

OFFICIAL STATEMENT DATED JUNE 6, 2018

New Issue – Book Entry Only

Rating: Not Rated

In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by the City (as defined herein) with certain tax covenants described herein, under existing law, interest on the Note (as defined herein) is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and interest on the Note is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, interest paid to certain corporate holders of the Note indirectly may be subject to alternative minimum tax under circumstances described under “TAX MATTERS” herein. Based upon existing law, interest on the Note and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See “TAX MATTERS” herein.

CITY OF OCEAN CITY, In the County of Cape May, State of New Jersey

\$35,500,000 BOND ANTICIPATION NOTE

Dated Date: June 13, 2018
Maturity Date: June 13, 2019
Interest Rate: 2.75%
Re-Offer Yield: 1.60%
CUSIP No. 674684RK3

The \$35,500,000 Bond Anticipation Note (the “Note”) of the City of Ocean City, in the County of Cape May, State of New Jersey (the “City”), will be issued to (i) currently refund \$24,550,000 of the City’s \$25,000,000 Bond Anticipation Note (together with \$450,000 in principal reduction payments), dated and issued on June 14, 2017 and maturing June 14, 2018, (ii) provide \$10,950,000 in new money to fund various capital improvements and (iii) pay costs and expenses in connection with the authorization, sale and issuance of the Note.

The Note will be issued in the form of one certificate for the aggregate principal amount of the Note and when issued 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 for the Note (“DTC”). Interest on the Note will be credited to the Participants (as defined herein) of DTC as listed on the records of DTC as of one business day prior to the maturity date set forth above. See “THE NOTE – Book-Entry-Only System” herein.

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

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

The Note is offered when, as and if issued and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, and certain other conditions described herein. Certain legal matters will be passed upon for the City by its counsel Dorothy F. McCrosson, Esq., Ocean City, New Jersey. Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor in connection with the issuance of the Note. It is expected that the Note will be available for delivery through DTC in New York, New York, on or about June 13, 2018.

Jefferies

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

MAYOR

Jay A. Gillian

COUNCIL MEMBERS

Robert Barr
Karen Bergman
Michael DeVlieger
Keith P. Hartzell
Antwan L. McClellan
Peter V. Madden
Anthony P. Wilson

CITY CLERK

Melissa Rasner

DIRECTOR OF FINANCIAL MANAGEMENT/CFO

Frank Donato, III

CITY ATTORNEY

Dorothy F. McCrosson, Esq.
Ocean City, New Jersey

INDEPENDENT ACCOUNTANT

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

BOND COUNSEL

McManimon, Scotland & Baumann, LLC
Roseland, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

No broker, dealer, salesperson or other person has been authorized by the City to give any information or to make any representations with respect to the Note other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the City and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter (as defined herein) 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 Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof or any earlier date as of which any information contained herein is given. This Official Statement is submitted in connection with the sale of the Note referred to herein and may not be used, in whole or in part, for any other purpose.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the City during normal business hours.

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

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

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

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

"CUSIP" is a registered trademark of the American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by Standard & Poor's Capital IQ. The CUSIP number listed on the cover hereof is being provided solely for the convenience of Noteholders only at the time of issuance of the Note and the City does not make any representations with respect to such number or undertake any responsibility for its accuracy now or at any time in the future. The CUSIP number is subject to being changed after the issuance of the Note as a result of various subsequent actions including, as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Note.

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OFFICIAL STATEMENT
Relating to
CITY OF OCEAN CITY,
In the County of Cape May, State of New Jersey
\$35,500,000 BOND ANTICIPATION NOTE

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by the City of Ocean City (the "City"), in the County of Cape May (the "County"), State of New Jersey (the "State"), in connection with the sale and the issuance of a \$35,500,000 Bond Anticipation Note (the "Note"). This Official Statement has been executed by and on behalf of the City by its Chief Financial Officer and may be distributed in connection with the sale of the Note described herein.

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

THE NOTE

General Description

The Note is dated, will mature on the date and in the amount and will bear interest payable at the interest rate as set forth on the cover page hereof. Interest shall be computed on the basis of a 30-day month/360-day year. The Note will be issued in the form of one certificate for the aggregate principal amount of the Note.

The principal of and interest due on the Note will be paid to the registered owners by the City as paying agent (the "Paying Agent"). Principal of and interest due on the Note will be credited to the registered owner as of the business day immediately preceding the maturity date of the Note (the "Record Date" for the payment of principal and interest on the Note).

The Note is issuable as a fully registered book-entry obligation in the form of one certificate in the principal amount of the Note. The Note may be purchased in book-entry only form in the amount of \$5,000 through book-entries made on the books and records of The Depository Trust Company, New York, New York ("DTC") and its participants. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner for the Note, payments of the principal of and interest on the Note will be made by the Paying Agent directly to Cede & Co. (or any successor or assign), as nominee for DTC.

Redemption

The Note is not subject to redemption prior to its stated maturity.

Book-Entry Only System

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Note, payment of principal of and interest and other payments on the Note to Direct and Indirect Participants (each as defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Note and other related transactions by and between DTC, Direct Participants and Beneficial Owners, is based on certain information furnished by DTC to the City.

DTC will act as securities depository for the Note. The Note will be issued as a fully-registered security 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 Note certificate will be issued, in the aggregate principal amount, and will be deposited with DTC.

DTC, the world's largest 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 and www.dtc.org.

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

To facilitate subsequent transfers, all securities 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 Note with DTC and its registration in the name of Cede & Co. or such other DTC nominee does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Note; DTC's records reflect only the identity of the Direct Participants to whose accounts such Note 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, if applicable, shall be sent to DTC. If less than all of the Note is being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Note unless authorized by a Direct Participant in accordance with DTC's 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 Note is credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE NOTE, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE NOTEHOLDERS OR REGISTERED OWNERS OF THE NOTE (OTHER THAN UNDER THE CAPTIONS "TAX MATTERS" AND "SECONDARY MARKET DISCLOSURE") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTE.

