

In the opinion of Fleishman Daniels Law Offices, LLC, Northfield, New Jersey ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions existing as of the date hereof and assuming continuing compliance by the City of Margate with certain covenants described herein, interest on the Bonds (as defined below) (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 the purpose of calculating the Federal alternative minimum tax; such interest, however, will be included in the adjusted current earnings of a corporation for purposes of the Federal alternative minimum tax imposed on corporations. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale of the Bonds are not includable in gross income under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof. See "TAX MATTERS" herein.

\$18,085,000
CITY OF MARGATE
in the County of Atlantic, State of New Jersey
GENERAL OBLIGATION BONDS, SERIES 2016
Consisting of:
\$11,985,000 General Improvement Bonds, Series 2016
\$4,900,000 Utility Bonds, Series 2016
and
\$1,200,000 School Bonds, Series 2016
(New Jersey School Bond Reserve Act, 1980 N.J. Laws C. 72, as amended)
(BOOK-ENTRY-ONLY) (CALLABLE)

Dated: Date of Delivery

Due: July 15, as shown on the inside front cover page

The \$18,085,000 General Obligation Bonds, Series 2016, consisting of \$11,985,000 General Improvement Bonds, Series 2016 (the "General Improvement Bonds"); \$4,900,000 Utility Bonds, Series 2016 (the "Utility Bonds"); and \$1,200,000 School Bonds, Series 2016 (the "School Bonds"), and together with the General Improvement Bonds and Utility Bonds, the "Bonds"), are valid and legally binding general obligations of the City of Margate, in the County of Atlantic, State of New Jersey (the "City") and are secured by a pledge of the full faith and credit of the City for the payment of the principal thereof and interest thereon. The principal of and interest on the Bonds are payable, if not paid from other sources, from ad valorem taxes to be levied upon all the taxable property within the City without limitation as to rate or amount. Interest on the Bonds will be payable each January 15 and July 15, commencing January 15, 2017, to and including their respective dates of maturity. Interest on the Bonds will be credited to the participants of DTC (as hereinafter defined) as listed on the records of DTC as of each next preceding January 1 and July 1 (the "Record Dates" for the payment of interest on the Bonds). The Bonds will be issued in the form of one certificate for the aggregate combined principal amount of General Improvement Bonds and Utility Bonds maturing in each year and one certificate for the principal amount of School Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as Securities Depository. See "DEPOSITORY TRUST COMPANY INFORMATION-Book-Entry Only System" herein. Individual purchases of the Bonds will be made in book-entry only form in the principal amount of \$5,000 or any integral multiple thereof except, where necessary, also in the amount of \$1,000.

The Bonds are authorized by and are issued pursuant to: (i) the Local Bond Law, N.J.S.A. 40A: 2-1 et seq., as amended and supplemented (the "Local Bond Law"); (ii) Title 18A, Education of the New Jersey Statutes, as amended; (iii) certain bond ordinances as more fully described herein; and (iv) Resolution Numbers 96-2016 and 97-2016 adopted by the City Commission on June 2, 2016.

The Bonds are being issued to provide funds, which will be used to: (i) refund, on a current basis, \$15,715,000 in aggregate principal amount of outstanding bond anticipation notes of the City maturing July 19, 2016; (ii) finance the cost of various general improvements in and by the City in the amount of \$2,370,000 and (iii) pay the costs associated with the issuance of the Bonds.

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

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

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

The Bonds are offered when, as and if issued, and delivered to the Underwriter, as defined herein, subject to withdrawal or modification of the offer without notice, to the prior approval of legality by the law firm of Fleishman Daniels Law Offices, LLC, Northfield, New Jersey, Bond Counsel, and certain other conditions described herein. Certain legal matters will be passed upon for the City by its Attorney, John Scott Abbott, Esq., Margate City, New Jersey. Phoenix Advisors, LLC, Bordentown, New Jersey served as Financial Advisor to the City in connection with the Bonds. It is expected that delivery of the Bonds in book-entry only form will be made at DTC in New York, New York on or about July 15, 2016.

\$18,085,000
CITY OF MARGATE
in the County of Atlantic, State of New Jersey
GENERAL OBLIGATION BONDS, SERIES 2016
Consisting of:
\$11,985,000 General Improvement Bonds, Series 2016
\$4,900,000 Utility Bonds, Series 2016
and
\$1,200,000 School Bonds, Series 2016
(New Jersey School Bond Reserve Act, 1980 N.J. Laws C. 72, as amended)

MATURITY SCHEDULE, INTEREST RATES, YIELDS AND CUSIPS*

<u>Year</u>	<u>General Improvement Bonds Par Amount</u>	<u>Utility Bonds Par Amount</u>	<u>School Bonds Par Amount</u>	<u>Combined Par Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2017	\$600,000	\$200,000	\$50,000	\$850,000	2.00%	0.80%	566591SE4
2018	650,000	230,000	55,000	935,000	2.00	0.85	566591SF1
2019	700,000	260,000	60,000	1,020,000	3.00	0.94	566591SG9
2020	750,000	280,000	70,000	1,100,000	4.00	1.10	566591SH7
2021	800,000	300,000	80,000	1,180,000	4.00	1.22	566591SJ3
2022	900,000	320,000	90,000	1,310,000	3.00	1.37	566591SK0
2023	950,000	330,000	100,000	1,380,000	2.00	1.48	566591SL8
2024	950,000	350,000	100,000	1,400,000	2.00	1.60	566591SM6
2025	1,000,000	370,000	100,000	1,470,000	2.00	1.70	566591SN4
2026	1,100,000	370,000	100,000	1,570,000	2.00	1.85	566591SP9
2027	1,200,000	370,000	100,000	1,670,000	2.00	2.00	566591SQ7
2028	1,200,000	380,000	100,000	1,680,000	2.00	2.10	566591SR5
2029	1,185,000	380,000	100,000	1,665,000	2.00	2.15	566591SS3
2030		380,000	95,000	475,000	2.00	2.25	566591ST1
2031		380,000		380,000	2.125	2.35	566591SU8

* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the 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 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.

**CITY OF MARGATE, IN THE
COUNTY OF ATLANTIC, NEW JERSEY**

MAYOR

Michael S. Becker

CITY COMMISSION

Michael Becker
John F. Amodio
Maury Blumberg

CITY ADMINISTRATOR

Richard Deaney

CITY CHIEF FINANCIAL OFFICER

Lisa McLaughlin, CPA, CMFO

CITY SOLICITOR

John Scott Abbott, Esq.
Margate City, New Jersey

CITY AUDITOR

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

BOND COUNSEL

Fleishman Daniels Law Offices, LLC
Northfield, New Jersey

FINANCIAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

No broker, dealer, salesperson or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds other than those contained in this document, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the City and other sources deemed reliable; however, such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the City. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this document nor any sale 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, 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.

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

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, will not be listed on the stock or other securities exchange and neither the Securities and Exchange Commission or any other federal, state, municipal or other governmental entity, other than the City, will have passed upon the accuracy or adequacy of the Official Statement.

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

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OFFICIAL STATEMENT

Relating to

\$18,085,000

CITY OF MARGATE

in the County of Atlantic, State of New Jersey

GENERAL OBLIGATION BONDS, SERIES 2016

Consisting of:

\$11,985,000 General Improvement Bonds, Series 2016

\$4,900,000 Utility Bonds, Series 2016

and

\$1,200,000 School Bonds, Series 2016

(New Jersey School Bond Reserve Act, 1980 N.J. Laws C. 72, as amended)

(BOOK-ENTRY-ONLY) (CALLABLE)

INTRODUCTION

This Official Statement, which includes the cover page, inside front cover page and the appendices attached hereto, has been prepared by the City of Margate (the “City”), in the County of Atlantic, in the State of New Jersey (the “State”) in connection with the sale and issuance of \$18,085,000 General Obligation Bonds, Series 2016, consisting of \$11,985,000 General Improvement Bonds, Series 2016 (the “General Improvement Bonds”); \$4,900,000 Utility Bonds, Series 2016 (the “Utility Bonds”); and \$1,200,000 School Bonds, Series 2016 (the “School Bonds”, and together with the General Improvement Bonds and Utility Bonds, the “Bonds”). This Official Statement has been executed by and on behalf of the City by the Chief Financial Officer and may be distributed in connection with the sale of the Bonds described herein.

This Official Statement contains specific information relating to the Bonds including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to this issue. 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 historic information and, but only to the extent specifically provided herein, certain projections into the immediate future, and is not necessarily indicative of future or continuing trends in the financial position of the City.

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

THE BONDS

General Description

The Bonds shall be dated and shall bear interest from their date of delivery, and will mature on July 15 in each of the years and in the amounts set forth on the inside front cover page hereof. The Bonds shall bear interest, which is payable semiannually on the fifteenth (15th) day of January and July in each year (each constituting an “Interest Payment Date”), commencing January 15, 2017, at the interest rates set forth on the inside front cover page hereof. The record dates for payment of the interest on the Bonds shall be January 1 and July 1 next preceding the interest payment dates. The Bonds may be purchased in book-entry

only form in the amount of \$5,000 or any integral multiple thereof, except where necessary, also in the amount of \$1,000, through book-entries made on the books and the records of The Depository Trust Company, New York, New York (“DTC”) and its participants. See “Book-Entry Only System”. The City will act as the “Bond Registrar/Paying Agent” for the Bonds.

Book-Entry-Only System*

The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the 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 Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity as set forth on the cover page hereof each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

* Source: The Depository Trust Company

behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry only system for the Bonds is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal or redemption price of and interest with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or Redemption Price of and interest with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City, or the City's hereafter designated paying agent, if any. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

NEITHER THE CITY NOR ANY PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

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

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 Bonds at any time, the City will attempt to locate another qualified Securities Depository. If the City fails to find such a 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.

Redemption

The Bonds of this issue maturing prior to July 15, 2025, are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after July 15, 2025, are redeemable at the option of the City in whole or in part on any date on or after July 15, 2024, upon notice as required herein, at par (the "Redemption Price"), plus in each case accrued interest to the date fixed for redemption.

Notice of Redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the 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 depository and shall not be sent to the beneficial owners of the Bonds. Any failure of the depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the City determines to redeem a portion of the Bonds prior to maturity, such Bonds to be redeemed 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.

AUTHORIZATION AND PURPOSE OF THE BONDS

Authorization

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 Commission on the dates set forth in the chart on the following pages and published and approved as required by law, and by resolutions duly adopted by the City Commission on June 2, 2016.

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

General Improvement Bonds

The General Improvement Bonds are being issued to provide funds, which will be used to: (i) refund, on a current basis, the \$10,411,000 portion of the \$15,715,000 aggregate principal amount of outstanding bond anticipation notes of the City maturing July 19, 2016 (the “2015 Prior Notes”); (ii) finance the cost of various additional general improvements in and by the City in the amount of \$1,574,000; and (iii) pay the costs associated with the issuance of the General Improvement Bonds.

The purposes for which the General Improvement Bonds are to be issued have been authorized by duly adopted, approved and published bond ordinances of the City, which bond ordinances are described on the following tables by ordinance number, description and date of final adoption, amount of the 2015 Prior Notes being refunded with the General Improvement Bonds, and amount of new money. The bond ordinances are:

General Improvement Bond Ordinances			
<u>Ordinance No.</u>	<u>Purpose</u>	<u>Amount of 2015 Prior Notes to be Redeemed With the Bonds</u>	<u>Amount of New Money</u>
2009-18 (Amended by 2010-12, 2010-36)	Various Road Improvements, adopted July 2, 2009.	\$903,000	\$750
2010-16 (Amended by 2010-30)	Repainting of Benson Avenue Water Tower, adopted May 20, 2010.	230,000	500
2010-31	Purchase of Vehicles for the Public Works Department, adopted October 21, 2010.	422,000	0

<u>Ordinance No.</u>	<u>Purpose</u>	<u>Amount of 2015 Prior Notes to be Redeemed With the Bonds</u>	<u>Amount of New Money</u>
2011-18 (Amended by 2011-21)	Rehabilitation of Fire House No. 1, adopted August 18, 2011.	526,000	250
2011-19	Road Project - Amherst Avenue from Quincy Avenue to Vendome Avenue and Redevelopment of Well #5, adopted August 18, 2011.	340,000	400
2012-03	Rehabilitation of Fire House No. 1, adopted February 16, 2012.	1,850,000	50,000
2012-11	Road Program; 2010 & 2011 CDBG; equipment, adopted July 19, 2012.	766,834	0
2013-03	Construction of Capital Improvements required to repair damages caused by Hurricane Sandy, adopted February 21, 2013.	900,616	43,100
2013-04	Road Program-Phase II, adopted February 7, 2013.	489,060	0
2013-15	Road Program, facilities, vehicles and technology, adopted July 3, 2013.	1,063,240	0
2014-07	Various Capital Improvements and Purchases of Equipment, Apparatus and Vehicles, adopted March 6, 2014.	1,800,000	90,000
2014-24	City Hall & Union Ave repairs-Superstorm Sandy, adopted June 5, 2014.	1,120,250	525,000
2014-32	Construction of improvements and repairs to City Hall resulting from Hurricane Sandy, adopted October 16, 2014.	<u>0</u>	<u>864,000</u>
SUBTOTAL:		<u>\$10,411,000</u>	<u>\$1,574,000</u>
TOTAL GENERAL IMPROVEMENT BONDS:			<u>\$11,985,000</u>

Utility Bonds

The Utility Bonds are being issued to provide funds, which will be used to: (i) refund, on a current basis, the \$4,104,000 portion of the \$15,715,000 aggregate principal amount of outstanding 2015 Prior Notes; (ii) finance the cost of various additional water and sewer utility improvements in and by the City in the amount of \$796,000; and (iii) pay the costs associated with the issuance of the Utility Bonds.

The purposes for which the Utility Bonds are to be issued have been authorized by duly adopted, approved and published bond ordinances of the City, which bond ordinances are described on the following tables by ordinance number, description and date of final adoption, amount of the 2015 Prior Notes being refunded with the Utility Bonds, and amount of new money. The bond ordinances are:

Utility Bond Ordinances			
<u>Ordinance No.</u>	<u>Purpose</u>	<u>Amount of 2015 Prior Notes to be Redeemed With the Bonds</u>	<u>Amount of New Money</u>
2007-45	Burke Avenue Pump Station and Redevelopment of Well No. 9, adopted October 18, 2007.	\$607,000	\$0
2009-01	Decatur Avenue Pump Station, adopted February 5, 2009.	135,000	0
2013-05	Road/Sanitary Sewer and Redevelopment of Well No. 8, adopted February 7, 2013.	1,500,000	0
2013-14 (Amended by 2013-21)	Sanitary Sewer; Gladstone Tank, adopted July 3, 2013.	812,000	0
2014-04	Redevelopment of Well No. 10 and Construction of Improvements to Gladstone Avenue Wet-well, adopted February 20, 2014.	150,000	0
2014-08	Redevelopment of sanitary sewer, storm sewer and water systems on various municipal streets under the 2014 Municipal Road Program, including reconstruction of existing systems on Winchester and Amherst Avenues, adopted March 6, 2014.	900,000	0

<u>Ordinance No.</u>	<u>Purpose</u>	<u>Amount of 2015 Prior Notes to be Redeemed With the Bonds</u>	<u>Amount of New Money</u>
2015-05	Various improvements to Amherst-Vendome-Washington Avenues storm drainage system, Gladstone Avenue Exterior Tank Painting and purchase of vehicles and equipment, adopted April 2, 2015.	<u>0</u>	<u>796,000</u>
SUBTOTAL:		<u>\$4,104,000</u>	<u>\$796,000</u>
TOTAL UTILITY BONDS:			<u>\$4,900,000</u>

School Bonds

The School Bonds are authorized by and are issued pursuant to Title 18A, Education of the New Jersey Statutes, as amended. The School Bonds are being issued to provide funds, which will be used to: (i) refund, on a current basis, the \$1,200,000 portion of the \$15,715,000 aggregate principal amount of outstanding 2015 Prior Notes; and (ii) pay the costs associated with the issuance of the School Bonds.

