbooth plaza without stopping to pay the toll when traveling in the opposite direction.

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The following chart shows toll revenue for the years ended December 31, 2017, 2016 and 2015 by Bridge:

Bridge	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016	Year Ended Dec. 31, 2015
Middle Thorofare	$ 848,654.45	$ 828,715.05	$ 864,872.95
Grassy Sound	264,315.15	264,912.70	277,927.97
Townsends Inlet	380,846.29	511,234.16	323,601.95
Corsons Inlet	446,315.52	430,542.42	422,778.61
Ocean City Longport	809,264.22	839,112.20	834,802.17
Office Ticket Sales	13,747.75	6,406.35	19,762.49
Miscellaneous	8,416.24	9,111.08	10,380.85
Total Toll Revenue	**$ 2,771,559.62**	**$ 2,890,033.96**	**$ 2,754,126.99**

Traffic for the Commission's bridges for the year ended December 31, 2017, 2016 and 2015 is as follows.

Bridge	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016	Year Ended Dec. 31, 2015
Middle Thorofare	*	584,468	601,349
Grassy Sound	*	181,420	190,976
Townsends Inlet	*	330,789	150,736
Corsons Inlet	*	278,185	290,134
Ocean City Longport	*	489,362	566,513
Total Traffic	**0**	**1,864,224**	**1,799,708**

Due to a problem with the Commission's software program, the traffic reports generated throughout the 2017 calendar year were not complete or accurate.

Traffic is counted in only one direction, that is to say, the traffic is counted only in the direction of toll collection.

Required Financial Statements

The Basic Financial Statements of the Commission report information about the Commission using accounting methods similar to those used by private sector companies, consistent with New Jersey statutes. Specifically, the financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by GASB. Accordingly, the Commission recognizes revenues when earned, not received. Expenses are recognized when incurred, not when they are paid.

The *Comparative Statement of Net position*, the first required statement, and *Statement of Revenues, Expenses and Changes in Net Position*, the second required statement, report information about the Commission's financial condition. The Commission's Net Position, i.e., the difference between assets and liabilities, are a measure of financial health or financial position. Over time, increases or decreases in the Commission's Net Position is one indicator of whether its financial health is improving or deteriorating. Net Position increases both when revenues exceed expenses and when the Commission's assets increase without a corresponding increase to the Commission's liabilities. It is important to point out depreciation expense's negative impact on Net Position. Depreciation decreases the Commission's Net Position even though it is a non-cash expense.

The third and final required financial statement, the *Statement of Cash Flows*, provides information about the Commission's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital financing activities. It also provides information regarding sources of cash, uses of cash, and the changes in the cash balance during the reporting period.

Financial Analysis

Table 1
Condensed Statement of Net Position

	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016	Year Ended Dec. 31, 2015
Current Assets	$ 1,320,587.78	$ 1,093,816.37	$ 903,058.27
Restricted Assets	895,901.52	904,621.62	894,786.18
Capital Assets, Net	53,419,257.48	51,587,951.34	51,858,363.41
Total Assets	55,635,746.78	53,586,389.33	53,656,207.86
Deferred Outflow of Resources			
Deferred Amount on Refunding	1,201,555.16	1,287,927.20	1,378,776.66
Deferred Outflows Related to Pensions	993,976.00	919,936.00	520,206.00
Current Nonrestricted Liabilities	328,982.32	181,932.12	64,624.05
Current Restricted Liabilities	729,877.91	691,240.13	632,177.19
Long Term Liabilities	17,448,047.91	18,240,751.11	19,530,186.99
Total Liabilities	18,506,908.14	19,113,923.36	20,226,988.23
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	1,246,531.00	821,783.00	68,896.00
Net Position:			
Investment in Capital Assets	41,673,978.47	39,273,459.07	39,004,320.43
Restricted	79,192.14	51,567.10	42,492.10
Unrestricted	(3,675,331.81)	(3,466,480.00)	(3,787,506.24)
Total Net Position	38,077,838.80	35,858,546.17	35,259,306.29

Analysis of Net Position

The Commission's total Net Position exceeded its total assets less liabilities at the end of December 31, 2017, by approximately to $35.8 million. The deficit in unrestricted net assets is due to the net OPEB obligation at year end. Restricted Net Position of $79,192.14 represents bond proceeds set aside for various structural repairs and rehabilitation of Commission bridges.

Table 2
Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016	Year Ended Dec. 31, 2015
Operating Revenues:			
Toll Revenue	$ 2,771,559.62	$ 2,890,033.96	$ 2,752,885.49
Other	18,236.94	27,132.15	1,241.50
Total Operating Revenues	2,789,796.56	2,917,166.11	2,754,126.99
Operating Expenses:			
Operating Appropriations	2,742,887.92	2,869,457.10	2,818,378.26
Bond Proceeds Expended and not Capitalized	-	-	14,725.07
Net Pension Adjustment	(13,045.00)	49,292.00	106,796.00
Depreciation	1,796,920.26	1,800,816.77	1,670,523.59
Other post employment benefits	247,538.00	(329,835.00)	(60,325.00)
Total Operating Expenses	4,774,301.18	4,389,730.87	4,550,097.92
Operating Income (Loss)	(1,984,504.62)	(1,472,564.76)	(1,795,970.93)
Nonoperating Revenue (Expense):			
County reimbursement for Debt Service	1,036,556.26	1,040,656.26	1,038,881.26
Interest Income	6,357.59	1,849.23	1,067.78
Interest Expense	(396,556.26)	(420,656.26)	(443,881.25)
County contribution of capital assets	3,628,226.40	1,530,404.70	2,711,954.15
Miscellaneous	-	-	(31,232.70)
Amortization of Bond Premium	15,585.30	10,400.07	23,429.73
Deferred amount on refunding	(86,372.04)	(90,849.46)	(90,849.46)
Total Nonoperating Revenue (Expense)	4,203,797.25	2,071,804.54	3,209,369.51
Change in Net Position	2,219,292.63	599,239.78	1,413,398.58
Net Position, Beginning of year	35,858,546.17	35,259,306.39	33,845,907.81
Total Net Position, End of Year	$ 38,077,838.80	$ 35,858,546.17	$ 35,259,306.39

Analysis of Changes in Net Position

The Commission finished the year ended December 31, 2017 with a loss from operations of $1,984,504.62. The total operating loss includes $1,796,920.26 in depreciation of assets. Total Net Position at December 31, 2017 is $38,077,838.80.