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 Note 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.

AUTHORIZATION AND PURPOSE OF THE NOTE

Authorization of the Note

The Note has been authorized by and is being 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"), and (ii) the bond ordinances of the City set forth below (the "Bond Ordinances").

<u>Ordinance No.</u>	<u>Description</u>	<u>Amounts to be Issued</u>
#15-09	Various improvements and purposes, finally adopted March 26, 2015.	\$ 800,000
#15-17	Various improvements or purposes, finally adopted August 13, 2015.	650,000
#15-29	Various improvements or purposes, finally adopted December 17, 2015.	1,900,000
#16-01	Various improvements or purposes, finally adopted February 25, 2016.	14,000,000
#17-01	Various improvements or purposes, finally adopted February 23, 2017.	8,550,000

<u>Ordinance No.</u>	<u>Description</u>	<u>Amounts to be Issued</u>
#17-05	Acquisition of property, finally adopted March 23, 2017.	600,000
#17-09	Various improvements or purposes, finally adopted May 23, 2017.	6,000,000
#18-02	Various improvements or purposes, finally adopted February 22, 2018.	3,000,000

The proceeds from the sale and issuance of the Note will be used to (i) currently refund \$24,550,000 of the City's \$25,000,000 Bond Anticipation Note (together with \$450,000 in principal reduction payments), dated and issued on June 14, 2017 and maturing June 14, 2018, (ii) provide \$10,950,000 in new money to fund various capital improvements and (iii) pay costs and expenses in connection with the authorization, sale and issuance of the Note.

SECURITY AND SOURCE OF PAYMENT

The Note is a valid and legally binding obligation 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 Note. 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 Note without limitation as to rate or amount.

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

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

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. The average for the last three years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the boundaries of City, as annually determined by the State Director of Taxation is \$11,927,593,388.33.

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

The City has not exceeded its statutory debt limit. As of December 31, 2017, the statutory net debt as a percentage of average equalized valuation was 1.197%. As noted above, the statutory limit is 3½%.

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 if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the City to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

The 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 a subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance creating such capital expenditure, as it may be amended and supplemented. A local unit’s bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the notes’ maturity to the end of the tenth fiscal year in which the notes mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year’s principal payment for a bond issue.

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

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

The local unit is authorized to issue Emergency Notes and Special Emergency Notes pursuant to the Local Budget Law.

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

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

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit’s

expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

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

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

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

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

Neither the tax levy limitation nor the “Cap Law” limits the obligation of the 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 three years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. For 2017 the director’s assessment ratio for the City was responsibly close to 100% at 94.83%.

Upon the filing of certified adopted budgets by the City’s Local School District and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the

assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

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

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

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 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.

Citywide Tax Reassessment Plan

Since 2005 which marked the peak of what had been a rapidly increasing real estate market, property values had declined for a number of years to follow. This led to an escalated number of tax appeals, hitting a high of 829 in 2012, which the City has successfully negotiated and settled each year. In response to this, and as a proactive measure, the City conducted a series of "compliance plans" from 2011 to 2015 aimed at matching up assessed values to fair market values. A "compliance plan" is a compressed version of a revaluation or reassessment that must receive approval from the Cape May County Board of Taxation each year. The filing of these plans has substantially reduced the number of appeals to only 26 in 2018 as the large majority of taxable line items have now been reassessed to fair market values. Further, these plans have been carried out by in-house forces through the Tax Assessor's office, saving the City and the taxpayers over \$1 million as opposed to contracting out a complete revaluation.

Overall during this process the ratable base fell from a high of \$12.8 billion in 2011 to \$11.181 billion in 2014. However, as added assessments through new construction have overcome the appeal losses, the City's ratable base has experienced steady gains from 2015 through 2018 and is now at \$11.69 billion.

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

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

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2016 for the City is on file with the Clerk and is available for review during business hours.

TAX MATTERS

Exclusion of Interest on the Note From Gross Income for Federal Tax Purposes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Note in order to assure that interest on the Note will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the City to comply with such requirements may cause interest on the Note to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Note. The City will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Note, as to various tax requirements. The City has covenanted to comply with the provisions of the Code applicable to the Note and has covenanted not to take any action or fail to take any action that would cause interest on the Note to lose the exclusion from gross income under Section 103 of the Code. Bond Counsel (as defined herein) will rely upon the representations made in the Arbitrage and Tax Certificate and will assume continuing compliance by the City with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Note from gross income for federal income tax purposes and with respect to the treatment of interest on the Note for the purposes of alternative minimum tax.

Assuming the City observes its covenants with respect to compliance with the Code, McManimon, Scotland & Baumann, LLC ("Bond Counsel") is of the opinion that, under existing law, interest on the Note is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Note is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax. For corporations with tax years beginning after December 31, 2017, the corporate alternative minimum tax was repealed by federal legislation, Public Law No. 115-97 (the "Tax Cuts and Jobs Act") enacted on December 22, 2017, effective for tax years beginning after December 31, 2017. For tax years beginning before January 1, 2018, interest on the Note is not an item of tax preference for purposes of the corporate alternate minimum tax in effect prior to enactment of the Tax Cuts and Jobs Act; however, interest on Note held by a corporation (other than an S corporation, regulated investment company or real estate investment trust) may be indirectly subject to federal alternative minimum tax for tax years beginning before January 1, 2018 because of its inclusion in the adjusted current earnings of a corporate holder.