The purposes for which the School Bonds are to be issued have been authorized by a duly adopted, approved and published bond ordinance of the City, which bond ordinance is described on the following table by ordinance number, description and date of final adoption, amount of the 2015 Prior Notes being refunded with the School Bonds, and amount of new money. The bond ordinance is:

School Bond Ordinance			
<u>Ordinance No.</u>	<u>Purpose</u>	<u>Amount of 2015 Prior Notes to be Redeemed With the Bonds</u>	<u>Amount of New Money</u>
2014-13	Tighe and Ross School Repairs, adopted April 17, 2014.	<u>\$1,200,000</u>	<u>\$0</u>
SUBTOTAL:		<u>\$1,200,000</u>	<u>\$0</u>
TOTAL SCHOOL BONDS:			<u>\$1,200,000</u>
GRAND TOTAL BONDS:			<u>\$18,085,000</u>

SECURITY AND SOURCE OF PAYMENT

Taxing Power

The Bonds are valid and binding general obligation bonds of the City, and the City has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. The Bonds 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 real property taxable within the City for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount. Enforcement of a claim for the payment of principal of or interest on bonds or notes of the City is subject to applicable provisions of Federal bankruptcy law and to the provisions of statutes, if any, hereafter enacted by the Congress of the United States or the Legislature of the State of New Jersey, providing extension with respect to the payment of principal of or interest on the Bonds or imposing other constraints upon enforcement of such contracts

insofar as any such constraints may be constitutionally applied. Under State law, a county, municipality or other political subdivision may file a petition under Federal bankruptcy laws and a plan for readjustment of its debt, but only after first receiving the approval of the State Municipal Finance Commission.

New Jersey School Bond Reserve Act

The School Bonds will be secured under the provisions of the New Jersey School Bond Reserve Act of 1980, Chapter 56 of Title 18A of the New Jersey Statutes, as amended and supplemented, N.J.S.A. 18A:56-1 et seq. (the "School Bond Reserve Act"). Pursuant to the School Bond Reserve Act, there shall be a reserve comprised of two accounts, one in an amount equal to at least one and one-half percent (1.5%) of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued before July 1, 2003 ("Old Reserve Account") and another in an amount equal to at least one percent (1%) of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued on or after July 1, 2003 ("New Reserve Account", together with the Old Reserve Account, the "School Bond Reserve"). The amount to be held within the State Fund ("Fund") for the Support of Free Public Schools as the School Bond Reserve pledged by law to secure payments of principal and interest due on such bonds in the event of the inability of the issuer to make payment shall be determined on June 30 of each fiscal year by the State Treasurer and shall be funded in the amount determined by the State Treasurer on September 15 of the ensuing fiscal year. If the Old Reserve Account exceeds the amount determined to be required, the State Treasurer may transfer the excess to the New Reserve Account. The School Bond Reserve is required to be composed entirely of direct obligations of the United States Government or obligations guaranteed by the full faith and credit of the United States Government. The amount of the School Bond Reserve may not exceed the moneys available in the Fund. If a county, municipality or school district is unable to meet payment of principal or interest on any of its bonds issued for school purposes, it shall certify such liability to the Commissioner of Education ("Commissioner") and the Director of the Division of Local Government Services ("Director") at least ten (10) days prior to the date any such payment is due. If the Commissioner and Director approve the certification, they shall certify the same to the trustees of the Fund. The trustees of the Fund will purchase such bonds at par value or will pay to the Bondholders the interest due or to become due within the limit of funds available in either account of the School Bond Reserve in accordance with the provisions of the School Bond Reserve Act. Payment by the trustees of the Fund on behalf of any county, municipality or school district shall be deducted from the appropriation or apportionment of State aid which may otherwise be payable to the district, county or municipality, and shall not obligate the State or entitle the school district, county or municipality to the payment of any additional appropriation or apportionment. To date, there has been no occasion to call upon this Fund.

SUPERSTORM SANDY

On October 29, 2012, Superstorm Sandy, then a Category 1 post-tropical cyclone according to the National Weather Service, struck the coast of New Jersey (the "Storm"). The resulting storm surge and winds caused catastrophic damage to many coastal and riverfront communities, as well as widespread physical damage (including downed trees and branches and loss of electrical power and other utilities) throughout the State. In the days following the storm, most schools and businesses – and many roads, bridges and public transportation systems – were closed.

The City sustained significant wind and flood damage from the Storm. The City lost electrical power, transportation was temporarily disrupted, and many homes and businesses had substantial water damage as a result of the Storm. As of June 16, 2014, seventy-four (74) property owners out of the total 6,584 residential dwellings in the City, reported significant damage and requested review of their assessment by the City's Tax Assessor. As anticipated, as of January 10, 2015, there was a substantial

reduction in the number of ratable properties previously included on the Hurricane Sandy Disaster Relief (HSDR) listing for the City. In 2014, the official tax list contained seventy-four (74) properties, with an approximate \$3,970,700 in lost ratables due to the Storm and in 2015, the number was reduced to ten (10), with a total loss of ratables of \$792,600. All properties have been removed from the HSDR tax list and will add to the 2016/2017 ratables.

The aforementioned loss of ratables is mitigated by the continuing growth in ratables due to new construction, property renovation and a continual stable and strengthening real estate market in the City. The January 10, 2015 official Tax List included net taxable value of ratables totaling \$3,560,607,337 while the January 10, 2016 official Tax List included net taxable value of ratable totaling \$3,599,386,298, indicating a year over year increase of \$38,778,961. Looking forward, the City Tax Assessor's Office anticipates, once again, a substantial increase in ratables due to continued growth in the City's real estate market for 2016.

In addition, the City continues to experience growth in new construction unrelated to the Storm. According to the City's Construction Office, there have been one hundred thirty-three (133) new construction projects unrelated to the Storm and approximately seventy-eight (78) home elevation construction projects, as of June 1, 2016.

The City sustained water and mold damage to several City-owned properties, including City Hall. Clean-up of these properties has been completed with the exception of City Hall which is currently under construction and is expected to be completed by year end. The costs of these repairs have been authorized by bond ordinances adopted by the City in January of 2015 totaling \$3,616,561, which are all expected to be substantially reimbursed by the Federal Emergency Management Agency ("FEMA") or insurers.

The City is actively engaged with FEMA in the processing of the City's reimbursement claims and anticipates receiving reimbursement of the eligible amount of \$5,469,160 from FEMA and insurance. As of the date of this Official Statement, the City has received \$2,749,052 from FEMA for the reimbursements of these costs, a portion of which has been applied to the payment of the Special Emergency Notes, Series 2015, currently outstanding in the amount of \$1,500,000 and maturing on December 15, 2016 (the "Prior Special Emergency Note"). The Prior Special Emergency Note was issued pursuant to the Local Budget Law which permits governmental entities in the State to borrow to pay for certain extraordinary expenses caused by natural disasters, such as the Storm. The Local Budget Law provides that at least one-fifth (1/5) of such Special Emergency Notes shall mature and be paid in each year. Accordingly, the City made a budget appropriation of \$696,747 in its 2016 budget and has \$2,807,843 in reserves to pay bonds and notes.

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT

School districts in the State do not levy or collect taxes to pay for those budgeted amounts that are not provided by the State. The municipalities within which a school district is situated levy and collect the required taxes and must remit them in full to the school district.

Budget and Appropriations (N.J.S.A. 18A:22-1 et seq. as amended by N.J.S.A. 18A:7A-1 et seq.)

School districts in New Jersey must operate on an annual cash basis budget. Each school district must adopt an annual budget in such detail and upon forms prescribed by the Commissioner, to which must be attached an itemized statement showing revenues, including State and federal aid, and expenditures. The Commissioner must approve a budget prior to its final adoption and has the power to increase or decrease individual line items in a budget. Any amendments in a school district's budget must be approved by the board of education or the board of school estimate, as the case may be.

Limitations on Increases in the Budget (the “CAP”)

Annual increases in a school district’s budget are limited by law, subject to certain limited exceptions. Appropriations for the payment of debt service on bonds and notes are not subject to limitation and must be included in full in a school district’s budget.

Uniform System of Bookkeeping (N.J.S.A. 18A:4-14)

Effective July 1, 1993, the State mandated that all school districts develop and implement accounting principles consistent with generally accepted accounting principles (“GAAP”). In addition, the districts are required to comply with the Uniform Minimum Chart Accounts (Federal Handbook 2R2) for their internal accounting reporting systems. The School District’s (as hereafter defined) financial statements since the above effective date have been prepared in accordance with GAAP requirements.

Annual Audits (N.J.S.A. 18A:23-1 et seq.)

Every board of education is required to provide an annual audit of the district’s accounts and financial transactions. The audit must be performed by a licensed public school accountant who is either a certified public accountant or a registered municipal accountant of New Jersey, or both, within four months of the end of the school fiscal year. This audit, in conformity with statutory requirements, must be filed with the Commissioner. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within thirty days of its completion.

Issuance of Debt (N.J.S.A. 18A:24-1 et seq.)

Type I and Type II districts are authorized to issue bonds pursuant to the provisions of Chapter 24 of Title 18A. Among the provisions are requirements that (i) bonds must mature in annual installments within the statutory usefulness of the projects being financed but not exceeding forty years, (ii) debt must be authorized by an ordinance of the Governing Body of the Municipality in a Type I district and, in a Type II district, by a resolution of the board of education and approved by the legally qualified voters of the school district at a school election or by the board of education and the board of school estimate and (iii) there must be filed with the director of the Division of Local Government Services in the state’s Department of Community Affairs a supplemental debt statement by each municipality comprising a school district setting forth the amount of bonds and notes authorized. Generally, no additional debt may be authorized if the principal amount, when added to the net school debt previously authorized, exceeds a statutory prescribed percentage of the average equalized valuation of taxable property in a school district. A school district other than a regional district may also utilize its constituent municipality’s remaining statutory borrowing power (that is, the excess of 3% of the average equalized valuation of taxable property within the constituent municipality over the constituent municipality’s net debt). The school district also may authorize debt in excess of this limit and its own independent borrowing margin with the consent of the Commissioner and the Local Finance Board, a state regulatory board.

SCHOOL FACILITIES

The City of Margate School District (the “School District”) is coterminous with the City. The School District provides elementary and middle school education to residents of the City at the Margate North School. The School District is governed by the Margate Board of Education (the “School Board”) and operates as a Type I school district under the statutory provisions of Title 18A of the New Jersey Statutes, as amended and supplemented. The School Board consists of seven members who are appointed by the Mayor and serve staggered three-year terms.

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

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

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments, with no annual principal payment greater than 100% of the smallest amount of any prior year's principal amount. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds issued by the City are general full faith and credit obligations.

Debt Limits

The authorized bonded indebtedness of the City for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis over the past three years. The equalized valuation basis of a municipality is set by statute as the average for the last three preceding years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as determined annually by the State Director of Taxation. Certain categories of debt, which include the portion of school debt within a school district's debt limitation and the self-liquidating portion of a utility's debt, are permitted by statute to be deducted for purposes of computing the statutory debt limit. As shown in Appendix "A", the City has not exceeded its statutory debt limit as of December 31, 2015.

Exceptions to Debt Limits - Extensions of Credit

The City may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the City may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the City or substantially reduce the ability of the City to meet its obligations or to provide essential public improvements and services, or makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the City, without approval of the Local Finance Board, to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

Short Term Financing

The City may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued for one year periods, with the last date of issuance not to exceed ten years and four months from the original issuance date. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

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

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

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

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

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

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

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

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparation and drainage map preparation for flood control purposes which may be amortized over five years. Of

course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited, except for: (i) during the first three (3) months of a current fiscal year, appropriation reserves may be transferred to the immediately preceding fiscal year's budget; and (ii) transfers between major appropriation accounts are permitted during the last two (2) months of a current fiscal year. Such transfers must be approved by two-thirds of the full membership of the governing body of a local governmental unit. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

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 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.

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

Additionally, new legislation constituting P.L. 2007, c.62, effective April 3, 2007, imposes a 4% 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 debt service and certain lease payments to county improvement authorities, increases to replace certain lost state aid, increases in certain pension contributions, increases in the reserve for uncollected taxes required for municipalities, and certain increases in health care costs over 4%. The Local Finance Board may approve waivers for certain extraordinary costs identified by the statute, and voters may approve increases above 4% not otherwise permitted by a vote of 60% of the voters voting on a public question.

Additionally, legislation constituting P.L. 2010, c. 44, was adopted on July 13, 2010, which, among other things, imposes a two percent (2%) cap on the tax levy that municipalities, counties, fire districts and solid waste collection districts may impose, with very limited exceptions and subject to certain adjustments.

Exclusions from the two percent (2%) tax levy cap include: (i) increases required to be raised by taxation for capital expenditures, including debt service as defined by law; (ii) increases in pension contributions and accrued liability for pension contributions in excess of 2.0%; (iii) increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 2.0% of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, P.L.1961, c.49 (C.52:14-17.25 et seq.), as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and (iv) and extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate. The amendments to the tax levy sections of the "Cap Law" (specifically, N.J.S.A. 40A:4-45-46) in 2010 no longer permit municipalities, counties, fire districts and solid waste collection districts to request approval from the Local Finance Board for a waiver to increase the amount to be raised by taxation in excess of the two percent (2%) cap. However, counties, municipalities, fire districts and solid waste collection districts may request, through a public question submitted to the voters, an increase in the amount to be raised by taxes above the two percent (2%) tax levy cap. Such approval must be achieved by an affirmative vote in excess of fifty percent (50%) of those voting on such public question.

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

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

Tax Assessment and Collection Procedure

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

Upon the filing of certified adopted budgets by the local school district, regional 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 with the special districts.

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

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any excess of \$1,500.00. These interest and penalties are the highest permitted under New Jersey statutes. If a delinquency is in excess of \$10,000.00 and remains in arrears after December 31st, an additional penalty of 6% shall be charged. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes.

Tax Appeals

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

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 governs anticipation of delinquent tax collections: "The maximum which may be anticipated is the sum produced by 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."

N.J.S.A. 40A:4-41 provides with regard to current taxes that: "Receipts 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 such preceding fiscal year."

This provision and N.J.S.A. 40A:4-40 require 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 revenue will at least be equal to the tax levy required to balance the budget.

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

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

An independent examination of each local unit accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local units financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the

year ended December 31, 2015 for each local unit is on file with the Clerk and is available for review during business hours.

Operation of Utilities

Municipal public utilities are supported by the revenue 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 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.

TAX MATTERS

General

Applicable federal tax law provides that interest on obligations such as the Bonds is not included in gross income for federal income tax purposes only if certain requirements are met. In its Arbitrage and Tax Certificate (the "Tax Certificate"), which will be delivered in connection with the issuance of the Bonds and pursuant to the Internal Revenue Code of 1986, as amended (the "Code"), the City will represent that the City expects and intends to be able to comply with, and will, to the extent permitted by law, comply with the provisions and procedures set forth in the Tax Certificate and do and perform all acts and things necessary or desirable in order to assure that, under the Code as presently in effect, interest on the Bonds be and remain excluded from gross income for Federal income tax purposes.

Under Section 171(a)(2) of the Code, no deduction is allowed for the amortizable bond premium (determined in accordance with Section 171(b) of the Code) on tax-exempt bonds. Under Section 1016(a)(5) of the Code, however, an adjustment must be made to the owner's basis in such bond to the extent of any amortizable bond premium that is disallowable as a deduction under Section 171(a)(2) of the Code.