Commission-Wide Expenses

Operating Appropriations (part of Total Operating Expenses) were $2,742,887.92. A selected detailed analysis of operating expenses follows:

- Personnel salaries and expenses (including medical insurance) were $2,025,478.42 for the year ended December 31, 2017.
- Operations and maintenance expenses were $405,297.74 for the year ended December 31, 2017. The largest area impacting operations and maintenance expenses $242,067.50 for insurance.
- Depreciation expense was $1,796,920.26 for the year ended December 31, 2017.

Non-operating revenues and expenses are highlighted for the year ended December 31, 2017, as follows:

- Interest expense was $396,556.26 for the year.
- The county reimbursement for debt service was $1,036,556.26 for the year. The County reimbursement is directly related to the amount of debt service payments made in the year.

Table 3
Condensed Statement of Cash Flows

	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016	Year Ended Dec. 31, 2015
Cash Flows Provided by (Used in):			
Operating Activities	$ 214,104.10	$ 200,118.07	$ (801,338.54)
Capital and Related Financing Activities	-	-	595,000.01
Investing Activities	(57,303.08)	(187,537.56)	331,493.64
Net Increase (Decrease) in Cash and Cash Equivalents	156,801.02	12,580.51	125,155.11
Cash and Cash Equivalents, Beginning of Period	454,351.67	441,771.16	316,616.05
Cash and Cash Equivalents, End of Year	$ 611,152.69	$ 454,351.67	$ 441,771.16

Analysis of Cash Flows

The Commission made all of its debt service payments on time and in the required amounts. The County of Cape May reimburses the Bridge Commission for payment of debt service.

Contacting the Commission's Financial Management

This financial report is designed to provide the Cape May County Bridge Commission's board members, customers, investors and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Executive Director at the Cape May County Bridge Commission, 4 Moore Road, Cape May Court House NJ 08210, telephone 609-465-6871.

BASIC FINANCIAL STATEMENTS

CAPE MAY COUNTY BRIDGE COMMISSION
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017 AND 2016

		2017	2016
ASSETS			
CURRENT ASSETS:			
Cash and Cash Equivalents	$	598,060.72	441,264.91
Investments		687,836.15	615,450.17
Accounts Receivable		1,925.41	2,294.12
Inventory Asset		739.98	739.98
Due from County of Cape May		32,025.52	34,067.19
TOTAL CURRENT ASSETS		1,320,587.78	1,093,816.37
NONCURRENT ASSETS:			
Restricted Assets			
Construction Account:			
Cash and Cash Equivalents		13,091.97	13,086.76
Investments		271,625.98	309,327.75
Bond Service Account:			
Investments		611,183.57	582,207.11
TOTAL RESTRICTED ASSETS		895,901.52	904,621.62
CAPITAL ASSETS:			
Construction in Progress		12,975,698.66	9,347,472.26
Capital Assets being Depreciated		70,864,301.18	70,884,301.18
Less Acumulated Depreciation		(30,420,742.36)	(28,643,822.10)
NET PROPERTY, PLANT AND EQUIPMENT		53,419,257.48	51,587,951.34
DEFERRED OUTFLOW OF RESOURCES:			
Deferred Amount on Refunding		1,201,555.16	1,287,927.20
Deferred Outflows Related to Pensions		993,976.00	919,936.00
TOTAL DEFERRED OUTFLOW OF RESOURCES		2,195,531.16	2,207,863.20
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$	57,831,277.94	55,794,252.53

The accompanying Notes to Financial Statements
are an integral part of this statement

CAPE MAY COUNTY BRIDGE COMMISSION
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017 AND 2016
(CONTINUED)

		2017	2016
LIABILITIES			
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:			
Accounts Payable - Operations	$	328,982.32	181,932.12
TOTAL CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS		328,982.32	181,932.12
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:			
Accounts Payable		1,135.00	1,135.00
Accrued Interest Payable		32,025.52	34,067.19
Current Maturities of Long-Term Debt (Net of current portion of Unamortized Bond Premium of $11,717.39 and $16,037.94)		696,717.39	656,037.94
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS		729,877.91	691,240.13
LONG-TERM OBLIGATIONS:			
Accrued compensated Absences		233,020.13	213,243.58
Net OPEB Obligations		1,951,110.00	1,703,572.00
Net Pension Liability		3,013,801.00	3,377,554.00
Long Term Portion of Bonds Payable (Net of Unamortized Bond Premium of $91,834.17 and $91,381.53)		12,250,116.78	12,946,381.53
DEFERRED INFLOW OF RESOURCES:			
Deferred Inflows Related to Pensions		1,246,531.00	821,783.00
TOTAL DEFERRED INFLOW OF RESOURCES		1,246,531.00	821,783.00
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES		19,753,439.14	19,935,706.36
NET POSITION			
Net Investment in Capital Assets		41,673,978.47	39,273,459.07
Restricted for:			
Debt Service		36,700.04	9,075.00
Capital Projects		42,492.10	42,492.10
Unrestricted		(3,675,331.81)	(3,466,480.00)
TOTAL NET POSITION		38,077,838.80	35,858,546.17
TOTAL LIABILITIES AND NET POSITION	$	57,831,277.94	55,794,252.53