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

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

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

Original Issue Premium

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

Additional Federal Income Tax Consequences of Holding the Note

Prospective purchasers of the Note should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Note, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued

indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

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

Bank Qualification

The Note 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.

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

Changes in Federal Tax Law Regarding the Note

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

State Taxation

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

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE NOTE ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE NOTE, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE NOTE SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING THE POTENTIAL IMPACT

OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

LITIGATION

To the knowledge of the City Attorney, Dorothy F. McCrosson, Esq., Ocean City, New Jersey, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Note, or the levy or the collection of any taxes to pay the principal of or the interest on the Note, or in any manner questioning the authority or the proceedings for the issuance of the Note 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.

SECONDARY MARKET DISCLOSURE

The City has covenanted for the benefit of the holders and the beneficial owners of the Note to provide certain secondary market disclosure information pursuant to the Securities and Exchange Commission Rule 15c2-12 (the "Rule"). Specifically, for so long as the Note remains outstanding (unless the Note has been wholly defeased), the City will provide in a timely manner not in excess of ten business days after the occurrence of the event, to the Municipal Securities Rulemaking Board (the "MSRB"), notice of any of the following events with respect to the Note:

- (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 Note, or other material events affecting the tax status of the Note;
- (7) Modifications to rights of Noteholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Note, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the City;
- (13) The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

If all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided pursuant to the City's undertaking, insofar as the provision of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

The Chief Financial Officer/Director of Financial Management shall determine, in consultation with Bond Counsel, the application of the Rule or the exemption from the Rule for each issue of obligations of the City prior to their offering. Such officer is authorized to enter into additional written contracts or undertakings to implement the Rule and is further authorized to amend such contracts or undertakings or the undertakings set forth above, provided such amendment is, in the opinion of nationally recognized bond counsel, in compliance with the Rule.

In the event that the City fails to comply with the Rule requirements or the written contracts or undertakings, the City shall not be liable for monetary damages, remedy being hereby specifically limited to specific performance of the Rule requirements or the written contracts or undertakings therefor.

Within the five years immediately preceding the date of this Official Statement, the City has previously failed to timely file financial and operating data and event notices in connection with various ratings changes on bonds previously issued by the City. Specifically, the City failed to timely file audited financial statements for the year 2012, operating data for each of the years 2012 and 2013, municipal budgets for the year 2013, and changes to the ratings of bond insurance companies that provided municipal bond insurance policies on City general obligation bonds in 2013 and 2014. The City has engaged the services of Phoenix Advisors, LLC, Bordentown, New Jersey, to act as dissemination agent for the City in connection with the City's ongoing continuing disclosure obligations for all outstanding bond and note issues, including the Note.

There can be no assurance that there will be a secondary market for the sale or purchase of the Note. Such factors as prevailing market conditions, financial condition or market position of firms who may make the secondary market and the financial condition of the City may affect the future liquidity of the Note.

MUNICIPAL BANKRUPTCY

The undertakings of the City should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 901, et seq., as amended by Public Law 94-260, approved April 8, 1976, and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, as further amended by Public Law 100-597, effective November 3, 1988, and as further amended and other bankruptcy laws affecting creditor's rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under such chapter shall operate as a stay of the

commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

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

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale, and the delivery of the Note is subject to the approval of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, Bond Counsel to the City, whose approving legal opinion will be delivered with the Note substantially in the form set forth as Appendix "C". Certain legal matters will be passed on for the City by its counsel, Dorothy F. McCrosson, Esq., Ocean City, New Jersey.

MUNICIPAL ADVISOR

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

UNDERWRITING

Jefferies LLC, New York, New York (the "Underwriter") has agreed, subject to certain customary conditions precedent to closing, to purchase the Note at a purchase price of \$35,859,260.00. The purchase price reflects the principal amount of the Note, plus a bid premium of \$359,260.00. The Note is being offered to the public at the yield set forth on the cover page of this Official Statement, which yield may be changed from time to time by the Underwriter without notice. The Note may be offered and sold to dealers, including the Underwriter and dealers acquiring the Note for their own account or any account managed by them, at prices lower than the public offering price.

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 Underwriter, by certificates signed by the Chief Financial Officer of the City, that to his 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. 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.

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

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

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

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Frank Donato, III, the City's Chief Financial Officer/Director of Financial Management, at 861 Asbury Avenue, Ocean City, New Jersey 08226, telephone (609) 525-9350 or by email fdonato@ocnj.us.

MISCELLANEOUS

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

CITY OF OCEAN CITY

By: /s/ Frank Donato

Frank Donato, Chief Financial Officer/
Director of Financial Management

Dated: June 6, 2018

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APPENDIX A

**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION
ABOUT THE CITY OF OCEAN CITY**

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

General

Ocean City is an island situated on the northern tip of Cape May County, New Jersey. It is 65 miles from Philadelphia, 130 miles from New York City and 10 miles from Atlantic City. The city is eight miles long and $\frac{3}{4}$ miles wide at its widest point.

Ocean City was incorporated as a city in 1897. From 1911 until 1978, the city had a commission form of government. In 1977, following a comprehensive study of the city's function and government, the voters opted for a change to the mayor-council form of government with an appointed administrator. On July 1, 1978, the Mayor and Council members took office. Three of the Council members are elected at-large for four-year terms. The remaining four members are elected from wards. The Mayor is the chief executive of the city and supervises all departments. The Mayor appoints the city administrator and all other department heads subject to advice and consent of Council.

Economy

The local economy consists primarily of tourism-related businesses along with retail, and service sector establishments. The diversity of the local economy provides for a relatively low unemployment rate that has been consistently lower than rates in the rest of Cape May County and in many communities throughout South Jersey.