In the opinion of Fleishman Daniels Law Offices, LLC, Bond Counsel to the City ("Bond Counsel"), under existing statutes, regulations, administrative pronouncements and judicial decisions, and assuming compliance by the City with certain tax covenants described in the Tax Certificate, interest on the Bonds is not included in the gross income of the owners thereof for Federal income tax purposes pursuant to the Code and is not an item of tax preference to be included in calculating alternative minimum taxable income under the Code for purposes of the alternative minimum tax imposed with respect to individuals and corporations. Interest on the Bonds held by corporate taxpayers is included in the relevant income computation for calculation of the Federal alternative minimum tax imposed on corporations as a result of the inclusion of interest on the Bonds in "adjusted current earnings." Except as provided above, no opinion is expressed regarding any other Federal tax consequences arising with respect to ownership of the Bonds.

New Jersey Gross Income Tax

In the opinion of Fleishman Daniels Law Offices, LLC, Bond Counsel, to be delivered simultaneously with the delivery of the Bonds, under existing law as enacted and construed on the date

hereof, interest on the Bonds and any gain on the sale of the Bonds are not includable in gross income under the existing New Jersey Gross Income Tax Act. Except as provided above, no opinion is expressed with respect to other State and local tax consequences of owning the Bonds.

Certain Federal Tax Consequences Relating to Bonds

Although interest on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The nature and extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions and certain recipients of Social Security benefits, are advised to consult their own tax advisors as to the tax consequences of purchasing or holding the Bonds.

There can be no assurance that legislation will not be introduced or enacted after the issuance and delivery of the Bonds so as to affect adversely the exclusion from gross income for federal income tax purposes of interest on the Bonds. Each purchaser of the Bonds should consult his or her own advisor regarding any changes in the status of pending or proposed federal tax legislation.

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

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

BANK QUALIFICATION

The Bonds will not be designated as qualified under Section 265 of the Code by the City for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

LEGALITY FOR INVESTMENT

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

SECONDARY MARKET DISCLOSURE

The City has covenanted for the benefit of bondholders to provide certain financial information and operating data of the City by no later than September 30 of each year, beginning with September 30, 2017 for the fiscal year ending December 31, 2016, 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 the Continuing Disclosure Certificate (the "Disclosure Certificate") to be executed on behalf of the City by its Chief Financial Officer, in the form appearing in Appendix D hereto, such Disclosure Certificate to be delivered concurrently with the delivery of the Bonds. This covenant is being made by the City to assist the purchaser of the Bonds in complying with the Rule.

Within the five years immediately preceding the date of this Official Statement, the City previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) operating data for the fiscal years ending December 31, 2010, 2011 and 2012; and (ii) annual audited financial statements for the fiscal years ending December 31, 2010 and 2011. Additionally, the City acknowledges that it previously failed to file material event notices and late filing notices in connection with: (i) its timely filings of annual operating data; (ii) annual audited financial statements; and (iii) certain rating changes. Such notices of material events and late filings have been filed with EMMA as of the date of this Official Statement. The City appointed Phoenix Advisors, LLC in August 2014 to serve as continuing disclosure agent.

LITIGATION

To the knowledge of John Scott Abbott, Esquire, Margate City, New Jersey (the "City Attorney"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority of the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the City or the title of any of the present officers. Moreover, to the knowledge of the City Attorney, no litigation is presently pending or threatened that, in the opinion of the City Attorney, 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 City's Attorney and delivered to the purchaser of the Bonds at the closing.

MUNICIPAL BANKRUPTCY

The undertakings of the City should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 401, et seq. (the "Bankruptcy Code"), as amended by Public Law 94-260, approved April 8, 1976 and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, as further amended by Public Law 100-597, effective November 3, 1988, and as further amended and other bankruptcy laws affecting creditor's rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes. 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, any such lien, other than municipal betterment assessments, shall be subject to the necessary operating expenses of such project or system. 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 Bankruptcy Code.

Reference should also be made to N.J.S.A. 52:27-40 *et seq.*, which provides that a municipality has the power to file a petition in bankruptcy provided the approval of the Municipal Finance Commission has been obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act.

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.

PREPARATION OF OFFICIAL STATEMENT

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

Ford, Scott & Associates, L.L.C., Ocean City, New Jersey assisted in the preparation of information contained in this Official Statement and takes responsibility for the audited financial statements to the extent specified in their Independent Auditor's Report.

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

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

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

RATINGS

S&P Global Ratings (the "Rating Agency"), has assigned its municipal bond rating of "AA-/Stable" to the Bonds. In addition, the Rating Agency has assigned a rating of "A/Negative" to the School Bonds based upon the additional security provided by the New Jersey School Bond Reserve Act.

The ratings reflect only the view of the Rating Agency at the time such ratings are issued and an explanation of the significance of such ratings may be obtained from the Rating Agency. Such ratings are not a recommendation to buy, sell or hold the Bonds. There is no assurance that such ratings will continue for any given period of time or will not be revised downward or withdrawn entirely by the Rating Agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal may have an adverse effect on the market price of the Bonds.

The inclusion of the Rating Agency's "Stable" and "Negative" outlooks (the "Outlooks") has been provided herein for informational purposes only and is not a part of the "Rating" described in the preceding paragraph. The "Outlooks" are only the Rating Agency's forward-looking views of the City and the New Jersey School Bond Reserve Act. The City has no obligation to treat any change in the "Outlooks" as a "Material Event", as defined and described under the Rule or under the provisions of the City's Continuing Disclosure Certificate, or to notify Bondholders as to any changes to the "Outlooks" after the date hereof.

UNDERWRITING

The Bonds have been purchased from the City by Jefferies LLC, New York, New York, (the "Underwriter") at a purchase price of \$18,446,700.00 (the "Purchase Price") in accordance with the Notice of Sale. The Purchase Price of the Bonds reflects a par amount of the Bonds of \$18,085,000.00 plus a bid premium of \$361,700.00. The Bonds are being offered for sale at the yields set forth on the inside front cover page of this Official Statement, which yields may be changed from time to time by the Underwriter without notice.

FINANCIAL ADVISOR

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

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Fleishman Daniels Law Offices, LLC, Northfield, New Jersey, Bond Counsel to the City, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix C. Certain legal matters will be passed on for the City by the City Attorney.

RISK TO HOLDERS OF BONDS

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

CERTIFICATES OF THE CITY

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

FINANCIAL STATEMENTS

The condensed financial statements of the City for the years ended December 31, 2015 and 2014, to Financial Statements are presented in Appendix B to this Official Statement.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to Lisa McLaughlin, CPA, CMFO, Chief Financial Officer, City of Margate, 9001 Winchester Ave, Margate, New Jersey, (609) 822-4088 or Phoenix Advisors, LLC, 4 West Park Street, Bordentown, New Jersey (609) 291-0130.

All quotations from and summaries and explanations of provisions of laws of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilation thereof.

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

**THE CITY OF MARGATE IN THE COUNTY OF
ATLANTIC, NEW JERSEY**

By: /s/ Lisa McLaughlin
Lisa McLaughlin, CPA, CMFO, Chief Financial Officer

Dated: June 28, 2016

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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INFORMATION REGARDING THE CITY¹

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

General Information

The City is a southern seashore community located on Absecon Island, 60 miles east of Philadelphia, 110 miles south of New York City, 180 miles northeast of Washington, D.C. and 1-1/2 miles south of Atlantic City. The City, with a total area of 1.631 square miles, is bordered by a bay to the west, the Atlantic Ocean to the East, the City of Ventnor to the North and the Borough of Longport to the South.

The City has a long rich history. The City originally known as South Atlantic City was chartered as a municipality in 1869. The extension of a railroad line through the City and the building of a restaurant-hotel in 1881 in the shape of an elephant named “Lucy” began to shape the growth of the City.

Form of Government

The form of government in the City is that of a Board of Commissioners composed of three (3) members elected for four-year (4) terms, one of whom serves as Mayor. Each Commissioner is elected at large.

Utilities

The City operates its own water and sewer utility. Residents are billed annually in June for this service.

Public Works

The department is staffed by thirty-eight (38) full-time personnel who maintain roads, sewer, beach and water facilities.

Recreation

The City has approximately 1.5 miles of beachfront, which is fully protected and City owned.

Police Department

The Police Department employs twenty-seven (27) full-time uniformed personnel and one (1) Class II officer.

¹ Source: The City, unless otherwise indicated.

Fire Department

The Fire Department employs thirty-three (33) full time personnel has approximately ten (10) pieces of equipment.

Library

The City has a Public Library with approximately 40,000 volumes.

Retirement Systems

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

All full-time permanent or qualified City employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions, within the New Jersey Department of Treasury (the “Division”), is the administrator of the funds with the benefit and contribution levels set by the State. The City is enrolled in the Public Employees' Retirement System (“PERS”) and the Police and Firemen's Retirement System (“PFRS”).

City Employees

The following table lists the number of employees of the City, as of July, for each of the past six (6) years.

<u>Year</u>	<u>Full-Time</u>	<u>Part-Time & Seasonal</u>	<u>Total</u>
2015	131	158	289
2014	133	158	291
2013	131	177	308
2012	139	149	288
2011	141	206	347
2010	145	227	372

Source: The City

Pension Information²

Employees, who are eligible to participate in a pension plan, are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost.

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>				
2015	2,804	2,622	182	6.5%
2014	2,893	2,690	203	7.0%
2013	3,023	2,745	278	9.2%
2012	3,096	2,784	312	10.1%
2011	3,054	2,771	283	9.3%
<u>County</u>				
2015	127,666	115,704	11,962	9.4%
2014	132,676	118,708	13,968	10.5%
2013	137,184	121,259	15,925	11.6%
2012	140,634	122,809	17,825	12.7%
2011	139,601	122,129	17,472	12.5%
<u>State</u>				
2015	4,545,083	4,291,650	253,417	5.6%
2014	4,518,715	4,218,423	300,277	6.6%
2013	4,537,800	4,166,000	371,800	8.2%
2012	4,595,500	4,159,300	436,200	9.5%
2011	4,556,200	4,131,800	424,400	9.3%

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 2010)

	<u>City</u>	<u>County</u>	<u>State</u>
Median Household Income	\$73,290	\$53,288	\$71,180
Median Family Income	93,814	65,575	86,779
Per Capita Income	52,084	26,583	35,768

Source: US Bureau of the Census 2010

² Source: State of New Jersey Department of Treasury, Division of Pensions and Benefits

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>
2010	6,354	-22.45%	274,549	8.71%	8,791,894	4.49%
2000	8,193	-2.82	252,552	12.58	8,414,350	8.85
1990	8,431	-8.15	224,327	15.56	7,730,188	4.96
1980	9,179	-13.21	194,119	10.90	7,365,001	2.75
1970	10,576	11.63	175,043	8.80	7,168,164	18.15

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>2015 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Taxpayer #1	\$5,933,700	0.17%
Taxpayer #2	4,542,400	0.13%
Taxpayer #3	4,348,600	0.12%
Taxpayer #4	4,325,000	0.12%
Margate Partners, LLC	4,081,200	0.11%
Taxpayer #5	4,051,700	0.11%
Taxpayer #6	3,988,700	0.11%
Star Bright Star Light, LLC	3,740,900	0.11%
Taxpayer #7	3,548,000	0.10%
Taxpayer #8	<u>3,511,400</u>	<u>0.10%</u>
Total	<u>\$42,071,600</u>	<u>1.18%</u>

Source: Comprehensive Annual Financial Report of the School District & 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>
2015	\$53,266,550	\$52,267,303	98.12%
2014	51,692,695	50,756,057	98.19%
2013	51,466,556	50,544,947	98.21%
2012	48,070,835	47,041,247	97.86%
2011	46,393,904	45,531,845	98.14%

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>
2015	\$3,264	\$925,857	\$929,121	1.74%
2014	5,201	863,686	868,887	1.68%
2013	3,008	835,050	838,059	1.63%
2012	2,763	928,082	930,845	1.94%
2011	1,642	817,723	819,365	1.77%

Source: Annual Audit Reports of the City

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2015	\$138,558
2014	138,558
2013	138,558
2012	138,558
2011	138,558

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>County</u>	<u>Total Taxes</u>
2015	\$0.637	\$0.338	\$0.513	\$1.488
2014	0.639	0.340	0.481	1.460
2013	0.638	0.344	0.482	1.464
2012	0.639	0.346	0.388	1.373
2011	0.614	0.333	0.387	1.334

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>
2015	\$3,559,971,600	\$3,889,404,130	91.53%	\$635,737	\$3,890,039,867
2014	3,525,938,500	3,858,122,880	91.39	632,942	3,858,755,822
2013	3,499,646,000	3,846,187,493	90.99	909,050	3,847,096,543
2012	3,484,981,200	3,848,256,625	90.56	943,653	3,849,200,278
2011	3,469,380,300	3,914,453,684	88.63	943,758	3,915,397,442

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>
2015	\$60,171,500	\$3,405,132,100	\$0	\$88,072,800	\$0	\$6,595,200	\$3,559,971,600
2014	61,478,900	3,369,631,300	0	88,235,000	0	6,593,300	3,525,938,500
2013	55,045,200	3,350,186,600	0	87,702,200	0	6,712,000	3,499,646,000
2012	46,406,100	3,342,473,600	0	89,389,500	0	6,712,000	3,484,981,200
2011	42,642,600	3,330,344,600	0	89,681,100	0	6,712,000	3,469,380,300

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. This summary should be used in conjunction with the tables from which it is derived.

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Fund Balance	\$2,100,000	\$2,300,000	\$2,921,043	\$3,415,200	\$3,400,000
Miscellaneous Revenues	3,375,088	4,004,998	3,512,379	3,461,842	2,954,828
Receipts from Delinquent Taxes	525,000	525,000	525,000	570,000	570,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>23,814,644</u>	<u>23,854,860</u>	<u>23,980,717</u>	<u>24,193,726</u>	<u>24,925,405</u>
Total Revenue:	<u>\$29,814,732</u>	<u>\$30,684,859</u>	<u>\$30,939,139</u>	<u>\$31,640,768</u>	<u>\$31,850,233</u>
<u>Appropriations</u>					
General Appropriations	\$20,683,868	\$21,070,195	\$21,305,300	\$21,576,409	\$22,130,250
Operations	1,390,717	1,339,909	1,342,393	1,614,108	1,400,422
Deferred Charges and Statutory Expenditures	234,619	832,684	750,000	696,747	696,747
Judgments	0	0	0	0	0
Local School District Purposes	1,513,338	1,518,238	1,496,838	1,523,738	1,543,000
Capital Improvement Fund	195,000	50,000	225,000	276,000	220,000
Municipal Debt Service	3,952,593	3,993,413	3,930,303	4,056,793	3,882,500
Reserve for Uncollected Taxes	<u>1,844,598</u>	<u>1,880,420</u>	<u>1,889,306</u>	<u>1,896,974</u>	<u>1,977,315</u>
Total Appropriations:	<u>\$29,814,732</u>	<u>\$30,684,859</u>	<u>\$30,939,139</u>	<u>\$31,640,768</u>	<u>\$31,850,233</u>

Source: Annual Adopted Budgets of the City

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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>Fund Balance - Current Fund</u>	
	Balance	Utilized in Budget
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2015	\$4,047,416	\$3,400,000
2014	4,689,636	3,415,200
2013	4,119,636	2,921,043
2012	3,128,016	2,300,000
2011	2,755,426	2,100,000

Source: Annual Audit Reports of the City

Water and 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 and Sewer Utility Operating Fund for the past five (5) fiscal years ending December 31.