The accompanying Notes to Financial Statements are an integral part of this statement

Exhibit B

CAPE MAY COUNTY BRIDGE COMMISSION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31,

		2017	2016
OPERATING REVENUES:			
Toll revenues	$	2,771,559.62	2,890,033.96
Other income		18,236.94	27,132.15
TOTAL OPERATING REVENUES		2,789,796.56	2,917,166.11
OPERATING EXPENSES:			
Operating appropriations		2,742,887.92	2,869,457.10
Other post-employment benefits		247,538.00	(329,835.00)
Net pension adjustment		(13,045.00)	49,292.00
Depreciation		1,796,920.26	1,800,816.77
TOTAL OPERATING EXPENSES		4,774,301.18	4,389,730.87
LOSS FROM OPERATIONS		(1,984,504.62)	(1,472,564.76)
NONOPERATING REVENUES (EXPENSES):			
Interest income		6,357.59	1,849.23
Interest expense		(396,556.26)	(420,656.26)
County reimbursement for debt service		1,036,556.26	1,040,656.26
County contribution of capital assets		3,628,226.40	1,530,404.70
Deferred amount on refunding		(86,372.04)	(90,849.46)
Amortization of bond premium		15,585.30	10,400.07
TOTAL NONOPERATING REVENUES (EXPENSES)		4,203,797.25	2,071,804.54
Change in net position		2,219,292.63	599,239.78
NET POSITION - BEGINNING		35,858,546.17	35,259,306.39
NET POSITION - ENDING	$	38,077,838.80	35,858,546.17

The accompanying Notes to Financial Statements
are an integral part of this statement

Exhibit C

CAPE MAY COUNTY BRIDGE COMMISSION
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31,

		2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from bridge tolls	$	2,771,928.33	2,889,432.72
Other operating cash receipts		18,236.94	27,132.15
Payments to employees		(1,259,122.72)	(1,283,737.64)
Payments to suppliers and vendors		(1,316,938.45)	(1,432,709.16)
Net Cash Used in Operating Activities		214,104.10	200,118.07
CASH FLOWS FROM FINANCING ACTIVITIES:			
County Reimbursement for Debt Service		1,036,556.26	1,040,656.26
Principal and Interest paid on capital debt		(1,036,556.26)	(1,040,656.26)
Net Cash Provided for Capital and Related Financing Activities		-	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income		6,357.59	1,849.23
Investments matured/(purchased)		(63,660.67)	(189,386.79)
Net Cash Provided by Investing Activities		(57,303.08)	(187,537.56)
Net increase in cash and cash equivalents		156,801.02	12,580.51
CASH AND CASH EQUIVALENTS, JANUARY 1		454,351.67	441,771.16
CASH AND CASH EQUIVALENTS, DECEMBER 31	$	611,152.69	454,351.67
RECONCILITATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating (Loss)	$	($1,984,504.62)	(1,472,564.76)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change In Compensated Absenses		19,776.55	35,792.22
Change in Net Pension Liability		(13,045.00)	49,292.00
Change in Other Post Employment Benefit Liability		247,538.00	(329,835.00)
Depreciation		1,796,920.26	1,800,816.77
		66,685.19	83,501.23
Changes in assets and liabilities:			
Decrease/(increase) in Receivables, net		368.71	(601.24)
Decrease/(increase) in Inventory		-	(89.99)
Increase/(decrease) in Accounts and other payables		147,050.20	117,308.07
	$	214,104.10	200,118.07

The accompanying Notes to Financial Statements
are an integral part of this statement

NOTES TO FINANCIAL STATEMENTS

1. GENERAL

The Cape May County Bridge Commission, hereafter referred to as the "Commission," was created by resolution of the Cape May County Freeholders and adopted in 1938. The Commission is a component unit of the County of Cape May. The Commission operates five toll bridges. The Commission collects tolls from users of the bridges.

As a public body, under existing statute, the Commission is exempt from both federal and state taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies:

A. Basis of Financial Statements Presentation

The financial statements of the Commission have been prepared on a full accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of state and local governments. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The Commission's financial statements include the accounts of all operations of the Commission. The Commission, as a component unit of the County of Cape May, State of New Jersey, is financially accountable to the County. As set forth in Government Accounting Standards Board (GASB) 14, amended by GASB 61, financial accountability is defined as appointment of a voting majority of the organizations governing body and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The Commission, as a component unit, issues separate financial statements from the County of Cape May. However, if the County presented its financial statements in accordance with accounting principles generally accepted in the United States of America, these financial statements would be includable with the County's on a blended basis.

The Commission has adopted GASB No. 1 through 72 and related interpretations issued through December 31, 2017. GASB requires certain terminology, format and content, as well as inclusion of management's discussion and analysis supplementary information.

All activities of the Commission are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Commission is determined by its measurement focus. The transactions of the Commission are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net Position (i.e. total assets net of total liabilities) are segregated into "invested in capital assets"; and "restricted" and "unrestricted" components.

C. Recent Accounting Pronouncements Not Yet Effective

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

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

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

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82, "Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No.73". This statement is effective for fiscal periods beginning after June 15, 2016, will have an effect on the Commission's financial reporting.

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

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

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

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

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

D. Capital Assets

Property, plant and equipment are stated at historical cost or estimated historical cost if actual historical cost is not available.