The city markets tourism to more than 70 million people in a 500-mile radius. The primary market is Pennsylvania, southern and central New Jersey. Secondary markets are northern New Jersey, New York, Maryland, Delaware and Washington, D.C. Web-based marketing has permitted Ocean City to enter new and wider markets with advertising. Cape May County, including Ocean City, hosts an estimated 12 million visitors annually and is the second largest tourism center in New Jersey, second only to the Atlantic City market. Cape May County grossed more than \$6 billion in tourism revenues in 2016, according to the latest data from the Cape May County Department of Tourism.

A recent market survey indicated that Ocean City's strongest attributes are the fact that it is perceived to be a safe, clean, family-oriented community. Much effort has been taken to maintain the city's brand identity as "America's Greatest Family Resort" and to preserve these attributes in a changing society.

The city's website (www.ocnj.us) has also become an efficient and cost-effective tool for providing information regarding Ocean City. The site receives more than 350,000 visitors during the peak season and more than 1 million page views. The city's website has also been upgraded to automate numerous resident and visitor services, including beach tag and concert ticket purchases, in addition to being able to pay tax bills or traffic tickets online. The site also offers bid opportunities, government surplus items, and allows transparency of government with project updates, online meeting agendas, minutes, ordinances and videotapes of Council meetings. The city's Tourism Development Commission partners with the Ocean City Regional Chamber of Commerce to manage their tourism-oriented website (www.oceancityvacation.com). The Chamber also manages a Facebook page that is followed by more than 139,000 people. In 2017, the city and Chamber introduced a new OCNJ smartphone app that provides visitor information and real-time notifications on news, events and weather.

There are a number of emerging trends in tourism that will also provide for continued market growth. Eco-tourism, destination weddings, cultural tourism, and golf vacations are all providing for growth in the Cape May County market as well as event-based vacations such as anniversaries and family reunions. In addition, the internet has expanded the opportunity to reach niche tourism markets that appeal to those travelers with a specific behavior or interest such as fitness and water sports enthusiasts, cultural arts and theater travelers or those seeking culinary related vacations.

The Ocean City market is unique in that in addition to being a popular family vacation destination, it is also home to more than 11,700 year-round residents and to a greater number of who occupy the city's 14,000 second homes. Ocean City boasts the second largest second homeowner population in Cape May County. Second homeowners tend to extend their stay beyond the traditional summer season and visit Ocean City throughout the year to enjoy the city's numerous special events.

New efforts have successfully marketed the "second season" in Ocean City from Labor Day to New Year's Day. The city now hosts more than 200 annual events and many during the shoulder season that attract residents of nearby communities, second homeowners and returning vacationers. For example, Ocean City's non-alcoholic, family-friendly First Night Celebration on New Year's Eve annually attracts more than 20,000 attendees who stay, shop and dine in the city, helping the viability of the economy on a year-round basis.

Accommodations in Ocean City range from luxurious oceanfront suites, modern condominiums, hotels, and motels to bed-and-breakfast inns. Ocean City has developed numerous cooperative marketing partnerships with local and regional attractions that are lacking in accommodations in order to maintain occupancy levels as well as to introduce new visitors to Ocean City.

There continue to be numerous changes to Ocean City's physical landscape and infrastructure. The Route 52 Causeway project, the largest bridge span project in the State of New Jersey, has been complete for several years. This \$500 million project includes a state-of-the-art Welcome Center, boat ramps, fishing piers, as well as a protected bikeway and pedestrian walk that spans the entire causeway. Almost 400,000 pedestrians and cyclists used the trail in the period from July 26, 2014 to August 11, 2016. The beautification of 9th Street with trees, landscaping, brick walkways, crosswalks and decorative lighting has also been completed. The city is also looking to acquire land for new open-space parks at the gateway to Ocean City and to encourage new businesses and other improvements along the 9th Street corridor.

The Ocean City Planning Board has recently completed an 18-month re-examination of their Master Plan. This comprehensive report recommends a series of actions and zoning changes to attract new year-round residents and improve opportunities for year-round housing, while maintaining the city's resort character.

Another emphasis of the report is recommended improvements to the central business district known as "Downtown Ocean City." This business district, which extends from 6th to 14th Streets along Asbury Avenue, includes more than 100 shops, restaurants and galleries. Downtown Ocean City has received numerous accolades from surrounding media and was voted best shopping district in *South Jersey Magazine*. A number of regional banks and service providers have also selected Ocean City for their home office. Ocean City was chosen in a popular poll as South Jersey's "Favorite Downtown," and the resort also was named one of the top places in the nation for women-owned businesses.

The city is also home to more than 100 eating establishments from full service, fine-dining restaurants to specialty snack shops. Events throughout the year, such as Ocean City Restaurant Week and the new fall Chili and Chowder Festival, promote the island's eateries.

A Special Improvement District (SID) supports the business community. This district, including the commercial portions of the boardwalk, Asbury Avenue and several adjoining streets, raises money through assessments, projects and special events and funds a variety of promotional activities, physical improvements and special maintenance. The SID is managed by a not-for-profit corporation, Business and Neighborhood Development (BAND).

The major attraction for Ocean City, New Jersey is, of course, the beach with eight miles of sand manicured each summer day, stretching from Great Egg Inlet on the northerly border to Corson's Inlet State Park at the southern border. The United States Army Corps of Engineers completed two major beach and dune restoration projects in Ocean City in 2015, bringing millions of cubic yards of new sand to protect properties at the north and south ends of the island. The federal government paid for the entire south-end project, and Ocean City was responsible for only 8.75 percent of the costs of the project at the north end. A new \$13 million renourishment project at the north end began in October 2017.