	<u>Fund Balance - Water and Sewer Utility Operating Fund</u>	
	Balance	Utilized in Budget
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2015	\$887,786	\$225,000
2014	857,102	225,000
2013	758,228	358,251
2012	961,827	478,000
2011	1,027,096	478,000

Source: Annual Audit Reports of the City

City Indebtedness as of December 31, 2015

General Purpose Debt	
Serial Bonds	\$25,080,000
Bond Anticipation Notes	10,411,000
Bonds and Notes Authorized but Not Issued	5,835,753
Other Bonds, Notes and Loans	<u>819,817</u>
Total:	\$42,146,570
Local School District Debt	
Serial Bonds	\$8,425,000
Temporary Notes Issued	1,200,000
Bonds and Notes Authorized but Not Issued	<u>969,051</u>
Total:	\$10,594,051
Self-Liquidating Debt	
Serial Bonds	\$4,104,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	1,762,000
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$5,866,000
TOTAL GROSS DEBT	<u>\$58,606,621</u>
Less: Statutory Deductions	
General Purpose Debt	\$2,807,843
Local School District Debt	10,594,051
Self-Liquidating Debt	<u>5,866,000</u>
Total:	\$19,267,893
TOTAL NET DEBT	<u>\$39,338,728</u>

Source: Annual Debt Statement of the City

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Overlapping Debt (as of December 31, 2015)³

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>City Percentage</u>	<u>City Share</u>
Local School District	\$10,594,051	100.00%	\$10,594,051
County	155,437,199	10.37%	16,114,790
Net Indirect Debt			\$26,708,840
Net Direct Debt			<u>39,338,728</u>
Total Net Direct and Indirect Debt			<u>\$66,047,568</u>

Debt Limit

Average Equalized Valuation Basis (2013, 2014, 2015)	\$3,864,571,501
Permitted Debt Limitation (3 1/2%)	135,260,003
Less: Net Debt	<u>39,338,728</u>
Remaining Borrowing Power	<u>\$95,921,275</u>
Percentage of Net Debt to Average Equalized Valuation	1.02%
Gross Debt Per Capita based on 2010 population of 6,354	\$9,224
Net Debt Per Capita based on 2010 population of 6,354	\$6,191

Source: Annual Debt Statement of the City

³ City percentage of County debt is based on the City's share of total equalized valuation in the County.

APPENDIX B

FINANCIAL DATA OF THE CITY

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

The Honorable Mayor and
Members of the City Commission
City of Margate, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Margate, as of December 31, 2015, the related statement of operations and changes in fund balance - regulatory basis for the year 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. The financial statements of the City of Margate as of December 31, 2014 were audited by other auditors whose report dated May 4, 2015 expressed an adverse opinion on those statements in accordance with Generally Accepted Accounting Principles and an unmodified opinion on those statements in conformity with the Regulatory Basis of Accounting as described in Note 1.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of Margate as of December 31, 2015, or changes in financial position for the year 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, 2015, the regulatory basis statements of operations for the year then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2015 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Margate's basic financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards, 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 the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents and the schedule of expenditures of federal awards, as required by the Uniform Guidance 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 supplemental information listed in the table of contents, schedule of expenditures of federal awards, as required by the Uniform Guidance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The letter of comments and recommendations section has not been 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 May 6, 2016 on our consideration of the City of Margate'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 City of Margate'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

May 6, 2016

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

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Regular Fund:		
Cash:		
Cash Treasurer	\$ 6,711,797.78	7,725,787.79
Cash - Change	2,100.00	850.00
Total Cash	<u>6,713,897.78</u>	<u>7,726,637.79</u>
Other Receivables:		
Due from State - Chapter 20 P.L. 1971	11,748.65	11,748.65
Total Other Receivables	<u>11,748.65</u>	<u>11,748.65</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	925,857.14	863,686.01
Tax Title and Other Liens	3,263.93	5,201.00
Property Acquired for Taxes - at Assessed Valuation	138,557.50	138,557.50
Revenue Accounts Receivable	4,171.73	4,359.43
Interfund Receivable:		
Grant Fund	291,919.98	-
Total Receivables and Other Assets	<u>1,363,770.28</u>	<u>1,011,803.94</u>
Deferred Charges:		
Special Emergency Appropriation	1,553,253.15	2,250,000.00
Total Deferred Charges	<u>1,553,253.15</u>	<u>2,250,000.00</u>
Total Regular Fund	<u>9,642,669.86</u>	<u>11,000,190.38</u>
Federal and State Grant Fund:		
Cash	-	-
Federal and State Grants Receivable	936,433.28	729,664.00
Due from Current Fund	-	26,114.98
Total Federal and State Grant Fund	<u>936,433.28</u>	<u>755,778.98</u>
Total Current Fund	<u>\$ 10,579,103.14</u>	<u>11,755,969.36</u>

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2015</u>	<u>2014</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 837,695.91	1,037,341.25
Reserve for Encumbrances	306,638.29	279,251.67
Accounts Payable	5,591.95	5,591.95
Prepaid Taxes	865,471.94	872,282.61
Overpaid Taxes	57,906.57	66,658.71
Local School Tax Payable	-	-
County Added Tax Payable	98,157.31	67,455.81
Due to State:		
Marriage Licenses	50.00	75.00
Interfund Payable:		
Grant Fund	-	26,114.98
General Capital Fund	170,000.00	-
Other		
Reserve for Tax Appeals	13,952.11	13,952.11
Reserve for Sale of Municipal Assets	1,281.99	14,881.95
Reserve for Outside Liens	61,872.02	115,619.27
Reserve for Tax Sale Premiums	303,200.00	540,825.00
Reserve for Insurance Proceeds	9,665.93	8,700.00
Special Emergency Note Payable	1,500,000.00	2,250,000.00
	4,231,484.02	5,298,750.31
Reserve for Receivables and Other Assets	1,363,770.28	1,011,803.94
Fund Balance	4,047,415.56	4,689,636.13
Total Regular Fund	9,642,669.86	11,000,190.38
Federal and State Grant Fund:		
Unappropriated Reserves	0.00	10,404.72
Appropriated Reserves	196,095.73	745,374.26
Encumbrances Payable	448,417.57	-
Due from Current Fund	291,919.98	-
	936,433.28	755,778.98
Total Federal and State Grant Fund	936,433.28	755,778.98
Total Current Fund	\$ 10,579,103.14	11,755,969.36

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

	<u>2015</u>	<u>2014</u>
Revenue and Other Income Realized		
Fund Balance	\$ 3,415,200.00	2,921,043.32
Miscellaneous Revenue Anticipated	3,796,114.16	4,744,507.20
Receipts from Delinquent Taxes	967,386.07	824,699.40
Receipts from Current Taxes	52,267,303.20	50,756,056.64
Non Budget Revenue	238,366.15	372,425.73
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	1,015,896.53	894,489.20
Cancellation of Tax Overpayments		604.29
Cancellation of Reserve for Hurricane Damage		159,759.44
Adjustment to Tax Title Liens		3,538.46
Total Income	<u>61,700,266.11</u>	<u>60,677,123.68</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	11,922,219.41	11,831,480.98
Other Expenses	6,890,754.72	6,747,876.83
Deferred Charges & Statutory Expenditures	2,709,388.00	2,552,435.00
Appropriations Excluded from "CAPS"		
Operations:		
Other Expenses	1,649,520.42	2,103,666.00
Capital Improvements	324,500.00	233,359.19
Debt Service	4,057,178.16	3,923,559.20
Deferred Charges	696,746.85	750,000.00
For Local School Purposes	1,518,737.50	1,496,837.50
Local District School Tax	10,511,408.00	10,498,908.00
County Tax	18,256,756.33	16,979,841.22
County Share of Added Tax	98,157.31	67,455.81
Interfund Created	291,919.98	-
Refund of Prior Year's Revenue		-
Other:		
Prior Year's Deduction Disallowed		660.48
Cancellation of Grants Receivable	-	-
Loss on Investment	-	-
Total Expenditures	<u>58,927,286.68</u>	<u>57,186,080.21</u>

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

	2015	2014
Excess/(Deficit) in Revenue	\$ 2,772,979.43	3,491,043.47
Adjustments to Income before Fund Balance:		
Expenditures included above which are by		
Statute Deferred Charges to Budgets of		
Succeeding Year	-	
Emergency Appropriation		
Total Adjustments	-	-
Statutory Excess to Fund Balance	2,772,979.43	3,491,043.47
Fund Balance January 1	4,689,636.13	4,119,635.98
	7,462,615.56	7,610,679.45
Decreased by:		
Utilization as Anticipated Revenue	3,415,200.00	2,921,043.32
Fund Balance December 31	\$ 4,047,415.56	4,689,636.13

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Anticipated			Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	Realized	
Fund Balance Anticipated	\$ 3,415,200.00		3,415,200.00	-
Total Fund Balance Anticipated	<u>3,415,200.00</u>	-	<u>3,415,200.00</u>	<u>-</u>
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Alcoholic Beverages	9,500.00		9,615.00	115.00
Other	12,000.00		14,803.50	2,803.50
Fees and Permits	178,000.00		191,961.00	13,961.00
Fines and Costs:				
Municipal Court	85,000.00		115,840.09	30,840.09
Interest and Costs on Taxes	150,000.00		186,017.01	36,017.01
Interest on Investments and Deposits	10,000.00		16,320.35	6,320.35
Anticipated Utility Operating Surplus	100,000.00		100,000.00	-
Beach Fees	275,000.00		324,148.00	49,148.00
Cable Franchise	50,000.00		57,762.82	7,762.82
Total Section A: Local Revenues	<u>869,500.00</u>	-	<u>1,016,467.77</u>	<u>146,967.77</u>
Section B: State Aid Without Offsetting Appropriations				
Energy Receipts Tax	764,475.00		764,475.00	-
Total Section B: State Aid Without Offsetting Appropriations	<u>764,475.00</u>	-	<u>764,475.00</u>	<u>-</u>
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	350,000.00		434,845.00	84,845.00
Total Section C: Uniform Construction Code Fees	<u>350,000.00</u>	-	<u>434,845.00</u>	<u>84,845.00</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations	40,968.00		40,968.00	-
Municipal Alliance on Alcoholism and Drug Abuse		32,723.86	32,723.86	-
Clean Communities Program	19,146.51		19,146.51	-
Recycling Tonnage		2,689.05	2,689.05	-
Body Armor Replacement	50,000.00		50,000.00	-
Post Sandy Planning Grant	125,000.00		125,000.00	-
Coastal Resil NFWF				
Total Section F: Special Items - Public and Private Programs	235,114.51	35,412.91	270,527.42	-
Section G: Other Special Items				
Utility Operating Surplus of Prior Year	200,000.00		200,000.00	-
Uniform Fire Safety Act	11,153.67		11,886.88	733.21
Capital Surplus	567,000.00		567,000.00	-
Beach Vending License	79,000.00		99,000.00	20,000.00
Ambulance Billing	200,000.00		234,109.09	34,109.09
Recreation Fees	115,500.00		127,704.22	12,204.22
Sale of Municipal Assets	14,881.95		14,881.95	-
Reserve for Debt Service	46,516.83		46,516.83	-
Reserve for Insurance	8,700.00		8,700.00	-
Total Section G: Other Special Items	1,242,752.45	-	1,309,798.97	67,046.52
Total Miscellaneous Revenues:	3,461,841.96	35,412.91	3,796,114.16	298,859.29

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Anticipated		
	Budget	N.J.S. 40A:4-87	Excess or (Deficit)
Receipts from Delinquent Taxes	570,000.00		397,386.07
Amount to be Raised by Taxes for Support of Municipal Budget			
Local Tax for Municipal Purposes	21,383,737.42		1,104,229.29
Amount for Local District Tax	1,523,738.00		-
Library Tax	1,286,251.00		-
Total Amount to be Raised by Taxes for Support of Municipal Budget	24,193,726.42	-	1,104,229.29
Budget Totals	31,640,768.38	35,412.91	1,800,474.65
Non- Budget Revenues:			
Other Non- Budget Revenues:			238,366.15
	\$ 31,640,768.38	35,412.91	2,038,840.80

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$ 52,267,303.20
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Less: Reserve for Tax Appeals Pending	
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Net Revenue from Collections	52,267,303.20
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Allocated to:

School, County and Other Taxes	28,866,321.64
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Balance for Support of Municipal Budget Appropriations	23,400,981.56
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Increased by:

Appropriation "Reserved for Uncollected Taxes"	1,896,974.15
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Amount for Support of Municipal Budget Appropriations	<u>25,297,955.71</u>
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	963,195.01	
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Tax Title Lien Collections	4,191.06	
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Total Receipts from Delinquent Taxes	<u>967,386.07</u>
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Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Senior & Veterans Administrative Fees	1,745.00	
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Tax Abatements	39,600.00	
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Cell Tower Rent	130,770.00	
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Restitution	249.10	
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Lease of Municipal Property	33,102.70	
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DMV Inspection	175.00	
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Police Impound Auction	966.00	
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Salvage Scrap Metal	382.50	
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Refund of Prior Year Expenses	15,890.09	
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Premium on Sale of Notes	4,660.00	
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Statutory Excess in Dog Fund	539.40	
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Bench Donations	5,000.00	
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Miscellaneous	5,286.36	
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Total Miscellaneous Revenue Not Anticipated:	<u>\$ 238,366.15</u>
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**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
PUBLIC AFFAIRS AND PUBLIC SAFETY						
Director's Office						
Salaries and Wages	\$ 20,000.00	23,392.40	23,392.40			-
Other Expenses	2,000.00	2,000.00	723.73		1,276.27	-
Police						
Salaries and Wages	4,001,465.00	3,989,465.00	3,856,982.01		132,482.99	0.00
Other Expenses	167,250.00	130,750.00	127,256.15	3,330.81	163.04	(0.00)
Fire						
Salaries and Wages	3,727,197.00	3,684,697.00	3,671,554.44		13,142.56	0.00
Other Expenses	98,500.00	106,000.00	89,644.19	15,863.14	492.67	(0.00)
City Clerk						
Salaries and Wages	102,000.00	79,607.60	55,031.68		24,575.92	-
Other Expenses	52,600.00	55,600.00	51,408.36	2,803.48	1,388.16	-
Safety Official						
Salaries and Wages	14,880.00	14,880.00	14,307.50		572.50	-
Other Expenses	5,550.00	5,550.00	2,471.96	3,025.00	53.04	-
Lifeguards						
Salaries and Wages	515,021.00	515,021.00	459,408.82		55,612.18	-
Other Expenses	34,500.00	34,500.00	32,537.27	88.61	1,874.12	-
Beachfront Maintenance						
Salaries and Wages	63,000.00	63,000.00	62,398.14		601.86	-
Other Expenses	12,550.00	12,550.00	3,764.40	6,157.16	2,628.44	-
Planning Board						
Salaries and Wages	109,000.00	109,463.38	109,463.38			-
Other Expenses	26,850.00	26,386.62	19,993.79	99.46	6,293.37	-
Emergency Management Services						
Salaries and Wages	3,600.00	3,600.00	3,592.94		7.06	(0.00)
Municipal Court						
Salaries and Wages	179,000.00	179,000.00	178,065.66		934.34	(0.00)
Other Expenses	20,000.00	20,000.00	12,102.77	1,585.00	6,312.23	-
Legal Services and Costs						
Other Expenses	310,000.00	307,800.00	215,171.43	77,793.88	14,834.69	-
Public Defender						
Other Expenses	3,600.00	3,600.00		600.00	3,000.00	-
Municipal Prosecutor						
Salaries and Wages	25,718.00	25,718.00	23,518.04		2,199.96	-
Dog Regulation						
Other Expenses	8,200.00	8,200.00	8,000.00		200.00	-