Depreciation is determined on a straight-line basis for all plant and equipment. Depreciation is provided over the following estimated useful lives:

Bridges	45 Years
Buildings and improvements	45 Years
Machinery and equipment	6 to 20 Years

The cost and accumulated depreciation of all property, plant and equipment retired or otherwise disposed of are removed from the accounts and any resulting gain or loss is included in income.

E. Budget/Budgetary Control

An annual budget is prepared each year for the operations of the Cape May County Bridge Commission. The budget is prepared using the accrual basis of accounting. Unexpended appropriations for annually budgeted funds lapse at year-end.

F. Restricted Accounts

In accordance with the provisions of the General Bond Resolution dated December 11, 1990, as amended, the Commission has established the following cash and investment accounts for the deposit of all revenues received by the Commission in the priority of the order listed on the following page:

Account	Amount	Use for Which Restricted
Revenue	All Revenue received by the Commission	Transfers to various accounts described below
Operating	Operating expenses for a six-month period.	Authorized operating expenses
Bond Service	Amount needed to pay matured principal and interest	Principal and interest on all bonds
Construction Fund	Amount needed to pay the cost of the project	Cost of the project
Cost of Issuance Account	Bond Proceeds and Interest on Investments	Costs and expenses incurred in connetion with the issuence of the bonds
Capitalized Interest Account	Amount needed to pay portion of capitalized interest amount and interest earned on investments	Capitalized interest for 36 months
General	Any excess remaining after all other funds have been satisfied	Can be used for any lawful purpose

G. Revenues

Revenues are recognized in the accounting period in which they are earned and become measurable.

H. Expenses

Expenses are recognized on the accrual basis and are recognized in the period incurred, if measurable.

I. Cash, Cash Equivalents and Investments

The Commission's investment practices are governed by New Jersey State Statute 40A:5-15. Statutes authorize the Commission to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds and a maturity date not greater than 12 months from the date of purchase. In addition, the Commission can invest in direct debt securities of the United States or obligations guaranteed by the United States, bonds and other obligations of the local

municipality or bonds or obligations of school districts of which the Commission is a part or within which the Commission is located unless such investments are expressly prohibited by law.

3. LONG-TERM DEBT

General Bond Resolution

The Cape May County Bridge Commission adopted a resolution authorizing the issuance of revenue bonds on December 11, 1990, and resolutions supplementing the general bond resolution were adopted by the Commission on February 10, 1998, April 14, 1998 and April 12, 2007.

County Guaranteed Revenue Refunding Bonds, Series 2009

$3,780,000 County Guaranteed Revenue Refunding Bonds, dated March 19, 2009, due in annual installments through June 1, 2017 bearing interest at varying rates between 3.0% and 4.0%, payable on the first day of June and December. The balance remaining as of December 31, 2017 is $0.

On March 19, 2009, the Commission issued $3,780,000 principal amount of County Guaranteed Revenue Refunding Bonds, Series 2009 pursuant to the General Bond Resolution, as amended. The 2009 Revenue Refunding Bonds were issued for the purpose of providing funds to: (a) Currently refund all of the Commission's outstanding County Guaranteed Revenue Bonds, Series 1998, dated April 1, 1998, originally issued in the principal amount of $7,040,000 maturing on June 1 in each of the years 2010 through and including 2017 on June 1, 2009 (the "Redemption Date") and (b) pay certain costs and expenses incidental to the issuance and delivery of the Series 2009 Bonds.

The unamortized bond premium at December 31, 2017 is $0.00 The unamortized deferred amount on refunding at December 31, 2017 is $0.00. The deferred amount on refunding is amortized over 8.25 years, the life of the bonds, and the amount amortized for the year ended December 31, 2017 was $ $0.00. The bond premium is amortized using the effective interest method, over the life of the bonds and the amount amortized for the year ended December 31, 2017 was $0.00.

County Guaranteed Revenue Refunding Bonds, Series 2012

$13,460,000 County Guaranteed Revenue Refunding Bonds, dated August 8, 2012, due in annual installments through June 1, 2032 bearing interest at varying rates between 1.5% and 4.0%, payable on the first day of June and December. The balance remaining as of December 31, 2017 is $12,855,000.

On August 8, 2012, the Commission issued $13,460,000 principal amount of County Guaranteed Revenue Refunding Bonds, Series 2012 pursuant to the General Bond Resolution, as amended. The 2012 Revenue Refunding Bonds were issued for the purpose of providing funds to: (a) Advance refund all of the Commission's outstanding County Guaranteed Revenue Bonds, Series 2005, dated December 1, 2005, originally issued in the principal amount of $11,865,000 maturing on June 1 in each of the years 2010 through and including 2032 on June 1, 2015 (the "Redemption Date") and (b) pay certain costs and expenses incidental to the issuance and delivery of the Series 2012 Bonds. The balance remaining as of December 31, 2017 is $12,855,000.

The unamortized bond premium at December 31, 2017 is $103,990.01. The unamortized deferred amount on refunding at December 31, 2017 is $1,201,555.16. The deferred amount on refunding is amortized over 20 years, the life of the bonds, and the amount amortized for the year ended December 31, 2017 was $80,103.60.

The bond premium is amortized using the effective interest method, over the life of the bonds and the amount amortized for the year ended December 31, 2017 was $12,156.37.