Ocean City's beaches have gained statewide and national attention. More than 100,000 voters nationwide chose Ocean City as the "Best Beach in America" in an online contest sponsored by Coastal Living magazine in 2016. For the fourth consecutive year, beachgoers chose Ocean City as "New Jersey's Favorite Beach" in a statewide poll in 2017. Ocean City was named "Best Beach" in the 2016 Philly.com Readers' Choice Awards. Ocean City won New Jersey Monthly's "Shore Town Showdown" in June 2016. In countless other contests, Ocean City has been recognized for its boardwalk, downtown, ecotourism, family destinations and more.

Along a portion of the beach is the two and one-half mile long boardwalk. The boardwalk provides many activities for all age levels. Some of the activities include amusement parks, movie theaters, miniature golf courses and concert and theater events at the historic Music Pier building that is home to the Ocean City Pops Orchestra. There are many food establishments and shops throughout the entire length of the boardwalk. The Ocean City Boardwalk is in the fifth and final phase of a multi-year project to complete replace the substructure and decking between 5th Street and 12th Street.

Population

The population statistics in the City for the 1940 to 2010 period is as follows:

<u>Year</u>	<u>Population*</u>
1940	4,672
1950	6,040
1960	7,618
1970	10,575
1980	13,949
1990	15,512
2000	15,378
2010	11,701

*Source-Federal Census

The summer population can range from 125,000 to 175,000.

Government Organization

The Ocean City Executive Branch of government headed by the Mayor is organized into seven departments which are coordinated by the Business Administrator: Law, Administration, Finance, Police, Fire, Public Works and Community Services. The director of each department meets weekly with the Mayor and Business Administrator and collectively they constitute the senior staff

It is during these weekly meetings that the short and long-range policy decisions are formulated and it is also when the major items that will eventually come before the City Council are discussed. In addition, the Mayor, Administrator and Finance Director meet twice a month with the Council President and City Clerk to prepare the agendas for the seven-member elected City Council's twice monthly meetings.

The **Department of Administration** is overseen by the Business Administrator and includes Purchasing, Information Technology, Emergency Management, Engineering and Project Management, and Human Resources.

The **Department of Police Services** is comprised of 70 full-time personnel which includes 13 civilians. The 57 member uniformed police force is augmented by 45 seasonal uniformed officers. This department is fully equipped with the appropriate vehicles to protect the citizens and guests of Ocean City. The department is also responsible for operating a centralized 911 emergency dispatch system for Ocean City and neighboring Upper Township.

The **Department of Fire and Rescue Services** is comprised of 60 fully trained firefighters, all of whom are certified EMT's and 3 additional civilian emergency medical technicians, as well as 140 seasonal lifeguards. They are housed in three different locations throughout the City and provide 24-hour professional fire, rescue, water rescue and medical response for the community. Shore Medical Center, a modern health facility, is located in Somers Point, approximately two miles from the center of Ocean City. The Fire Department maintains a variety of different types of vehicles specifically for its mission.

The **Public Works Department** is comprised of 52 full time employees and oversees the maintenance and repair of City building, facilities, equipment and vehicles. The division of Environmental Operations also manages all trash and recycling operations, as well as the maintenance and cleaning of 7 miles of beaches. Public Works also hires dozens of seasonal employees to complement their workforce during the summer months.

The **Community Services Department** is comprised of 28 full time employees and oversees all recreation and leisure activities throughout the City, as well as public relations and information, and neighborhood and social services. The three major leisure and recreation facilities are the Aquatic and Fitness Center, a membership based community facility, a Civic Center complex with meeting rooms and a large indoor sports floor area, and the wonderfully successful Music Pier, a facility with state of the art lighting, sound system and stage, which operates with multiple programming for ten months each year. Located throughout the City are seven baseball fields, nine basketball courts, 22 tennis courts, 39 shuffleboard courts, three soccer fields, eight playgrounds, one all-purpose field, track and field facilities, proposed Pickleball courts, and a new multi-use artificial turf field for football and many other sports..

The **Financial Management Department** is comprised of 13 full time personnel, as well as 150 seasonal personnel. The department is headed by a state certified finance officer. The department is comprised of Accounting, Tax Collection, Tax Assessment, Capital Planning, Revenue Collection, as well as the seasonal beach and parking operations.

The City has been a leader in promoting shared services as a means to reduce expenses. The City provides dispatch and fire protection services to a nearby community.

The ratable base for Ocean City was the third largest in the State of New Jersey in 2015. This coupled with the fact that many of the homes are seasonally occupied requiring reduced services results in one of the lowest tax rates in the region. Ocean City's actual tax rate for 2016 is .907 cents per \$100 in assessed value. The City also benefits by managing a variety of non-tax revenues such as beach tags, parking lots and meters, a municipal golf course and airport, and an aquatic and fitness center.

Utilities

The Atlantic Electric Company provides electric services to the island, while South Jersey Natural Gas Company provides gas services. New Jersey American Water Company provides both water and sewer service. Wastewater is treated at a modern facility in Ocean City with excess capacity; it is operated by the Cape May County Municipal Utilities Authority. Trash and recycling services are provided through contracts with waste management service providers. Trash disposal is at a Cape May County Municipal Utilities Authority facility where all county municipalities have contracted for services at stabilized rates for three years.

Transportation

The City is accessible by land, air and sea. The Garden State Parkway, a major north-south artery, skirts the City and provides access to Philadelphia, New York and Atlantic City. The Parkway connects with the Cape May-Lewes ferry service, which provides a convenient, modern method of crossing the Delaware Bay to points south.

The \$500 million replacement of the Route 52 Causeway has resulted in the widening of the bridge to four lanes and allow for a steady flow of traffic into and exiting the City with the elimination of two aging draw bridges.