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
REVENUE AND FINANCE						
Director's Office						
Salaries and Wages	470,000.00	470,000.00	449,556.26		20,443.74	-
Other Expenses	39,200.00	39,200.00	24,021.17	1,655.50	13,523.33	-
Financial Administration						
Salaries and Wages	32,000.00	102,077.00	88,354.26		13,722.74	-
Audit	20,000.00	20,000.00	16,500.00		3,500.00	-
Other Expenses	152,000.00	146,453.13	116,967.95	23,900.00	5,585.18	0.00
Assessment of Taxes						
Salaries and Wages	214,000.00	154,923.00	154,520.00		403.00	-
Other Expenses	67,630.00	56,630.00	42,734.51	150.00	13,745.49	-
Collection of Taxes						
Salaries and Wages	96,000.00	96,000.00	95,480.06		519.94	0.00
Other Expenses	21,200.00	21,200.00	10,341.08		10,858.92	-
City Clerk						
Salaries and Wages	-	-				-
Other Expenses	-	-				-
Elections						
Other Expenses	26,300.00	26,300.00	17,705.97		8,594.03	-
Liquidation of Tax Title Liens						
Other Expenses	-	-				-
Insurance (N.J.S.A. 40A:4-45.3(00))						
General Liability	351,800.00	351,800.00	320,194.01		31,605.99	-
Workers Compensation Insurance	545,000.00	545,000.00	537,453.00		7,547.00	-
Employee Group Health	2,137,180.00	2,137,180.00	2,085,575.02	1,808.54	49,796.44	-
Health Benefit Waiver	35,000.00	35,000.00	31,889.58		3,110.42	-
PUBLIC WORKS, PARKS AND PROPERTY						
Director's Office						
Salaries and Wages	26,054.00	26,154.03	26,154.03			-
Other Expenses	7,000.00	6,899.97	2,936.44		3,963.53	-
Street Repairs and Maintenance						
Salaries and Wages	1,455,863.00	1,415,863.00	1,361,950.76		53,912.24	-
Other Expenses	435,900.00	475,900.00	432,894.20	35,320.43	7,685.37	(0.00)
Street Lighting						
Other Expenses	175,000.00	180,000.00	179,478.12		521.88	0.00
City Engineer						
Other Expenses	50,000.00	52,200.00	28,786.31	18,600.05	4,813.64	-
Rubbish Removal						
Other Expenses	831,000.00	831,000.00	747,101.96	50,052.39	33,845.65	-
Parks and Playgrounds						

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Salaries and Wages	106,100.00	106,100.00	104,993.91		1,106.09	(0.00)
Other Expenses	33,500.00	33,500.00	12,695.65	2,538.30	18,266.05	-
Recreation						
Salaries and Wages	354,100.00	354,100.00	335,490.25		18,609.75	-
Other Expenses	107,500.00	107,500.00	81,802.43	12,684.78	13,012.79	-
Pavilion						
Salaries and Wages	73,693.00	73,693.00	70,117.72		3,575.28	-
Other Expenses	8,300.00	8,300.00	6,826.27	936.95	536.78	-
Celebration of Public Events, Anniversary or Holiday						
Other Expenses	110,000.00	110,000.00	97,627.10	2,000.00	10,372.90	-
UNIFORM CONSTRUCTION CODE						
State Uniform Construction Code						
Construction Official						
Salaries and Wages	435,465.00	435,465.00	431,680.79		3,784.21	0.00
Other Expenses	51,255.00	51,255.00	19,632.74	1,003.96	30,618.30	-
UNCLASSIFIED						
Payment of Ambulance Bills	18,000.00	18,000.00	11,551.15	6,448.85		-
Sick and Retirement Payments	232,000.00	267,000.00	267,000.00			-
Feasibility Studies	18,000.00	18,000.00	5,394.96		12,605.04	-
General Office Operations	75,000.00	75,000.00	45,794.25	2,315.40	26,890.35	-
Technology						
Other Expenses	64,000.00	64,000.00	42,322.45	20,289.82	1,387.73	0.00
UTILITY EXPENSES AND BULK PURCHASES						
Electricity	160,000.00	155,000.00	132,771.24		22,228.76	-
Telephone	78,500.00	92,500.00	81,514.31	8,311.96	2,673.73	-
Natural Gas	180,000.00	166,000.00	102,676.24	3,517.02	59,806.74	-
Gasoline/Diesel	79,500.00	79,500.00	49,895.34		29,604.66	-
TOTAL OPERATIONS WITHIN "CAPS"	18,875,521.00	18,805,474.13	17,691,170.55	302,880.49	811,423.09	0.00
Contingent	7,500.00	7,500.00	4,531.27	22.80	2,945.93	-
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	18,883,021.00	18,812,974.13	17,695,701.82	302,903.29	814,369.02	0.00
Detail:						
Salaries and Wages	12,024,156.00	11,922,219.41	11,576,013.05	-	346,206.36	0.00
Other Expenses	6,858,865.00	6,890,754.72	6,119,688.77	302,903.29	468,162.66	(0.00)

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
DEFERRED CHARGES AND STATUTORY EXPENDITURES:					
Deferred Charges:					
Overexpenditures of Appropriations	-	-	-	-	-
Statutory Expenditures:					
Contributions to:					
Public Employees' Retirement System	659,690.00	659,690.00	659,602.08	87.92	0.00
Social Security System (O.A.S.I.)	460,000.00	476,000.00	475,226.37	773.63	0.00
Police and Firemen's Retirement System	1,437,198.00	1,437,198.00	1,437,195.95	2.05	0.00
Unemployment Compensation Insurance	34,500.00	34,500.00	32,050.78	2,449.22	-
Lifeguard Pension	100,000.00	100,000.00	100,000.00	-	-
Defined Contribution Retirement Program	2,000.00	2,000.00	1,987.18	12.82	(0.00)
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	2,693,388.00	2,709,388.00	2,706,062.36	3,325.64	0.00
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	21,576,409.00	21,522,362.13	20,401,764.18	302,903.29	817,694.66
OPERATIONS - EXCLUDED FROM "CAPS"					
(A) Operations - Excluded from "CAPS"	1,286,251.00	1,286,251.00	1,286,250.65	0.35	0.00
Maintenance of Free Public Library	15,000.00	15,000.00		15,000.00	-
Recycling Tax					
Other Expenses					
TOTAL OPERATIONS - EXCLUDED FROM "CAPS"	1,301,251.00	1,301,251.00	1,286,250.65	15,000.35	0.00

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
(A) Public and Private Programs Off-Set by Revenues						
Recycling Tonnage Grant	19,146.51	19,146.51	19,146.51	-	-	-
Municipal Alliance on Alcoholism and Drug Abuse						
County Share	40,968.00	40,968.00	40,968.00	-	-	-
Local Share	10,242.00	10,242.00	10,242.00	-	-	-
Body Armor Grant						
Matching Funds for Grants	5,000.00	5,000.00	2,689.05	-	5,000.00	-
Clean Communities Act						
Post Sandy Planning Assistance Grant						
Coastal NFWF-State Aid	50,000.00	32,723.86	32,723.86	-	-	-
Coastal NFWF-State Local	125,000.00	50,000.00	50,000.00	-	-	-
Total	62,500.00	125,000.00	125,000.00	-	-	-
Total	62,500.00	62,500.00	62,500.00	-	-	-
Total Public and Private Programs Off-Set by Revenues	<u>312,856.51</u>	<u>348,269.42</u>	<u>343,269.42</u>	<u>-</u>	<u>5,000.00</u>	<u>-</u>
Total Operations - Excluded from "CAPS" Detail:	1,614,107.51	1,649,520.42	1,629,520.07	-	20,000.35	0.00
Other Expenses	1,614,107.51	1,649,520.42	1,629,520.07	-	20,000.35	0.00
(C) Capital Improvements						
Capital Improvement Fund	232,000.00	280,500.00	280,500.00	-	-	-
Purchase of Equipment	44,000.00	44,000.00	40,264.10	3,735.00	0.90	0.00
Total Capital Improvements	<u>276,000.00</u>	<u>324,500.00</u>	<u>320,764.10</u>	<u>3,735.00</u>	<u>0.90</u>	<u>0.00</u>
(D) Debt Service						
Payment of Bond Principal	2,555,000.00	2,555,000.00	2,555,000.00	-	-	-
Payment of Bond Anticipation Notes and Capital Notes	170,000.00	170,000.00	170,000.00	-	-	-
Interest on Bonds	1,098,800.00	1,098,800.00	1,098,800.00	-	-	-
Interest on Notes	79,200.00	79,200.00	76,103.60	-	-	3,096.40
Green Trust Loan Program:						
Loan Repayments for Principal and Interest	64,059.04	64,059.04	64,059.04	-	-	-
NJ/EIT Loans	67,233.83	67,233.83	65,168.65	-	-	2,065.18
Interest on Special Emergency Notes	22,500.00	28,046.87	28,046.87	-	-	-
Total Debt Service	<u>4,056,792.87</u>	<u>4,062,339.74</u>	<u>4,057,178.16</u>	<u>-</u>	<u>-</u>	<u>5,161.58</u>

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
(E) Deferred Charges						
Special Emergency Authorizations - 5 years	696,746.85	696,746.85	696,746.85	-	-	-
Total Deferred Charges	<u>696,746.85</u>	<u>696,746.85</u>	<u>696,746.85</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	6,643,647.23	6,733,107.01	6,704,209.18	3,735.00	20,001.25	5,161.58
(I) Type I District School Debt Service						
Payment of Bond Principal	1,110,000.00	1,110,000.00	1,110,000.00	-	-	-
Interest on Bonds	408,738.00	408,738.00	408,737.50	-	-	0.50
Interest on Notes	5,000.00	5,000.00	-	-	-	5,000.00
Total Type I District School Debt	<u>1,523,738.00</u>	<u>1,523,738.00</u>	<u>1,518,737.50</u>	<u>-</u>	<u>-</u>	<u>5,000.50</u>
SUBTOTAL GENERAL APPROPRIATIONS	29,743,794.23	29,779,207.14	28,624,710.86	306,638.29	837,695.91	10,162.08
(M) Reserve for Uncollected Taxes	1,896,974.15	1,896,974.15	1,896,974.15	-	-	-
TOTAL GENERAL APPROPRIATIONS	<u>\$ 31,640,768.38</u>	<u>\$ 31,676,181.29</u>	<u>\$ 30,521,685.01</u>	<u>\$ 306,638.29</u>	<u>\$ 837,695.91</u>	<u>\$ 10,162.08</u>
Budget Appropriations by 40A:4-87 Emergency Appropriations	\$ 31,640,768.38	35,412.91			Cancelled Overexpended	\$ 10,162.08 (0.00)
	\$ <u>31,676,181.29</u>					\$ <u>10,162.08</u>
Reserve for Uncollected Taxes Federal and State Grants Deferred Charges Disbursements	\$ 1,896,974.15	343,269.42	696,746.85			
	27,584,694.59					
	<u>\$ 30,521,685.01</u>					

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

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Dog License Fund:		
Cash	\$ 1,702.80	1,819.20
	<u>1,702.80</u>	<u>1,819.20</u>
Other Funds:		
Cash - Treasurer	607,083.25	485,451.80
	<u>607,083.25</u>	<u>485,451.80</u>
	<u>608,786.05</u>	<u>487,271.00</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Dog License Fund:		
Due to State of New Jersey	-	-
Reserve for Dog Fund Expenditures	1,702.80	1,819.20
	<u>1,702.80</u>	<u>1,819.20</u>
Other Funds:		
Payroll Deductions Payable	124,735.79	124,496.82
Miscellaneous Reserves	482,347.46	360,954.98
	<u>607,083.25</u>	<u>485,451.80</u>
Total	\$ <u>608,786.05</u>	<u>487,271.00</u>

See accompanying Notes to Financial Statements - Regulatory Basis

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

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Cash	\$ 2,232,623.06	3,130,037.22
Deferred Charges to Future Taxation -		
Funded	34,324,816.95	38,099,672.53
Unfunded	18,415,803.88	14,418,587.28
Interfunds and Receivables		
Due from Water & Sewer Capital Fund	-	318,252.12
Due from Current Fund	170,000.00	-
	<u>55,143,243.89</u>	<u>55,966,549.15</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Serial Bonds Payable	25,080,000.00	27,635,000.00
Type I School Bonds Payable	8,425,000.00	9,535,000.00
Green Trust Loans Payable	478,409.04	532,093.29
NJEIT Loans Payable	341,407.91	397,579.24
Bond Anticipation Notes Payable	11,611,000.00	7,638,000.00
Improvement Authorizations:		
Funded	65,380.91	406,783.46
Unfunded	1,158,053.30	5,118,613.20
Encumbrances Payable	4,147,077.75	1,632,612.98
Due to Water Sewer Capital Fund	527,272.13	-
Reserve to Pay Bonds & Notes	2,807,842.50	2,275,791.13
Capital Improvement Fund	49,000.00	-
Fund Balance	452,800.35	795,075.85
	<u>\$ 55,143,243.89</u>	<u>\$ 55,966,549.15</u>

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

2014	6,780,587.28
2015	6,804,803.88

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

	<u>2015</u>	<u>2014</u>
Beginning Balance January 1	\$ 795,075.85	1,227,766.65
Increased by:		
Funded Improvement Authorization Canceled	-	160,691.20
Premium on Sale of Bond Anticipation Notes	224,724.50	56,618.00
Reserves Cancelled	-	-
Decreased by:		
Surplus budgeted in Current Fund	(567,000.00)	(650,000.00)
Appropriated to Fund Improvement Authorizations		
Ending Balance December 31	<u>\$ 452,800.35</u>	<u>795,075.85</u>

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

	2015	2014
<u>ASSETS</u>		
Operating Fund:		
Cash	\$ 1,560,812.28	1,348,036.03
Change Fund	100.00	100.00
	1,560,912.28	1,348,136.03
Receivables and Other Assets with Full Reserves:		
Water & Sewer Accounts Receivable	51,937.61	63,670.47
Deferred Charge-Overexpenditure	22,295.34	-
	74,232.95	63,670.47
Total Operating Fund	1,635,145.23	1,411,806.50
Capital Fund:		
Cash - Treasurer	-	-
Interfunds and Receivables		
Due from Utility Operating Fund	109,013.17	109,013.17
Due from General Capital	527,272.13	-
Fixed Capital - Complete	5,042,866.70	5,042,866.70
Fixed Capital - Authorized and Uncomplete	5,120,299.00	3,620,299.00
Total Capital Fund	10,799,451.00	8,772,178.87
	\$ 12,434,596.23	10,183,985.37

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

	2015	2014
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Appropriation Reserves	\$ 292,357.35	154,184.72
Reserve for Encumbrances	26,705.01	24,675.82
Accounts Payable	1,920.00	1,920.00
Prepaid Water & Sewer Rents	25,950.76	23,972.21
Overpaid Water & Sewer Rents	53,442.96	53,099.02
Accrued Interest on Bonds and Notes	37,392.00	13,216.66
Reserve for Water Meter Installations	148,640.44	110,952.23
Interfunds:		
Due to Utility Capital Fund	109,013.17	109,013.17
	695,421.69	491,033.83
Reserve for Receivables	51,937.61	63,670.47
Fund Balance	887,785.93	857,102.20
Total Operating Fund	1,635,145.23	1,411,806.50
Capital Fund:		
Encumbrances Payable	1,268,016.61	978,034.83
Interfunds:		
Due to General Capital Fund	-	318,252.12
Bond Anticipation Notes Payable	4,104,000.00	2,312,000.00
Serial Bonds Payable	-	215,000.00
Improvement Authorizations:		
Funded	-	-
Unfunded	939,428.33	675,885.86
Reserve for Amortization	4,297,165.86	4,082,165.86
Capital Improvement Fund	65,200.00	65,200.00
Fund Balance	125,640.20	125,640.20
Total Capital Fund	10,799,451.00	8,772,178.87
	\$ 12,434,596.23	10,183,985.37