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST FOR SERIAL BONDS ISSUED AND OUTSTANDING

Year	Principal	Interest	Total
2018	$ 685,000.00	$ 370,606.26	$ 1,055,606.26
2019	715,000.00	342,606.26	1,057,606.26
2020	745,000.00	313,406.26	1,058,406.26
2021	775,000.00	290,756.26	1,065,756.26
2022	785,000.00	274,175.01	1,059,175.01
2023-2027	4,245,000.00	1,052,471.88	5,297,471.88
2028-2032	4,905,000.00	376,125.00	5,281,125.00
Total	$ 12,855,000.00	$ 3,020,146.93	$ 15,875,146.93

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

	Outstanding 12/31/2016	Issues or Additions	Payments or Adjustments	Outstanding 12/31/2017	Amounts Due Within One Year
Bonds Payable	$ 13,495,000.00	$	$ 640,000.00	$ 12,855,000.00	$ 685,000.00
Compensated Absences	213,243.58	19,776.55		233,020.13	30,469.55
Post-Retirement Benefits Payable	1,703,572.00	247,538.00		1,951,110.00	
Net Pension Obligations	3,279,401.00		13,045.00	3,266,356.00	
Unamortized Costs:					
Bond Premiums	107,419.47		15,585.30	91,834.17	11,717.39
Deferred Amount on Refunding	(1,287,927.20)		(86,372.04)	(1,201,555.16)	(80,103.60)
	-	-	-	-	-
	$ 17,510,708.85	$ 267,314.55	$ 582,258.26	$ 17,195,765.14	$ 647,083.34

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4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets,not being depreciated:				
Land	$ -	$	$	$ -
Construction in Progress	9,347,472.26	3,628,226.40		12,975,698.66
Total capital assets not being Depreciated	9,347,472.26	3,628,226.40	-	12,975,698.66
Capital assets being depreciated:				
Bridges	69,745,776.08			69,745,776.08
Buildings and building improvements	473,890.78			473,890.78
Machinery and Equipment	664,634.32		20,000.00	644,634.32
Total capital assets being depreciated at historical cost	70,884,301.18	-	20,000.00	70,864,301.18
Less: Accumulated depreciation	28,643,822.10	1,796,920.26	20,000.00	30,420,742.36
Total capital assets being depreciated, net of accumulated depreciation	42,240,479.08	(1,796,920.26)	-	40,443,558.82
Capital Assets, net	$ 51,587,951.34	$ 1,831,306.14	$ -	$ 53,419,257.48

5. PENSION PLAN

Plan Descriptions

All eligible employees are covered by the Public Employees' Retirement System cost-sharing multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension 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 Public Employees Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the report can be accessed on the internet at (http://www.state.nj.us/treasury/pensions/annrpts.shtml).

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under provisions of N.J.S.A. 43:15A to provide retirement, death, and disability, and medical benefits to certain qualified members. The PERS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey 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.

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost sharing multiple employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq. For the DCRP, members contribute at a uniform rate of 5.5% of their base salary. Employers are required to contribute at a set rate of 3.0% of base salary. The Commission had one employee enrolled in the Defined Contribution Retirement Program (DCRP) during the year ended December 31, 2016.

Vesting and Benefit Provisions

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

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 7.20% through June 30, 2017 and 7.34% thereafter of employees' annual compensation. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

For the Public Employees' Retirement System, the Commission contributed $122,660.00 for the year ended December 31, 2017, $162,909.26 for the year ended December 31, 2016, and $160,784.35 for the year ended December 31, 2015.

6. PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

At December 31, 2017, the Commission reported a liability of $3,013,801 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Commission's proportion was 0.01294677030%, which was an increase of 13.53% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Commission recognized pension expense of $106,892. At December 31, 2017, the Commission reported 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	$ 70,965	
Changes of assumptions	607,177	(604,951)
Changes in proportion	295,312	(641,580)
Net difference between projected and actual earnings on pension plan investments	20,522	
Total	$ 993,976	(1,246,531)

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

Year ended June 30,	
2018	$ (200,926)
2019	(291,916)
2020	(173,397)
2021	231,822
2022	181,862
Total	$ (252,555)

Actuarial Assumptions

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

Inflation rate 2.25%

Salary increases:

Through 2026 1.65% - 4.15% (based on age)

Thereafter 2.65% - 5.15% (based on age)

Investment rate of return: 7.00%

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

were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

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

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

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

Discount Rate

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

and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Commission's proportionate share of the net pension liability	$ 3,615,834	$ 3,013,801	$ 2,512,883

Pension plan fiduciary net position.

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

7. MAINTENANCE OF FACILITIES AND BRIDGES

The Cape May County Bridge Commission entered into an Interlocal Services Agreement with the County of Cape May whereby the County assumed sole responsibility for the routine maintenance of the Commission's facilities and all the remaining bridges and structures of the Commission.

8. CASH, CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits might not be recovered. Although the Commission does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. Of the Commission's bank balance of $558,243.58 as of December 31, 2017, $0 was uninsured and uncollateralized.

Investments

N.J.S.A. 40A:5-15.1 provides specific guidance for the allowable investment of public funds. In order to maximize liquidity, while complying with statutory requirements, the Commission utilizes the New Jersey's Asset and Rebate Management Program ("NJ/ARM") and First American Treasury Obligation Funds for investing purposes.

At December 31, 2017, the Commission had the following investments:

Investment Type	Credit/ Quality Ratings (1)	Face Amount	Carrying Amount	(2) Less Than 1
First American Treasury Obligation Funds Class D	AAAm	$ 1,311,010.86	$ 1,311,010.86	$ 1,311,010.86
NJ/ARM - Asset & Rebate Management Program	AAAm	259,634.81	259,634.81	259,634.81
		$ 1,570,645.67	$ 1,570,645.67	$ 1,570,645.67

(1) Ratings are provided where applicable to indicate associated credit risk.
(2) Investment maturities in years.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not have a policy for custodial credit risk, however the State of New Jersey imposes certain investment limitations for governmental units. These requirements are disclosed in detail as part of Note 1.