The Atlantic City International Airport, approximately 15 miles from Ocean City, provides services to major eastern cities. The Philadelphia International Airport is approximately one hour away. Ocean City's municipal airport services private planes and recently underwent a \$2 million runway and drainage improvement project funded by Federal Stimulus monies from the Federal Aviation Administration.

Capital Improvement Program

The Capital Improvement Plan for 2018 and for the following four years totals \$100,102,700, of which \$95,097,565.00 would be financed through long-term debt. The major projects include a continuation of upgrading the City's streets and drainage system, improvement to recreational facilities, including the beach and boardwalk, the dredging of lagoons and back bay waterways, renovations to City-owned buildings, downtown cultural and historical development, and acquisition of major capital equipment for the use of various City departments. The City has been successful in attracting a consistent flow of County, State and Federal grants over the years which in many cases will supplement the capital program.

Building Permits Issued

The following is a list of the number of building permits issued in Ocean City, which includes new construction and improvements.

2005	2,938	134,464,703
2006	2,284	102,932,380
2007	1,995	64,447,939
2008	1,808	62,744,530
2009	1,397	34,292,862
2010	1,783	49,589,935
2011	1,902	54,713,352
2012	2,280	62,484,936
2013	3,091	91,854,525
2014	2,325	96,988,630
2015	2,325	97,086,984

Ocean City's 2018 ratable base is 11,692,444,386. The City has successfully reduced the number of tax appeals it had experienced in the last couple of years. The real estate market which peaked in 2005 had been in decline for a number of years to follow. As a proactive measure the City conducted a series of compliance plans in 2011-2015 aimed at matching up assessed values to fair market values. The filing of these plans has substantially reduced the number of appeals to only 26 in 2018, down from a high of 829 in 2012.

City Employment and Pension Information

The City employs 258 full-time employees and approximately 100 permanent part time employees, and adds 600 seasonal employees. The staffing of the City has been reduced from a high of 297 in 2003, a thirteen percent decrease in full time staff. In addition, the number of part time and seasonal positions has also been reduced.

Under the law of New Jersey, municipal employees have certain organizations and representational rights, which include the right to organize and bargain collectively through representatives of their choosing and to engage in certain concerted activities for bargaining. The CWA 1078, CWA 1032, PBA and FMBA contracts all had expired as of December 31, 2014. The City Council had approved new agreements with the PBA, FMBA and both CWA's effective January 1, 2012 through December 31, 2014. These agreements represent over 90% of the City's workforce. The City has successfully negotiated new four year agreements with each organization which will expire on December 31, 2018.

Those municipal employees who are eligible for pension coverage are enrolled in the State of New Jersey Pension System. City employees are largely enrolled in two main pension systems which have been established by act of the State Legislature. Benefits, contribution, means of funding and the manner of administration are defined by State legislation.

The two State administered pension funds are the Police and Fireman's Retirement System (N.J.S.A. 43:16A), and the Public Employees' Retirement System (N.J.S.A. 43:15A). The Division of Pensions & Benefits with the Treasury Department of the State of New Jersey is the administrator of the funds. This division charges municipalities and other governmental units annually for their respective contributions. The City is current in the payment of all its pension liabilities to these funds.

The following table shows Ocean City's pension contributions:

	2018	2017	2016	2015	2014
Public Employees' Retirement System	1,584,351.00	1,542,054.00	1,464,685.00	1,355,471.00	1,181,316.00
Social Security*	1,445,000.00	1,434,873.00	1,430,674.00	1,388,701.28	1,464,578.00
Police & Firemen's Retirement System	3,261,818.00	3,022,027.00	2,973,523.00	2,797,971.00	2,642,366.00

**2018 Social Security is Budgeted Estimate*

Largest Employers (by Industry)

A list of the largest employers in the City (by industry) follows:

Employer	Number of Employees
Retail trade	796
Accommodation and food services	562
Food services	439
Food and beverage stores	226
Professional, scientific and technical Services	206
Administrative & support, waste management and remediation services	182
Health care and social assistance	162
Real estate, rental and leasing	145
Accommodation	123
Clothing and clothing accessories stores	119
Real estate	116
Hotels and motels	113
Offices of real estate agents and brokers	105
Clothing stores	102

Information above provided by the New Jersey Department of Labor and Workforce Development and the U.S. Census Bureau.

Education

The Board of Education of the City of Ocean City (the "Board") operates independently of the City Government. It is a Type II School District with nine elected members serving staggered three-year terms. The Board also has three members appointed from the Upper Township School District due to their send/receive relationship.

The Board adopts its own budget. There is no public vote on the budget as long as the district stays within state mandated caps. The amounts to be raised for taxation for current expenses and capital outlay are certified directly to the Cape May County Board of Taxation and the tax rate is struck accordingly.

The aid to be provided by the state under the Quality Education Act of 1990 consists of Transportation, Special Education Categorical, Security and Debt Service Aid.

The School District also became a State School Choice District during the 2011/12 school year. Through this program the district accepts students from other districts on an application basis. The district saw this program as a revenue source due to the declining enrollment. It allows the district to keep seats full while maintaining programs for their students.

The Board operates on a fiscal year July 1 to June 30, but taxes are raised on a calendar year and paid to the local school by December 31.

At present, there are three public schools in Ocean City. A new high school was constructed and opened in September 2004.

In addition to the school system, Saint Joseph's Catholic School, Atlantic Christian School and Holy Spirit High School offer private school education opportunities for Ocean City families.