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

2014	2,053,999.84
2015	1,761,999.84

**WATER AND SEWER UTILITY FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
AS OF DECEMBER 31,**

	<u>2015</u>	<u>2014</u>
Revenue and Other Income Realized		
Fund Balance	\$ 225,000.00	358,251.00
Water & Sewer Rents	4,271,981.46	4,250,890.35
Miscellaneous Revenue Anticipated	49,632.94	43,505.87
Miscellaneous Revenue Not Anticipated	2,769.39	1,251.73
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	165,518.94	93,977.15
Total Income	<u>4,714,902.73</u>	<u>4,747,876.10</u>
Expenditures		
Operations	3,806,919.00	3,663,451.00
Debt Service	266,595.34	219,300.00
Deferred Charges and Statutory Expenditures	108,000.00	108,000.00
Surplus (General Budget)	100,000.00	100,000.00
Total Expenditures	<u>4,281,514.34</u>	<u>4,090,751.00</u>
Excess in Revenue	<u>433,388.39</u>	<u>657,125.10</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	22,295.34	
Total Adjustments	<u>22,295.34</u>	<u>-</u>
Excess in Operations	<u>455,683.73</u>	<u>657,125.10</u>
Fund Balance January 1	<u>857,102.20</u>	<u>758,228.10</u>
Decreased by:	1,312,785.93	1,415,353.20
Utilization as Anticipated Revenue	225,000.00	358,251.00
Utilization as Anticipated Revenue - Current Fund	<u>200,000.00</u>	<u>200,000.00</u>
Fund Balance December 31	<u>\$ 887,785.93</u>	<u>857,102.20</u>

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

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
Beginning Balance January 1	\$	125,640.20	125,640.20
Increased by:			
None			
Decreased by:			
None			
Ending Balance December 31	\$	<u>125,640.20</u>	<u>125,640.20</u>

**WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Anticipated Budget	Realized	Excess or (Deficit)
Surplus Anticipated	\$ 225,000.00	225,000.00	-
Rents	3,999,219.00	4,271,981.46	272,762.46
Miscellaneous	35,000.00	49,632.94	14,632.94
Miscellaneous Revenue Not Anticipated		2,769.39	2,769.39
	<u>\$ 4,259,219.00</u>	<u>4,549,383.79</u>	<u>290,164.79</u>

Analysis of Realized Revenue:

Rents

Consumer Accounts Receivable:

Current Collections

4,194,910.23

Prepayments & Overpayments Applied

77,071.23

4,271,981.46

Miscellaneous Revenue Anticipated

Interest on Delinquent Rents

30,882.48

Water Turn On/Off Charges

18,750.46

49,632.94

Miscellaneous Revenue Not Anticipated

Interest on Investments

2,769.39

Refunds

-

2,769.39

**WATER AND SEWER UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Operations:						
Salaries and Wages	\$ 1,464,500.00	1,464,500.00	1,438,708.18		25,791.82	
Other Expenses	1,167,700.00	1,161,786.00	868,515.46	26,705.01	266,565.53	
Atlantic County Utilities Authority - Contractual	1,174,719.00	1,180,633.00	1,180,633.00		-	
	<u>3,806,919.00</u>	<u>3,806,919.00</u>	<u>3,487,856.64</u>	<u>26,705.01</u>	<u>292,357.35</u>	<u>-</u>
Debt Service:						
Payment of Bond Principal	215,000.00	215,000.00	215,000.00		-	
Interest on Bonds	4,300.00	4,300.00	4,300.00			-
Interest on Notes	25,000.00	25,000.00	47,295.34			(22,295.34)
	<u>244,300.00</u>	<u>244,300.00</u>	<u>266,595.34</u>	<u>-</u>	<u>-</u>	<u>(22,295.34)</u>
Deferred Charges and Statutory Expenditures:						
Public Employees' Retirement System	95,000.00	95,000.00	95,000.00		-	
Social Security System	13,000.00	13,000.00	13,000.00		-	
	<u>108,000.00</u>	<u>108,000.00</u>	<u>108,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Surplus (General Budget)	<u>100,000.00</u>	<u>100,000.00</u>	<u>100,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,259,219.00</u>	<u>4,259,219.00</u>	<u>3,962,451.98</u>	<u>26,705.01</u>	<u>292,357.35</u>	<u>(22,295.34)</u>

CITY OF MARGATE
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Balance Dec. 31, 2015	Balance Dec. 31, 2014
General Fixed Assets:		
Land	\$ 50,903,100.00	\$ 50,903,100.00
Buildings	20,809,519.00	20,809,519.00
Machinery and Equipment	<u>9,844,642.34</u>	<u>7,636,288.71</u>
Total General Fixed Assets	<u>\$ 81,557,261.34</u>	<u>\$ 79,348,907.71</u>
Investment in General Fixed Assets	<u>\$ 81,557,261.34</u>	<u>\$ 79,348,907.71</u>

See accompanying Notes to Financial Statements - Regulatory Basis

**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Margate is a shore community in the County of Atlantic, State of New Jersey. The City has a population according to the 2010 census of 6,354.

The City is incorporated and operates under a Commission form of government. The Mayor is the chief executive officer of the City. The Commission exercises the legislative power. The Mayor and Commission members are elected by the voters and the Clerk is appointed by the Mayor and Commissioners. The City employs a City Administrator who is responsible for oversight of the day-to-day operations of the City.

The financial statements of the City of Margate have been prepared in conformity with the Basis of Accounting established by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The more significant of the City's accounting policies are described below.

A. Reporting Entity

Except as noted below, the financial statements of the City of Margate include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the City of Margate.

Component units are legally separate organizations for which the entity is financially accountable. The entity is financially accountable for an organization if the entity appoints a voting majority of the organization's governing board and (1) the entity is able to significantly influence the programs or services performed or provided by the organization; or (2) the entity is legally entitled to or can otherwise access the organization's resources; the entity is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the entity is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the entity in that the entity approves the budget, the issuance of debt or the levying of taxes. The financial statements of the component unit of the City of Margate are not presented in accordance with Governmental Accounting Standards Board Statement (GASB) No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units. If the provisions of GASB 14 and GASB 39 had been complied with, the other entity's financial statements would have to be either blended or discretely presented with the financial statements of the City of Margate, the primary government. The City maintains a Type I School District and a Municipal Library.

Margate City School District
8103 Winchester Avenue
Margate, New Jersey 08402

Margate City Public Library
8100 Atlantic Avenue
Margate, New Jersey 08402

The annual financial report may be inspected directly at the office of the component unit during regular business hours.

**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

B. Description of Funds

The accounting policies of the City of Margate conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with the respect to public funds. Under this method of accounting, the City of Margate 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 Utility Operating and Capital Funds - account for the operations and acquisition of capital facilities of the municipally owned water and sewer utility.

General Fixed Assets Account Group - All fixed assets are 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 as cash except for certain amounts, which are due from other governmental units. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the entity's Current Fund, in addition the receivables for utility billings are recorded with the offsetting reserves in the Utility Fund; accordingly, such amounts are not recorded as revenue 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 cancelled 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.

**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 entity has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Governmental Services, which differs in certain respects from generally accepted accounting principles.

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

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. Expenditures for long lived assets with an original cost in excess of \$2,000 are capitalized. No depreciation has been provided for in the financial statements.

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

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

Property and equipment purchased by the Sewer 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 been paid by 11th day of 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et. seq.

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

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

**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Levy of Utility Charges – The entity operates a sewer utility fund. Rates are determined by ordinance and changed as necessary. Sewer charges are based on flat fees and usage based on the type of entity. Charges are billed annually and due the beginning of June.

Interest of Utility Charges – It is the policy of the entity 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 five percent (5%) on charges becoming delinquent after due date. There is a ten day grace period.

Capitalization of Interest – It is the policy of the City of Margate to treat interest on projects as a current expense and the interest is included in both the current and utility operating budgets.

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.

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 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 entity's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the Statement of Revenue-Regulatory Basis and Statement of Expenditures-Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

F. Recent Accounting Pronouncements Not Yet Effective

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, "Fair Value Measurement and Application". This statement, which is effective for fiscal periods beginning after June 15, 2015, will not have any effect on the Borough's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68". This statement, which is effective for fiscal periods beginning after June 30, 2016, will not have any effect on the Borough's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". This statement, which is effective for fiscal periods beginning after June 30, 2016, establishes new accounting and financial reporting requirements for OPEB plans. It is anticipated that this statement will not have any effect on the Borough's financial reporting.

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 is effective for fiscal periods beginning after June 30, 2017. Although not determinable, the impact of this statement on net position of the entity is anticipated to be significant.

**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". This statement, which is effective for fiscal periods beginning after June 30, 2015, will not have any effect on the Borough'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 municipality is required to establish a reserve for uncollected taxes. The 2015 and 2014 statutory budgets included a reserve for uncollected taxes in the amount of \$1,896,974.15 and \$1,889,305.80. To balance the budget, the municipality is required to show a budgeted fund balance.

The amount of fund balance budgeted to balance the 2015 and 2014 statutory budgets was \$3,415,200.00 and \$2,921,043.32. In addition, the entity operates a self-liquidating sewer utility. Under New Jersey Statutes a separate budget for the utility must be adopted concurrently with the operating budget of the entity. The utility budget must be a balanced cash basis budget with fund balance being used to balance the budget. The amount of fund balance budgeted to balance the 2015 and 2014 statutory budgets was \$0 and \$0.

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 entity City Council. The following significant budget transfers were approved in the 2015 and 2014 calendar years:

<u>Budget Category</u>	<u>2015</u>	<u>2014</u>
<u>Current Fund:</u>		
Revenue and Finance		
Financial Admin		
Salaries and Wages	\$ 70,077	
Assesment of Taxes		
Salaries and Wages	(59,077)	
Police Department		
Salaries and Wages		(26,539.55)
Fire Department		
Salaries and Wages	(42,500)	
Street Repairs		
Salaries and Wages	40,000	(45,756.38)
Other Expenses	(40,000)	70,000.00
Legal		
Other Expenses		50,000.00
Employee Group Health		(77,312.42)

**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 2015 and 2014, the following budget insertions were approved:

<u>Budget Category</u>	<u>2015</u>	<u>2014</u>
Body Armor	\$ 2,689.05	2,693.13
NJ Economic Development Authority		354,664.00
Clean Communities	32,723.86	
	<u>\$ 35,412.91</u>	<u>357,357.13</u>

The entity may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. The entity approved a special emergency appropriation in 2012 for \$3,750,000.00. The emergency was due to Hurricane Sandy. The unfunded balance as of December 31, 2015 was \$1,553,253.15. The required amount is included in the 2016 budget.

Note 3: INVESTMENTS

As of December 31, 2015 and 2014, the municipality had no investments.

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

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

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

Note 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the

**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or fund that may pass to the municipality relative to the happening of a future condition. As of December 31, 2015 and 2014, \$0 of the municipality's bank balance of \$11,007,339.68 and \$12,692,082.04 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, 2015 and 2014:

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
Land	\$ 50,903,100.00			50,903,100.00
Buildings	20,809,519.00			20,809,519.00
Machinery & Equipment	7,636,288.71	2,293,229.63	84,876.00	9,844,642.34
	<u>\$ 79,348,907.71</u>	<u>2,293,229.63</u>	<u>84,876.00</u>	<u>81,557,261.34</u>

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
Land	\$ 50,903,100.00			50,903,100.00
Buildings	20,710,886.00	4,950.00	(93,683.00)	20,809,519.00
Machinery & Equipment	7,282,361.71	955,527.00	601,600.00	7,636,288.71
	<u>\$ 78,896,347.71</u>	<u>960,477.00</u>	<u>507,917.00</u>	<u>79,348,907.71</u>

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**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 6: SHORT-TERM FINANCING

The following is a summary of changes in short-term debt for the years ended December 31, 2015 and 2014:

	Current Fund	General Capital Fund	Sewer Capital Fund	Total
Balance December 31, 2014	\$ 2,250,000.00	\$ 7,638,000.00	\$ 2,312,000.00	\$ 12,200,000.00
Increases	-	11,611,000.00	4,104,000.00	15,715,000.00
Decreases	(750,000.00)	(7,638,000.00)	(2,312,000.00)	(10,646,746.00)
Balance December 31, 2015	<u>\$ 1,500,000.00</u>	<u>\$ 11,611,000.00</u>	<u>\$ 4,104,000.00</u>	<u>\$ 17,215,000.00</u>

	Current Fund	General Capital Fund	Sewer Capital Fund	Total
Balance December 31, 2013	\$ 3,000,000.00	\$ 4,085,000.00	\$ -	\$ 7,085,000.00
Increases	-	7,638,000.00	2,312,000.00	9,950,000.00
Decreases	(750,000.00)	(4,085,000.00)	-	(4,835,000.00)
Balance December 31, 2014	<u>\$ 2,250,000.00</u>	<u>\$ 7,638,000.00</u>	<u>\$ 2,312,000.00</u>	<u>\$ 12,200,000.00</u>

Short-term debt provides for financing of governmental activities and capital projects.

On July 20, 2015 the City issued a Bond Anticipation Note in the Amount of \$11,611,000, bearing interest at a rate of 2.00% per annum to fund various General Capital Ordinances. The Note was due July 20, 2015 and the City reissued the note at that date bearing interest at a rate of 2.00% and it will be due on July 19, 2016.

On July 20, 2015 the City issued a Bond Anticipation Note in the Amount of \$4,104,000, bearing interest at a rate of 2.00% per annum to fund various Water and Sewer Capital Ordinances. The Note was due July 20, 2015 and the City reissued the note at that date bearing interest at a rate of 2.00% and it will be due on July 19, 2016.

On December 27, 2012 the City issued an Emergency Note in the Amount of \$3,750,000.00, bearing interest at a rate of 0.90% per annum to fund extraordinary expenses related to Hurricane Sandy. The Note was due December 26, 2013. The City reduced the note by \$696,746.85 and issued a note for \$1,553,253.15 bearing interest at a rate of 1.5% per annum and due December 15, 2016.

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**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 7: LONG-TERM DEBT

Summary of Municipal Debt

	<u>Year 2015</u>	<u>Year 2014</u>	<u>Year 2013</u>
Issued:			
General:			
Bonds and Notes	\$ 45,935,816.95	\$ 36,202,672.53	\$ 35,281,067.98
Water/Sewer Utility:			
Bonds and Notes	<u>4,104,000.00</u>	<u>2,527,000.00</u>	<u>425,000.00</u>
Total Issued	<u>50,035,816.95</u>	<u>38,729,672.53</u>	<u>35,706,067.98</u>
Less:			
Funds Held Temporarily to pay Bonds and Notes	<u>2,807,842.50</u>	<u>2,275,791.13</u>	<u>1,166,345.86</u>
Net Debt	<u>47,231,974.45</u>	<u>36,453,881.40</u>	<u>34,539,722.12</u>
Authorized But Not Issued:			
General:			
Bonds and Notes	6,804,803.88	6,780,587.28	3,786,134.00
Water/Sewer Utility:			
Bonds and Notes	<u>1,761,999.84</u>	<u>2,053,999.84</u>	<u>3,366,000.00</u>
Total Authorized But Not Issued	<u>8,566,803.72</u>	<u>8,834,587.12</u>	<u>7,152,134.00</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 55,798,778.17</u>	<u>\$ 45,288,468.52</u>	<u>\$ 41,691,856.12</u>

*The General debt includes type I school debt.

Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .982%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$ 10,594,050.60	\$ 10,594,050.60	\$ -
Utility Debt	5,865,999.84	5,865,999.84	-
General Debt	<u>42,146,570.23</u>	<u>2,807,842.50</u>	<u>39,338,727.73</u>
	<u>\$ 58,606,620.67</u>	<u>\$ 19,267,892.94</u>	<u>\$ 39,338,727.73</u>

Net debt \$39,338,727.73 divided by Equalized Valuation Basis per N.J.S.A. 40A: 2-2 as amended, \$3,864,571,501 = 1.018%.