Credit risk – The Commission does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Commission does not have a policy to limit interest rate risk. The Commission's investments have a maturity of less than one year.

9. COMPENSATED ABSENCES

The Commission accounts for compensated absences (e.g., unused vacation, sick leave) as directed by the Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

The Commission has permitted employees to accrue unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. All vacations must be exhausted before resignation or retirement from the Commission. Vacation may accrue for a period not to exceed two (2) years.

In the Statement of Net Position, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

10. POST-RETIREMENT HEALTH BENEFITS

Plan Description

The Commission contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et. seq., to provide health benefits to

State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. The Commission authorized participation in the SHBP's post-retirement benefit program through resolution.

All Commission retirees with at least 25 years of service or who retire upon or after the age of 62 with 15 or more years of service as regular full-time employees shall receive 100% of the cost of health insurance premiums until death.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf.

The Commission utilizes the New Jersey State Health Benefits Plan for Health Insurance, however, they also provide post-retirement benefits for vision, dental, and life insurance that are not included as a part of the State Health Benefits Plan. These benefits are budgeted by the Commission annually on a "pay as you go basis" and included in group insurance.

In accordance with GASB 45 and the State of New Jersey, the Commission is required to obtain an actuarial valuation of the liability for providing these benefits. The actuary has decided to use the entry age actuarial cost method and the level percentage of payroll amortization method. The actuarial valuation report was based on 37 total participants including 28 retirees. The actuarial valuation date is December 31, 2017. The actuarial determined valuation of these benefits has been reviewed and will be reviewed bi-annually for the purpose of estimating the present value of future benefits for active and retired employees and their dependents as required by GASB 45.

Annual OPEB Cost and Net OPEB Obligation

The Commission's annual OPEB cost represents the accrued cost for post-employment benefits under GASB 45. The cumulative difference between the annual OPEB cost and the benefits paid during a year will result in a net OPEB obligation. The annual OPEB cost is equal to the annual required contribution (ARC) less adjustment if a net OPEB obligation exists. The ARC is equal to the normal cost and amortization of the Unfunded Actuarial Accrued Liability (UAAL) plus interest.

Actuarial Methods and Assumptions

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

In the December 31, 2017 Actuarial Valuation Report, the Entry Age actuarial cost method was used for all participants. The actuarial assumptions used to project future costs included a discount rate of 3.16%. In addition, the unfunded actuarial accrued liability is being amortized over the maximum acceptable period of 30 years and is calculated assuming a level dollar amount.

Other Post-employment Benefit Costs and Obligations

The following reflects the components of the 2017 annual OPEB Costs, amounts paid, and changes to the net accrued OPEB obligation for the year ended December 31, 2017, based on the December 31, 2016 actuarial valuation update report and actual OPEB payments made or accrued during the year ended December 31, 2016:

		December 31, 2017
Annual Required Contribution	$	-
Interest on Net OPEB Obligation		-
Service Cost		(8,947)
Adjustment to Annual Required Contribution		-
Annual OPEB Cost (Expense)		(8,947)
Age Adjusted Contrbutions Made		256,485
Increase in Net OPEB Obligation		247,538
Net OPEB Obligation - Beginning of Period		1,703,572
End of Period	$	1,951,110

Funding Status and Progress

The State of New Jersey has not provided statutory Commission that would allow the OPEB costs to be funded at this time.

Required Supplementary Information:

		December 31, 2017
Actuarial Accrued Liability (AAL)		1,951,110
Total Unfunded AAL (UAAL)	$	1,951,110
Funded ratio		0.00%

Funding Policy

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Commission on a monthly basis.

The Commission contributions to SHBP for the year ended December 31, 2017, was $398,973.26, which equaled the required contributions for the period. There were 28 retired participants eligible at December 31, 2017.

11. RISK MANAGEMENT

The Commission 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.

Bridge Damage Insurance

Due to the threefold increase in insurance coverage of the bridges, the Commission has canceled the physical damage and use and occupancy insurance on the bridges because, in the judgment of the Commission, it is not reasonably obtainable. The Commission maintains with responsible insurers all insurance required.

Property and Liability insurance

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

12. DEFERRED COMPENSATION

The Commission offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, which is administered by the Valic Retirement Services Company, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

13. LITIGATION

From time to time, the Commission is a defendant or co-defendant in various lawsuits arising out of normal operations of the Commission. The Commission's deductible for personal injury claims is currently $50,000.00 per claimant. If the Commission is not successful in defending the various legal proceedings and has to pay the maximum deductible, the payments would be material to the financial statements.

14. DUE TO IRS – ARBITRAGE REBATE

Periodic arbitrage calculations have been made for the various bond issues and the Commission has concluded that no reserve is required at December 31, 2017. The reserves will be revised if future calculations warrant a revision.

15. SHARED SERVICE AGREEMENT

A shared services agreement dated December 8, 2009, between the Cape May County Bridge Commission and the County of Cape May, whereby the County of Cape May will pay the debt expenses on any Commission Bonds currently outstanding or additional Bonds issued in the future. The Cape May County Bridge Commission will continue to operate and maintain the County Bridge Facilities that are currently operated by the Commission or which, in the future, become its responsibility to so operate.

16. SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred from December 31, 2017 through July 18, 2018, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

CAPE MAY COUNTY BRIDGE COMMISSION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEE RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS

	2017	2016	2015	2014	A 2013
Authority's proportion of the net pension liability (asset)	0.0129467703%	0.0114040555%	0.0163997655%	0.0164608654%	0.0161789679%
Authority's proportionate of the net pension liability (asset)	$ 3,013,801	$ 3,377,554	$ 3,681,419	$ 3,081,924	$ 3,092,294
Authority's covered payroll	$ 826,599	$ 861,687	$ 877,836	$ 1,050,287	$ 343,570
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	364.60%	391.97%	419.37%	293.44%	900.05%
Plan fiduciary net position as a percentage of the total pension liability	36.78%	40.14%	47.93%	52.08%	48.72%

A - This was a three month period due to the change in the Commission's fiscal year.