The City School District is also a receiving district; they receive students from Sea Isle City (K-12), Corbin City (9-12), Longport (9-12) and Upper Township (9-12). Enrollments over the past ten years are as follows:

<u>As of June 30,</u>	<u>K - 3</u>	<u>4 - 8</u>	<u>9 - 12</u>	<u>Total</u>
2007	284	408	1,428	2,120
2008	275	414	1,399	2,088
2009	314	465	1,353	2,132
2010	328	484	1,283	2,095
2011	334	474	1,238	2,046
2012	345	456	1,254	2,055
2013	369	474	1,222	2,065
2014	366	499	1,198	2,063
2015	381	506	1,258	2,145
2016	384	504	1,237	2,125

CITY OF OCEAN CITY
DEBT STATEMENT DECEMBER 31, 2017 (1)

Direct Debt

General Obligation Bonds:

General Purpose	70,935,000.00	
School Purpose	11,776,000.00	

Total General Obligation Bonds 82,711,000.00

Bonds: (This Issue)

General Purpose	0.00	
School Purpose	0.00	

Total Amount to be Issued 0.00

Total Gross Direct Bonded Debt 82,711,000.00

Bond Anticipation Notes:

General Purpose	54,470,000.00	
Less: This Issue	0.00	

Total Bond Anticipation Notes 54,470,000.00

Other Debt:

General Purpose - Green Trust Loans	432,414.51	
General Purpose - Other	-	

Total Other Debt 432,414.51

Authorized but Not Issued:

General Purpose	20,393,735.00	
Less: This Issue	0.00	

Total Authorized but Unissued 20,393,735.00

Total Gross Debt 158,007,149.51

Net Direct City and School District Debt 158,007,149.51

Net Direct City Debt 146,231,149.51

(1) Source: Auditor to the City of Ocean City

**CITY OF OCEAN CITY
DEBT STATEMENT (1)
DEBT STATEMENT DECEMBER 31, 2017 (1)**

Net Direct City and School District Debt 158,007,149.51

Indirect Debt

Cape May County (2)	29,903,784.00
Cape May County MUA (3)	<u>10,739,307.36</u>

Total Indirect Debt 40,643,091.36

Net Direct City, School District and Indirect Debt 198,650,240.87

Capital Debt Ratio (4)

	<u>Amount</u>	<u>Ratio to Equalized Value (5)</u>
Net Direct Debt	146,231,149.51	1.21%
Net Direct City, School District and Indirect Debt	198,650,240.87	1.64%

	<u>Amount</u>	<u>Ratio to Net Valuation Taxable (6)</u>
Net Direct Debt	146,231,149.51	1.27%
Net Direct City, School District and Indirect Debt	198,650,240.87	1.72%

-
- (1) Source: Auditor to the City of Ocean City
 - (2) Represents Cape May City's 24.72% pro rata share of Cape May County's \$120,970,000.00 outstanding debt.
 - (3) Represents Cape May City City's 24.72% pro rata share of Cape May County's MUA \$43,443,800 outstanding debt.
 - (4) As of January 1, 2017.
 - (5) Equalized value as of January 1, 2017 is 12,117,809,243.
 - (6) Net taxable value as of January 1, 2017 is 11,556,818,374.

**CITY AND SCHOOL DISTRICT
DEBT INCURRING CAPACITY**

City Debt Incurring Capacity

Average three-year (2015-2017, incl.) equalized valuation of real property with improvements plus assessed valuation of Class II Railroad property	11,927,593,388	
3 1/2 % Municipal Borrowing margin		417,465,768.59
Less: City Net Debt		<u>144,447,143.16</u>
Total remaining City debt incurring capacity		<u><u>273,018,625.43</u></u>
Percentage that the net debt bears to the equalized valuation basis equals		<u><u>1.21%</u></u>

School District Debt Incurring Capacity

Average three-year (2015-2017, incl.) equalized valuation of real property with improvements plus assessed valuation of Class II Railroad property	11,927,593,388	
4 % School Borrowing margin		477,103,735.53
Less: School District Debt		<u>11,776,000.00</u>
Total remaining School District debt incurring capacity		<u><u>465,327,735.53</u></u>
Percentage that the net debt bears to the equalized valuation basis equals		<u><u>0.10%</u></u>

(1) Source: Auditor to the City of Ocean City

CITY OF OCEAN CITY BONDS OUTSTANDING

The outstanding bonds of the City incurred for general capital as of December 31, 2017 are shown below:

BONDS OUTSTANDING AS OF DECEMBER 31, 2016 (1)

<u>Issued</u>	<u>Purpose</u>	<u>Principal Outstanding</u>
2008	General Capital	5,500,000.00
2010	General Capital	3,800,000.00
2012	General Capital	6,300,000.00
2014	Refunding Issue	3,835,000.00
2014	General Capital	14,800,000.00
2016	General Capital	36,700,000.00
Totals		<u><u>70,935,000.00</u></u>

(1) Source: Auditor to the City of Ocean City

**CITY OF OCEAN CITY
DEBT SERVICE REQUIREMENTS**

Existing Long-Term Debt Service Requirements (1)

Year Ending 12/31	Outstanding Bonds as of December 31, 2017		
	Principal	Interest	Total
2018	10,120,000.00	2,032,837.50	12,152,837.50
2018	10,515,000.00	1,642,312.50	12,157,312.50
2019	7,100,000.00	1,280,437.50	8,380,437.50
2020	5,200,000.00	1,025,937.50	6,225,937.50
2021	5,300,000.00	858,937.50	6,158,937.50
2022	6,100,000.00	727,937.50	6,827,937.50
2023	6,450,000.00	578,937.50	7,028,937.50
2024	5,750,000.00	422,937.50	6,172,937.50
2025	6,000,000.00	285,000.00	6,285,000.00
2026	4,200,000.00	136,500.00	4,336,500.00
2027	4,200,000.00	42,000.00	4,242,000.00
2028	0.00	0.00	0.00
2029	0.00	0.00	0.00
Totals	<u>70,935,000.00</u>	<u>9,033,775.00</u>	<u>79,968,775.00</u>