**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

3-1/2% of Equalized Valuation Basis	\$	135,260,002.54
Net Debt		<u>39,338,727.73</u>
Remaining Borrowing Power	\$	<u><u>95,921,274.81</u></u>

Calculation of "Self-Liquidating Purpose", Water and Sewer Utility Per N.J.S.A. 40A:2-45:

Cash Receipts from Fees, Rents or Other Charges for the Year		\$	4,714,902.73
Deductions:			
Operating & Maintenance Costs	\$	3,914,919.00	
Debt Service per Water and Sewer Utility Fund		<u>244,300.00</u>	
Total Deductions			<u>4,159,219.00</u>
Excess in Revenue	\$		<u><u>555,683.73</u></u>

Description of Bonds and Loans Payable

At December 31, 2015, bonds and loans payable in the General Capital Fund consisted of the following individual issues:

\$17,125,000 General Improvement Bond dated June 1, 2006, due in annual installments through June 1, 2023, bearing interest at rates varying from 4.250% to 4.375%. During 2013 \$9,595,000.00 was refunded. The balance remaining as of December 31, 2015, is \$0.

\$4,480,000 General Refunding Bond dated September 30, 2009, due in annual installments through February 1, 2016, bearing interest at rates varying from 4.000% to 5.000%. The balance remaining as of December 31, 2015, is \$715,000.00.

\$17,345,000 General Improvement Bond dated January 15, 2011, due in annual installments through January 15, 2028, bearing interest at rates varying from 3.000% to 5.000%. The balance remaining as of December 31, 2015, is \$14,945,000.00.

\$9,570,000 General Refunding Bond dated March 21, 2013, due in annual installments through June 1, 2023, bearing interest at rates varying from 2.000% to 4.000%. The balance remaining as of December 31, 2015, is \$9,420,000.00.

\$262,500 Green Trust Loan dated 1992 for the Waterfront Project, due in semi-annual installments through 2018, bearing an interest rate of 2.00%. The balance remaining as of December 31, 2015, is \$43,321.57.

\$143,580.16 Green Trust Loan dated 1999 for the Public Library Park, Phase III, due in semi-annual installments through 2018, bearing an interest rate of 2.00%. The balance remaining as of December 31, 2015, is \$21,666.39.

**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
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\$150,000 Green Trust Loan dated 2005 for the Public Library Park, Phase IV, due in semi-annual installments through 2025, bearing an interest rate of 2.00%. The balance remaining as of December 31, 2015, is \$84,159.74.

\$449,500 Green Trust Loan dated 2009 for the Jerome Avenue Recreation Facility, due in semi-annual installments through 2029, bearing an interest rate of 2.00%. The balance remaining as of December 31, 2015, is \$329,261.35.

\$300,000 New Jersey Environmental Infrastructure Trust Loan dated October 15, 2001, due in annual installments through October 15, 2021, bearing interest at rates varying from 4.75% to 5.50%. The balance remaining as of December 31, 2015 is \$130,000.00.

\$312,500 New Jersey Environmental Infrastructure Trust Loan dated October 15, 2001, due in annual installments through October 15, 2021, bearing no interest. The balance remaining as of December 31, 2015 is \$97,912.26.

\$160,000 New Jersey Environmental Infrastructure Trust Loan dated October 15, 2001, due in annual installments through October 15, 2021, bearing interest at rates varying from 4.75% to 5.50%. The balance remaining as of December 31, 2015 is \$65,000.00.

\$164,949 New Jersey Environmental Infrastructure Trust Loan dated October 15, 2001, due in annual installments through October 15, 2021, bearing no interest. The balance remaining as of December 31, 2015 is \$48,495.65.

At December 31, 2015, bonds payable for type I schools consisted of the following individual issues:

\$12,730,000 Type I School Bonds dated September 30, 2009, due in annual installments through February 1, 2022, bearing interest at rates varying from 4.000% to 5.000%. The balance remaining as of December 31, 2013, is \$8,425,000.00.

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**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
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The following schedule represents the changes in the Long-term Debt:

	<u>Outstanding 12/31/14</u>	<u>Payments or Expenditures</u>	<u>Outstanding 12/31/15</u>	<u>Amounts Due Within One Year</u>
General Capital Fund:				
Serial Bonds Payable	\$ 27,635,000.00	2,555,000.00	25,080,000.00	2,520,000.00
School Bonds Payable	9,535,000.00	1,110,000.00	8,425,000.00	1,160,000.00
Loans Payable	929,672.53	109,855.58	819,816.95	109,978.60
Compensated Absences Pay.	2,437,308.33	(47,952.27)	2,485,260.60	
Total General Capital Fund	<u>40,536,980.86</u>	<u>3,774,855.58</u>	<u>34,324,816.95</u>	<u>3,789,978.60</u>
Utility Capital Fund:				
Bonds Payable	<u>215,000.00</u>	<u>215,000.00</u>	-	
Total Utility Capital Fund	<u>215,000.00</u>	<u>215,000.00</u>	-	-
Total All Funds	<u>\$ 40,751,980.86</u>	<u>3,989,855.58</u>	<u>34,324,816.95</u>	<u>3,789,978.60</u>

	<u>Outstanding 12/31/13</u>	<u>Payments or Expenditures</u>	<u>Outstanding 12/31/14</u>	<u>Amounts Due Within One Year</u>
General Capital Fund:				
Serial Bonds Payable	\$ 30,165,000.00	2,530,000.00	27,635,000.00	2,555,000.00
School Bonds Payable	10,580,000.00	1,045,000.00	9,535,000.00	1,110,000.00
Loans Payable	1,031,067.98	101,395.45	929,672.53	109,855.58
Compensated Absences Pay.	2,320,461.60	(116,846.73)	2,437,308.33	
Total General Capital Fund	<u>44,096,529.58</u>	<u>3,676,395.45</u>	<u>38,099,672.53</u>	<u>3,774,855.58</u>
Utility Capital Fund:				
Bonds Payable	<u>425,000.00</u>	<u>210,000.00</u>	<u>215,000.00</u>	<u>215,000.00</u>
Total Utility Capital Fund	<u>425,000.00</u>	<u>210,000.00</u>	<u>215,000.00</u>	<u>215,000.00</u>
Total All Funds	<u>\$ 44,521,529.58</u>	<u>3,886,395.45</u>	<u>38,314,672.53</u>	<u>3,989,855.58</u>

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**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

Year Ending December 31	General Capital Fund		Local School Type I	
	Principal	Interest	Principal	Interest
2016	\$ 2,520,000.00	\$ 998,400.00	\$ 1,160,000.00	\$ 357,537.50
2017	2,340,000.00	909,600.00	1,210,000.00	298,287.50
2018	2,380,000.00	821,150.00	1,215,000.00	237,662.50
2019	2,380,000.00	725,950.00	1,220,000.00	176,787.50
2020	2,375,000.00	630,850.00	1,220,000.00	121,887.50
2021-2026	10,690,000.00	1,938,900.00	2,400,000.00	97,831.25
2027-2029	2,395,000.00	119,625.00		
	<u>\$ 25,080,000.00</u>	<u>6,144,475.00</u>	<u>8,425,000.00</u>	<u>1,289,993.75</u>

Schedule of Annual Debt Service for Principal and Interest for Loans

Year Ending December 31	General Capital Fund	
	Principal	Interest
2016	\$ 109,978.60	\$ 18,858.23
2017	110,123.34	16,257.48
2018	96,900.04	13,634.62
2019	83,296.34	11,392.23
2020	91,160.77	9,270.15
2021-2026	260,527.89	22,410.81
2027-2029	67,829.94	2,048.40
	<u>\$ 819,816.92</u>	<u>\$ 93,871.92</u>

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**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2015 and 2014, which were appropriate and included as anticipated revenue for the year ending December 31, 2016 and 2015 were as follows:

	<u>Year</u>		<u>Balance December 31st</u>	<u>Budget of Succeeding Year</u>	<u>Percent Utilized</u>
Current Fund	2015	\$	4,047,415.56	3,400,000.00	84.00%
	2014		4,689,636.13	3,415,200.00	72.82%
Water and Sewer Utility Fund	2015	\$	887,785.93	225,000.00	25.34%
	2014		857,102.20	225,000.00	26.25%

Note 9: SCHOOL TAXES

Local District School Tax in the amounts of \$10,511,408.00 and \$10,498,908.00 have been raised for the 2015 and 2014 calendar years and remitted to the school district.

Note 10: TAXES COLLECTED IN ADVANCE

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

	<u>Balance December 31, 2015</u>	<u>Balance December 31, 2014</u>
Prepaid Taxes - Cash Liability	\$ <u>865,471.94</u>	\$ <u>872,282.61</u>

Note 11: PENSION PLANS

Description of Plans

Substantially all of the entity's employees participate in the Public Employees' Retirement System (PERS), or the Police and Firemen'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 both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Police and Fireman's Retirement System. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. 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>.

**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
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Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) 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. 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.

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

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

Funding Policy

The contribution policy for PERS is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions is 6.92% through June 30, 2015 and 7.06% thereafter of employee's annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The entity's contributions to PERS for the years ended December 31, 2015, 2014, and 2013 were \$646,990.00, \$608,889.74, and \$608,525.00.

The contribution policy for PFRS is set by N.J.S.A. 43:16A, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employer's annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The entity's contributions to PFRS for the years ended December 31, 2015, 2014, and 2013 were \$1,407,198.00, \$1,395,754.50, and \$1,541,450.00.

The total payroll for the year ended December 31, 2015, 2014, and 2013 was \$11,704,765.99, \$11,416,571.48, and \$11,574,054.03. Payroll covered by PFRS was \$6,096,931.00, \$5,988,166.00, and \$3,247,138.00. Payroll covered by PERS was \$5,595,312.00, \$5,674,081.00 and \$5,372,662.00.

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. For the Deferred Contribution Retirement Program, the City's contribution was \$2,873.24 for 2015, \$2,202.11 for 2014 and \$2,242.36 for 2013.

The Lifeguard Pension provides for employee contributions of 4.00% of employees' annual compensation. The City's contributions to the Lifeguard Pension for the year ended December 31, 2015, 2014 and 2013 was \$100,000.00, \$35,000.00 and \$24,005.08. The City's trust for the Lifeguard Pension at December 31, 2015 was \$171,980.80. The benefits paid by the trust for the year ended December 31, 2015, 2014 and 2013 were \$53,831.24, \$53,589.24 and \$28,690.72.

**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 6.78% 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 $\frac{1}{60}^{\text{th}}$ from $\frac{1}{55}^{\text{th}}$, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a $\frac{1}{7}^{\text{th}}$ of the required amount, beginning in fiscal years 2012.

**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

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

NOTE 12: PENSION LIABILITIES

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

The following represents the municipality's pension liabilities as June 30, 2015:

Public Employees' Retirement System

The Municipality has a liability of \$18,477,226.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Municipality's proportion would be 0.08231125060%, which would be an increase of 4.88% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Municipality would have recognized pension expense of \$2,014,171.00. At December 31, 2015, the Municipality would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 440,802	
Changes of assumptions	1,984,307	
Changes in proportion	608,337	(259,536)
Net difference between projected and actual earnings on pension plan investments		(297,078)
Total	\$ 3,033,446	(556,614)

**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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,			
2016	\$	463,003	
2017		463,003	
2018		463,003	
2019		695,017	
2020		392,806	
Total	\$	<u>2,476,832</u>	

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	3.04%
Salary increases:	
2012-2021	2.15% - 4.40% (based on age)
Thereafter	3.15% - 5.40% (based on age)
Investment rate of return:	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projections Scale AA. The RP-2000 Disability Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

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**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

In accordance with State statute, the long-term expected rate of return on plan investments 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. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt (Except US)	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% as of June 30, 2015, 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 average of the last five years of contributions made in relation to the last five years of 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 2033.

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

**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate of 4.90%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.90%) or 1-percentage point higher (5.90%) than the current rate:

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Municipality's proportionate share of the net pension liability	\$ 22,291,961	18,477,226	\$ 15,284,288

Pension plan fiduciary net position.

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

Police and Firemen's Retirement System

The Municipality has a liability of \$31,960,208.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Municipality's proportion would be 0.19187813010%, which would be an increase of 0.44% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Municipality would have recognized pension expense of \$5,157,063.00. At December 31, 2015, the Municipality 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	\$ -	(275,667)
Changes of assumptions	5,900,648	
Changes in proportion	950,545	(702,883)
Net difference between projected and actual earnings on pension plan investments		(556,239)
Total	<u>\$ 6,851,193</u>	<u>(1,534,789)</u>

**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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,		
2016	\$	1,025,126
2017		1,025,126
2018		1,025,126
2019		1,620,611
2020		620,415
Total	\$	<u>5,316,404</u>

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	3.04%
Salary increases:	
2012-2021	2.60% - 9.48% (based on age)
Thereafter	3.60% - 10.48% (based on age)
Investment rate of return:	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and one year using Projection Scale BB for male service retirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB for female service retirements and beneficiaries with adjustments for mortality improvements from the base year of 2014 based on Projection Scale BB.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

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**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) 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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt (Except US)	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 5.79% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% as of June 30, 2015, 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 average of the last five years of contributions made in relation to the last five years of 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 2045. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2015, calculated using the discount rate as disclosed above as well as what the collective net pension

**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 (4.79%)	Current Discount Rate (5.79%)	1% Increase (6.79%)
District's proportionate share of the net pension liability	\$ 41,433,649	31,960,208	24,238,784

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, 2015 State special funding situation net pension liability amount of \$1,460,720,421.00, is the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2015 State special funding situation pension expense of \$182,203,735.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2015. The pension expense is deemed to be a State administrative expense due to the special funding situation.

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 Municipality was 0.19187813010% for 2015. The net pension liability amount allocated to the Municipality was \$2,802,803.00. For the fiscal year ending June 30, 2015 State special funding situation pension expense of \$466,990.00 is allocated to the Municipality.

Pension plan fiduciary net position.

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

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**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 13: COMPENSATED ABSENCES

The City has permitted employees to accrue sick time, which may be taken as time off or paid at a later date at an agreed upon rate. The monetary value of these earned and unused employee benefits has not been accrued by either charges to fund balance 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. The City estimates this liability to approximate \$2,485,260.60 and \$2,437,308.33, as of December 31, 2015 and 2014 respectively, based on current pay rates and compensated absence balances.

Note 14: ECONOMIC DEPENDENCY

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

Note 15: RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY

Receivables and payables at December 31, 2015 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current	\$ 291,919.98	\$ 170,000.00
Federal and State Grant		291,919.98
General Capital Fund	170,000.00	527,272.13
Utility Operating		109,013.17
Utility Capital	<u>636,285.30</u>	
Total	<u>\$ 1,098,205.28</u>	<u>\$ 1,098,205.28</u>

The amounts due to the Grant fund from the Current fund is due to the fact that there is only one bank account. The remaining interfunds are due to amounts that should have been transferred to the proper bank accounts.

Note 16: FEDERAL AND STATE GRANTS

In the normal course of operations, the City participates in a number of federal and state grant programs. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions relevant to the granting of funds. Any liability for reimbursement, which may arise as a result of these audits, is not believed to be material.

**CITY OF MARGATE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 17: 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, 2015, the City did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The entity 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 entity 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 entity has a general liability limit of \$100,000 under JIF, which increases to \$5,000,000 under MEL.

Note 18: LITIGATION

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

Note 19: LEASE OF CITY PROPERTY

The City is party to several lease agreements for various entity properties. The City leases property to Margate Terrace Corporation which provides elderly and handicapped persons with housing facilities for \$1,500 per month. A parking lot owned by the City is leased to Quincy Ventures for \$5,000 per year. The entity leases property to Lamberti's Sunset Marina and Restaurant for \$500 per month to be operated as a restaurant. An office space owned by the City is leased to Atlantic Coast Alarm for \$350 per month. Atlantic Coast Alarm operates this property as a security control office to be used in conjunction with a municipal alarm system which is operated by the City. The total revenue for the lease of municipal properties was \$33,102.70 in 2015 and \$21,688.03 in 2014.