Source: GASB 68 report on Public Employees' Retirement System; Authority records

Note: This schedule is required by GASB 68 to show information for a 10 year period.
However, information is only currently available for five years.
Additional years will be presented as they become available.

CAPE MAY COUNTY BRIDGE COMMISSION
SCHEDULE OF COMMISSION CONTRIBUTIONS
PUBLIC EMPLOYEE RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS

	2017	2016	2015	2014	A 2013
Contractually required contribution	$ 122,660	$ 162,909	$ 160,784	$ 338,639	$ 362,070
Contributions in relation to the contractually required contribution	122,660	162,909	160,784	338,639	362,070
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 826,599	$ 861,687	$ 877,836	$ 1,050,287	$ 343,570
Contributions as a percentage of covered-employee payroll	14.84%	18.91%	18.32%	32.24%	105.38%

A - This was a three month period due to the change in the Commission's fiscal year.

Note: This schedule is required by GASB 68 to show information for a 10 year period.
However, information is only currently available for five years.
Additional years will be presented as they become available.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITOR'S REPORT

Commission Members
Cape May County Bridge Commission
Cape May Court House, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Cape May County Bridge Commission, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated July 18, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Leon P. Costello

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

July 18, 2018

CAPE MAY COUNTY BRIDGE COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	**Unmodified Opinion**
Internal control over financial reporting:	
1) Material Weakness identified?	**NO**
2) Significant deficiencies?	**NO**
Non-Compliance material to Financial Statements noted?	**NO**

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

NONE

MANAGEMENT RESPONSES

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

STATUS OF PRIOR YEAR FINDINGS

There were no prior year findings.

Schedule 1

CAPE MAY COUNTY BRIDGE COMMISSION
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND INVESTMENTS - UNRESTRICTED ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Revenue Account	Operating Account	Total
CASH AND INVESTMENTS JANUARY 1, 2017	$ 615,148.03	$ 441,567.05	$ 1,056,715.08
CASH RECEIPTS:			
Bridge tolls	2,771,559.62		2,771,559.62
Reimbursement from County for Debt Service	1,036,556.26		1,036,556.26
Interest on deposits and investments	6,357.59		6,357.59
Miscellaneous income	15,156.87		15,156.87
Transfers from (to) unrestricted accounts	(2,700,000.00)	2,700,000.00	-
Total Cash and Investments Available	1,744,778.37	3,141,567.05	4,886,345.42
CASH DISBURSEMENTS:			
Operations		2,719,173.50	2,719,173.50
Prepaid Insurance/Inventory Asset			
Accounts Payable		(143,277.29)	(143,277.29)
Cancellation of PY Payables/Misc Adjustments			
Transfers to restricted accounts	1,024,552.34		1,024,552.34
Total Cash Disbursements	1,024,552.34	2,575,896.21	3,600,448.55
CASH AND INVESTMENTS December 31, 2017	$ 720,226.03	$ 565,670.84	$ 1,285,896.87
BALANCE COMPRISED OF:			
Cash	$ 32,695.10	$ 565,365.62	$ 598,060.72
Investments	687,530.93	305.22	687,836.15
	$ 720,226.03	$ 565,670.84	$ 1,285,896.87

Schedule 2

CAPE MAY COUNTY BRIDGE COMMISSION
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENTS - RESTRICTED ACCOUNTS
YEAR ENDED DECEMBER 31, 2017

	Bond Service Account	Construction Account	Total
CASH AND INVESTMENTS JANUARY 1, 2017	$ 582,207.11	$ 322,414.51	$ 904,621.62
CASH RECEIPTS:			
Transfers from unrestricted accounts	1,064,181.30		1,064,181.30
Miscellaneous	1,351.42	1,932.40	3,283.82
Total Cash and Investments Available	1,647,739.83	324,346.91	1,972,086.74
CASH DISBURSEMENTS:			
Payment of bond principal/interest	1,036,556.26		1,036,556.26
Transfers to restricted accounts		39,628.96	39,628.96
Capital Expenses - non-fixed assets			
Total Cash Disbursements	1,036,556.26	39,628.96	1,076,185.22
CASH AND INVESTMENTS DECEMBER 31, 2017	$ 611,183.57	$ 284,717.95	$ 895,901.52
BALANCE COMPRISED OF:			
Cash	$	$ 13,091.97	$ 13,091.97
Investments	611,183.57	271,625.98	882,809.55
	$ 611,183.57	$ 284,717.95	$ 895,901.52

Schedule 3

CAPE MAY COUNTY BRIDGE COMMISSION
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2017

	Revised Budget	Actual
REVENUES:		
Toll revenues	$ 2,830,000.00	$ 2,771,559.62
Interest on investments and deposits	1,000.00	6,357.59
Reimbursement from County for Debt Service	1,036,556.00	1,036,556.26
Other	-	18,236.94
Total Operating Revenues	3,867,556.00	3,832,710.41
EXPENSES:		
Operating appropriations:		
Personnel services:		
Commission salaries	25,500.00	27,624.87
Administrative salaries	225,500.00	217,649.53
Toll collectors' salaries	1,040,000.00	1,015,973.19
Employee benefits	909,340.00	764,230.83
Public Employees' Retirement System	122,660.00	122,660.00
Insurance		
Administrative and general expenses:		
Legal expense	24,000.00	80,008.00
Deferred compensation	2,600.00	365.53
Trustee fee	4,000.00	4,200.00
Professional services	50,000.00	56,253.07
Auditor fee and services	25,000.00	24,000.00
Conferences and permits	500.00	910.74
Operations and maintenance expenses:		
Armored car service	50,000.00	49,404.00
Telephone	10,000.00	6,332.76
Advertising	500.00	340.70
Office and toll supplies	9,500.00	34,532.64
Office equipment and maintenance contracts	25,000.00	16,334.92
Utilities	45,000.00	29,528.51
Maintenance supplies	9,900.00	23,634.34
Uniforms	4,000.00	2,947.34
Toll Maintenance	8,000.00	175.03
Insurance	240,000.00	242,067.50
Total Operating Appropriations	2,831,000.00	2,719,173.50
Interest expense	396,556.00	396,556.26
Other costs funded by operating revenues:		
Principal maturity	640,000.00	640,000.00
	640,000.00	640,000.00
Total Costs Funded by Operating Revenues	3,867,556.00	3,755,729.76
Excess (Deficit) in Budgeted Revenues	$ -	$ 76,980.65

Schedule 4

CAPE MAY COUNTY BRIDGE COMMISSION
BRIDGE TOLL REVENUE

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
MIDDLE THOROFARE BRIDGE	$ 848,654.45	828,715.05	864,872.95
OCEAN CITY-LONGPORT BRIDGE	809,264.22	839,112.20	834,802.17
TOWNSENDS INLET BRIDGE	380,846.29	511,234.16	323,601.95
GRASSY SOUND BRIDGE	264,315.15	264,912.70	277,927.97
CORSON'S INLET BRIDGE	446,315.52	430,542.42	422,778.61
OFFICE TICKET SALES	13,747.75	6,406.35	19,762.49
MISCELLANEOUS	8,416.24	9,111.08	10,380.85
BRIDGE TOLL REVENUES	$ 2,771,559.62	2,890,033.96	2,754,126.99

Schedule 5

CAPE MAY COUNTY BRIDGE COMMISSION
CERTIFICATES OF DEPOSIT AND MONEY MARKET FUNDS
DECEMBER 31, 2017

Face Amount	Description	Maturity Date	Cost December 31, 2017
	REVENUE ACCOUNTS		
	US Bank		
	First American Treasury		
$ 687,530.93	Obligation Fund - Class D		$ 687,530.93
687,530.93			687,530.93
	OPERATING ACCOUNT		
	US Bank		
	First American Treasury		
305.22	Obligation Fund - Class D		305.22
305.22			305.22
	DEBT SERVICE ACCOUNT		
	US Bank		
	First American Treasury		
611,183.57	Obligation Fund - Class D		611,183.57
611,183.57			611,183.57
	CONSTRUCTION ACCOUNT		
	US Bank		
	First American Treasury		
11,991.17	Obligation Fund - Class D		11,991.17
	NJ/ARM - Asset & Rebate		
259,634.81	Management Program		259,634.81
271,625.98			271,625.98
$ 1,570,645.70			$ 1,570,645.70

Note: All other Funds are deposited in Cash Management Checking Accounts at Sturdy Savings Bank and earn interest.

Schedule 6

CAPE MAY COUNTY BRIDGE COMMISSION
INSURANCE COVERAGE
DECEMBER 31, 2017

		Limits
PACKAGE POLICY		
Buildings and Contents	$	2,514,000
Deductible		10,000
EDP Coverage		318,147
Deductible		1,000
Crime - Employee Dishonesty		50,000
Deductible		1,000
Theft of Money & Securities		90,000
Deductible		1,000
General Liability:		
Bodily Injury and Property Damage		1,000,000
Personal Injury/ Advertising		1,000,000
Fire, Lightning or Explosion		100,000
General Aggregate		2,000,000
Products/Completed Ops Aggregate		2,000,000
General Liability: Deductible per Claimant		50,000
Hired & Non Owned Auto Liability		1,000,000
UMBRELLA POLICY		
Limits of Liability		5,000,000
Self Insured Retention		10,000
PUBLIC OFFICIALS & EMPLOYMENT PRACTICES LIABILITY		
Limit of Liability - Aggregate		2,000,000
Deductible - Public Officials Liability		25,000
Deductible - Employment Practices		25,000
WORKERS' COMPENSATION		
Bodily Injury - Accident		500,000
Bodily Injury By Disease (Each Employee)		500,000
Bodily Injury (Each Employee)		500,000

Schedule 7

CAPE MAY COUNTY BRIDGE COMMISSION
OFFICIALS IN OFFICE AND SURETY BONDS
FOR THE YEAR ENDED DECEMBER 31, 2017

The following officials were in office during the year under audit:

Name	Title
Patrick Rosenello	Chairman
Carol Brand	Vice-Chairman
Maryanne K. Murphy	Secretary/Treasurer
Karen Coughlin	Executive Director

All employees are covered by a "Commercial Crime Coverage Endorsement" in the amount of $50,000 for each employee with the Scottsdale Insurance Company and Public Officials are covered by a "Public Officials Liability Policy" in the amount of $2,000.000 for each claim.

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INDEPENDENT AUDITOR'S CERTIFICATION

TOLL AGREEMENT – CAPE MAY COUNTY BRIDGE COMMISSION

We have completed the audit of the financial statements Cape May County Bridge Commission in the State of New Jersey for the year ended December 31, 2017.

We, hereby certify that toll revenues collected by the Cape May County Bridge Commission in the State of New Jersey for the year ended December 31, 2017 were used for the proper operations and maintenance of the toll facilities.

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
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July 18, 2018