Note 20: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2015 and May 6, 2016 the date the financial statements were available for issuance for possible disclosure and recognition in the financial statement and no items have come to the attention of the City that would require disclosure.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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FLEISHMAN • DANIELS LAW OFFICES, LLC

A NEW JERSEY LIMITED LIABILITY COMPANY

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JOHN W. DANIELS, ESQUIRE
Of Counsel

E-mail: Joel@fdlawllc.com

July 15, 2016

The Mayor and City Commissioners of the
City of Margate, in the
County of Atlantic, New Jersey

Jefferies LLC
520 Madison Ave - 3rd Floor
New York, New York 10022

**RE: \$18,085,000 Aggregate Principal Amount
City of Margate, County of Atlantic, New Jersey
General Obligation Bonds, Series 2016**

Ladies and Gentlemen:

This office has served as Bond Counsel in connection with the issuance and sale by the City of Margate, in the County of Atlantic, New Jersey (the "City") of \$18,085,000 aggregate principal amount General Obligation Bonds, Series 2016, consisting of \$11,985,000 General Improvement Bonds, Series 2016 (the "GI Bonds"), \$4,900,000 Utility Bonds, Series 2016 (the "Utility Bonds"), and \$1,200,000 School Bonds, Series 2016 (the "School Bonds"; and collectively with the GI Bonds and Utility Bonds being hereinafter referred to as the "Bonds").

The Bonds are authorized to be issued pursuant to (i) the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1, et seq. (the "Local Bond Law"); (ii) Title 18A, Education, Chapter 24 of the New Jersey Statutes; (iii) Resolution No. 97-2016 Determining the Form and Details of the Bonds adopted by the City Commission on June 2, 2016 (the "Bond Resolution"); and (iv) Resolution No. 96-2016 adopted by the City Commission on June 2, 2016 (the "Combining Resolution") combining into a single issue of bonds the following bond ordinances heretofore adopted by the City Commissioners (collectively, the "Ordinances"): Bond Ordinance No. 2007-45, finally adopted on October 18, 2007; Bond Ordinance No. 2009-01, finally adopted on February 5, 2009; Bond Ordinance No. 2009-18, finally adopted on July 2, 2009, as amended by Bond Ordinance No. 2010-12, finally adopted on April 22, 2010, as further amended by Bond Ordinance No. 2010-36, finally adopted on December 2, 2010; Bond Ordinance No. 2010-16, finally adopted on May 20, 2010, as amended by Bond Ordinance 2010-30, finally adopted on October 21, 2010; Bond

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The Mayor and City Commissioners of the City of Margate
Jefferies, LLC
July 15, 2016
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Ordinance No. 2010-31, finally adopted on October 21, 2010; Bond Ordinance No. 2011-18, finally adopted on August 18, 2011, as amended by Bond Ordinance 2011-21, finally adopted on November 3, 2011; Bond Ordinance No. 2011-19, finally adopted on August 18, 2011; Bond Ordinance No. 2012-03, finally adopted on February 16, 2012; Bond Ordinance No. 2012-11, finally adopted on July 19, 2012; Bond Ordinance No. 2013-03, finally adopted on February 21, 2013; Bond Ordinance No. 2013-04, finally adopted on February 7, 2013; Bond Ordinance No. 2013-05, finally adopted on February 7, 2013; Bond Ordinance No. 2013-14, finally adopted on July 3, 2013, as amended by Bond Ordinance No. 2013-21, finally adopted on October 3, 2013; Bond Ordinance No. 2013-15, finally adopted on July 3, 2013; Bond Ordinance No. 2014-04, finally adopted on February 20, 2014; Bond Ordinance No. 2014-07, finally adopted on March 6, 2014; Bond Ordinance No. 2014-08, finally adopted on March 6, 2014; Bond Ordinance No. 2014-13, finally adopted on April 17, 2014; Bond Ordinance No. 2014-24, finally adopted on June 5, 2014; Bond Ordinance No. 2014-32, finally adopted on October 16, 2014; and Bond Ordinance No. 2015-05, finally adopted on April 2, 2015, in all respects duly approved and published as required by law (the foregoing Ordinances, Bond Resolution and Combining Resolution are collectively referred to herein as the "Local Proceedings").

The Bonds are being issued for the purpose of providing funds to permanently finance the cost of certain general capital improvements as described in the Ordinances (the "Projects") and to pay the costs of issuance of the Bonds.

The Bonds are subject to redemption prior to maturity. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as Securities Depository.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Bonds including, without limitation, (a) copies of the Local Proceedings; (b) such matters of law, including, *inter alia*, the Local Bond Law, and the Internal Revenue Code of 1986, as amended (the "Code"); and (c) such other agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the issuance of the Bonds as we deem necessary including, without limitation, the Arbitrage and Tax Certificate delivered by the City and dated the date of delivery of the Bonds (the "Tax Certificate"). We have also examined a fully executed Bond, or a true copy thereof, and have assumed that all other Bonds have been similarly executed. We have further assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined.

FLEISHMAN • DANIELS LAW OFFICES

The Mayor and City Commissioners of the City of Margate
Jefferies, LLC
July 15, 2016
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Based upon the foregoing, we are of the opinion that:

1. The City is a municipal corporation of the State of New Jersey, duly and validly organized and existing under the laws of the State of New Jersey and authorized to undertake the financing of the Projects, to adopt or enact the Local Proceedings and to issue and deliver the Bonds.

2. The Local Proceedings have been validly enacted or adopted by the City and are in full force and effect.

3. The Bonds have been duly authorized, issued, executed, and sold by the City. The Bonds constitute the legal, valid and binding obligations of the City, enforceable in accordance with their respective terms.

4. On the date hereof, the City has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103(a) of the Code. Pursuant to Section 103(a) of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the City continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the City in the Certificate, it is our opinion that, pursuant Section 103(a) of the Code, interest on the Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. However, it is also our opinion that interest on the Bonds held by a corporate taxpayer will be included in such corporation's "adjusted current earnings" (as defined in Section 56(g) of the Code) in calculating such corporation's alternative minimum taxable income for purposes of determining the federal alternative minimum tax.

5. Under the New Jersey Gross Income Tax Act as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale thereof are not includible in gross income. Other than as specifically set forth in this Opinion, we express no opinion regarding federal or state tax consequences arising with respect to the Bonds.

6. The power and obligation of the City to pay the Bonds is unlimited, and the City shall be required to levy *ad valorem* taxes upon all the taxable property within the City

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The Mayor and City Commissioners of the City of Margate
Jefferies, LLC
July 15, 2016
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for the payment of the principal of and interest on the Bonds without limitation as to rate or amount.

These opinions are based on statutes, regulations, administrative pronouncements and judicial decisions existing as of the date of this letter.

For purposes of this Opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles now or hereafter enacted by any state or by the federal government relating to the enforcement of creditors' rights generally, and the phrase "enforceable in accordance with their respective terms" shall not mean that specific performance would be available as a remedy in every situation (regardless of whether enforcement is considered in proceedings at law or in equity).

This Opinion is rendered as of the date hereof and we express no opinion as to any matters not set forth in the numbered paragraphs above, including, without limitation, with respect to, and assume no responsibility for, the accuracy, adequacy, or completeness of, the Preliminary Official Statement or the Official Statement prepared in respect of the Bonds, including the appendices thereto, and make no representation that we have independently verified the contents thereof. We assume no obligations to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

FLEISHMAN ♦ DANIELS LAW OFFICES, LLC

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (“**Disclosure Certificate**”) is executed and delivered as of this 15th day of July, 2016, by and between the City of Margate, County of Atlantic, New Jersey (the “**City**”) pursuant to Resolution No. 97-2016, entitled “RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF \$18,085,000 GENERAL OBLIGATION BONDS, SERIES 2016, CONSISTING OF \$11,985,000 GENERAL IMPROVEMENT BONDS, \$4,900,000 UTILITY BONDS AND \$1,200,000 SCHOOL BONDS, OF THE CITY OF MARGATE, IN THE COUNTY OF ATLANTIC, NEW JERSEY AND PROVIDING FOR THEIR SALE”, adopted on June 2, 2016 (the “**Bond Resolution**”); Resolution No 96-2016 combining into a single issue of general obligation bonds the following bond ordinances heretofore adopted by the City Commission: Bond Ordinance No. 2007-45, finally adopted on October 18, 2007; Bond Ordinance No. 2009-01, finally adopted on February 5, 2009; Bond Ordinance No. 2009-18, finally adopted on July 2, 2009, amended by Bond Ordinance No. 2010-12, finally adopted on April 22, 2010, as further amended by Bond Ordinance No. 2010-36, finally adopted on December 2, 2010; Bond Ordinance No. 2010-16, finally adopted on May 20, 2010, amended by Bond Ordinance 2010-30, finally adopted on October 21, 2010; Bond Ordinance No. 2010-31, finally adopted on October 21, 2010; Bond Ordinance No. 2011-18, finally adopted on August 18, 2011, as amended by Bond Ordinance 2011-21, finally adopted on November 3, 2011; Bond Ordinance No. 2011-19, finally adopted on August 18, 2011; Bond Ordinance No. 2012-03, finally adopted on February 16, 2012; Bond Ordinance No. 2012-11, finally adopted on July 19, 2012; Bond Ordinance No. 2013-03, finally adopted on February 21, 2013; Bond Ordinance No. 2013-04, finally adopted on February 7, 2013; Bond Ordinance No. 2013-05, finally adopted on February 7, 2013; Bond Ordinance No. 2013-14, finally adopted on July 3, 2013, as amended by Bond Ordinance No. 2013-21, finally adopted on October 3, 2013; Bond Ordinance No. 2013-15, finally adopted on July 3, 2013; Bond Ordinance No. 2014-04, finally adopted on February 20, 2014; Bond Ordinance No. 2014-07, finally adopted on March 6, 2014; Bond Ordinance No. 2014-08, finally adopted on March 6, 2014; Bond Ordinance No. 2014-13, finally adopted on April 17, 2014; Bond Ordinance No. 2014-24, finally adopted on June 5, 2014; Bond Ordinance No. 2014-32, finally adopted on October 16, 2014; and Bond Ordinance No. 2015-05, finally adopted on April 2, 2015, in all respects duly approved and published as required by law; in connection with the issuance and sale by the Issuer of \$18,085,000 aggregate principal amount General Obligation Bonds, Series 2016, consisting of \$11,985,000 General Improvement Bonds, Series 2016, \$4,900,000 Utility Bonds, Series 2016, and \$1,200,000 School Bonds, Series 2016 (the “**Bonds**”).

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Underwriter 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, as applicable (including persons holding Bonds, as applicable through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds, as applicable, for federal income tax purposes.

“Bondholder” or **“Holder”** or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any outstanding Bond, including holders of beneficial interests in the Bonds.

“Continuing Disclosure Information” shall mean, collectively, (i) each Annual Report, (ii) any notice required to be filed by the City with EMMA (as defined herein) pursuant to Section 3 of this Disclosure Certificate, and (iii) any notice of a Listed Event required to be filed by the City with EMMA pursuant to Section 5 of this Disclosure Certificate.

“Disclosure Representative” shall mean the Chief Financial Officer of the City or his or her 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, initially, the City or any Dissemination Agent subsequently designated in writing by the City which has filed with the City a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system, a website created by the MSRB (as defined herein) and approved by the SEC (as defined herein) 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 Portable Document File (PDF file) to www.emma.msrb.org.

“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(b)(5) adopted by the Securities and Exchange Commission (“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” shall mean the original underwriter 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 September 15 of each year, commencing September 15, 2017 (for the calendar year ending December 31, 2016), until termination of the City's reporting obligations under this Disclosure Certificate pursuant to the provisions of Section 6 hereof, the Annual Report prepared for the preceding fiscal year of the City. Each Annual Report provided to the Dissemination Agent by the City shall comply with the requirements of Section 4 of this Disclosure Certificate but 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 such date, 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 September 30 of each year (commencing September 30, 2017), the Dissemination Agent shall file with EMMA a copy of the Annual Report 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 file the Annual Report with 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 provided to EMMA pursuant to this Disclosure Certificate, 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. 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 of each year).

The audited financial statements are to be prepared by an independent certified

public accountant and in accordance with generally accepted auditing standards and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (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; and

(2) Certain financial information and operating data of the City consisting of: (a) the City indebtedness; (b) property valuation information; and (c) tax rate, levy and collection data.

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 or the Securities and Exchange Commission. 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. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
7. Modifications to the 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;
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; and
14. Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material.

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 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, 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, the City shall, as soon as possible, determine if such event would constitute information material to the Beneficial Owners of the Bonds.

(c) If the City determines that the occurrence of a Listed Event 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 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 EMMA, 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)(4) and (5) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owner 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 EMMA in accordance with the provisions of Section 5(e) hereof.

SECTION 7. Dissemination Agent; Compensation.

(a) 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. In the event that the Dissemination Agent is replaced or discharged, the City shall provide written notice of such event to the Underwriter. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate. 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. The initial Dissemination Agent shall be Phoenix Advisors, LLC, Bordentown, New Jersey.

(b) The Dissemination Agent, or any successor thereto, may at any time resign and be discharged of its duties and obligations under this Disclosure Agreement by giving not less than forty-five (45) days written notice to the City. Such resignation shall take effect on the date specified in such notice unless a replacement Dissemination Agent has not been appointed by the City, in which event, the Dissemination Agent shall continue to serve in such capacity until a successor has been appointed.

SECTION 8. Prior Compliance with the Rule. Within the five years immediately preceding the date of this Official Statement, the City previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) operating data for the fiscal years ending December 31, 2010, 2011 and 2012; and (ii) annual audited financial statements for the fiscal years ending December 31, 2010 and 2011. Additionally, the City acknowledges that it previously failed to file material event notices and late filing notices in connection with: (i) its timely filings of annual operating data; (ii) annual audited financial statements; and (iii) certain rating changes. Such notices of material events and late filings have been filed with EMMA as of the date of this Disclosure Certificate. The City appointed Phoenix Advisors, LLC in August 2014 to serve as Disclosure Representative.

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 or "Obligated Person," or by approving vote of the Beneficial Owners of the Bonds, as applicable pursuant to the terms of the Bond Resolution 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, any Bondholder or Beneficial Owner of the Bonds may, at the Bondholder's or Beneficial Owner's cost and expense, 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 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 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 Issuer:
City of Margate
Municipal Building
9001 Winchester Avenue
Margate, New Jersey 08402
Attn: Lisa McLaughlin, Chief Financial Officer
Telecopy No.: (609) 822-8316

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

Phoenix Advisors, LLC
4 West Park Street
Bordentown, New Jersey 08505
Attn:
Telecopy No.: (609) 291-9940

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.

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 of New Jersey, as applicable.

IN WITNESS WHEREOF, THE CITY OF MARGATE, COUNTY OF ATLANTIC, has caused this Disclosure Certificate to be executed on its behalf by the Mayor and Chief Financial Officer and its corporate seal to be hereunto affixed, attested by the City Clerk, all as of the day and year first above written.

[SEAL]

CITY OF MARGATE

Attest:

By: _____
Michael Becker, Mayor

Johanna Casey, RMC, City Clerk

By: _____
Lisa McLaughlin, Chief Financial Officer

EXHIBIT "A"

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Margate, County of Atlantic
Name of Bond Issue: \$18,085,000 General Obligation Bonds, Series 2016
Date of Issuance: July 15, 2016

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 Continuing Disclosure Certificate for the Bonds dated as of July 15, 2016, executed by the City.

Dated: _____

Dissemination Agent
(on behalf of the City)

cc: City of Margate