(1) Source: Auditor to the City of Ocean City

**CITY OF OCEAN CITY
DEBT SERVICE REQUIREMENTS AFTER ISSUANCE**

Long-Term Debt Service Requirements (1)

This Issue		Total	Total Outstanding Debt Service Requirements	% Principal Retired
Principal	Interest			
		0.00	12,152,837.50	
		0.00	12,157,312.50	
		0.00	8,380,437.50	
		0.00	6,225,937.50	
		0.00	6,158,937.50	53.90%
		0.00	6,827,937.50	
		0.00	7,028,937.50	
		0.00	6,172,937.50	
		0.00	6,285,000.00	
		0.00	4,336,500.00	94.08%
		0.00	4,242,000.00	
		0.00	0.00	
		0.00	0.00	100.00%
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>79,968,775.00</u>	

(1) Source: Auditor to the City of Ocean City

**CITY OF OCEAN CITY
COMPARATIVE BALANCE SHEET - CURRENT FUND**

	For the Years Ending December 31, 2012 through December 31, 2017 (2)					
<u>ASSETS</u>	2017	2016	2015	2014	2013	2012
Cash and Investments	20,625,243	10,798,726	13,568,911	11,442,614	10,222,251	12,224,503
Due from State of New Jersey	164	217	467	0	0	0
	<u>20,625,408</u>	<u>10,798,942</u>	<u>13,569,378</u>	<u>11,442,614</u>	<u>10,222,251</u>	<u>12,224,503</u>
Receivables With Full Reserves:						
Property Taxes Receivable	724,812	680,874	691,033	855,902	800,887	1,161,734
Tax Title Liens Receivable	2,927	1,430	1,786	1,767	1,748	1,731
Property Acquired for Taxes - Assessed Valuation	262,576	262,576	262,576	262,576	262,576	262,576
Revenue Accounts Receivable	0	0	0	0	86,809	314,271
Interfunds	0	0	0	0	0	0
	<u>990,315</u>	<u>944,880</u>	<u>955,395</u>	<u>1,120,245</u>	<u>1,152,020</u>	<u>1,740,312</u>
Deferred Charges:						
Emergency Authorizations	0	250,000	50,000	0	0	0
Special Emergency Authorizations	0	0	450,000	1,395,000	1,860,000	3,625,000
	<u>0</u>	<u>250,000</u>	<u>500,000</u>	<u>1,395,000</u>	<u>1,860,000</u>	<u>3,625,000</u>
	<u>21,615,723</u>	<u>11,993,822</u>	<u>15,024,772</u>	<u>13,957,859</u>	<u>13,234,271</u>	<u>17,589,815</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>						
Liabilities:						
Appropriation Reserves	2,509,774	1,796,478	2,941,571	2,403,813	2,046,843	2,266,629
Prepaid Taxes	9,968,899	2,548,838	2,435,365	2,215,664	1,943,324	1,857,722
Tax Overpayments	1,897,127	29,622	35,795	5,306	4,558	20,278
Payroll Taxes Payable	0	0	6,479	51,661	81,610	259,980
Due to County Added Taxes	232,759	184,608	220,631	198,299	95,753	69,434
Interfunds	0	0	0	0	0	0
Other Liabilities	185,204	130,319	1,526,654	1,683,055	2,098,496	6,737,300
	<u>14,793,763</u>	<u>4,689,865</u>	<u>7,166,494</u>	<u>6,557,798</u>	<u>6,270,585</u>	<u>11,211,342</u>
Reserve for Receivables	990,315	944,880	955,395	1,120,245	1,152,020	1,740,312
Fund Balance	5,831,644	6,359,077	6,902,883	6,279,816	5,811,666	4,638,161
	<u>21,615,723</u>	<u>11,993,822</u>	<u>15,024,772</u>	<u>13,957,859</u>	<u>13,234,271</u>	<u>17,589,815</u>

CITY OF OCEAN CITY
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

	For the Years Ending December 31, 2012 through December 31, 2017 (2)					
	2017	2016	2015	2014	2013	2012
Revenues and Other Income:						
Fund Balance Utilized	3,380,000	3,650,000	3,350,000	2,886,000	3,043,750	2,500,000
Current Taxes	109,324,732	103,883,887	101,270,335	98,572,979	94,937,907	93,680,435
Delinquent Tax Collections	667,384	695,059	861,204	794,226	1,114,520	987,568
Miscellaneous Revenues	18,912,964	19,576,255	19,823,622	18,465,983	21,146,448	18,493,032
Miscellaneous Revenues not Anticipated	336,798	426,812	551,410	417,183	438,838	543,874
Unexpended Prior Reserves	835,128	1,096,956	1,454,510	848,420	1,155,562	821,048
Interfunds		0	0	0	0	0
Other Revenues and Credits	73,666	114,075	109,844	100,000	622,187	150,467
	<u>133,530,672</u>	<u>129,443,044</u>	<u>127,420,926</u>	<u>122,084,791</u>	<u>122,459,212</u>	<u>117,176,423</u>
Expenditures:						
Budget and Emergency Appropriations						
Operations Within "CAPS"						
Municipal Operations						
Salaries & Wages	29,785,810	29,161,383	29,310,811	28,324,311	27,718,911	27,162,880
Other Expenses	20,476,358	19,207,115	18,832,383	18,681,283	17,468,255	17,535,403
Deferred Charges and Statutory						
Expenditures - Municipal	6,359,582	6,173,208	5,817,084	5,483,482	5,834,323	5,646,150
Operations Excluded From "CAPS"						
Capital Improvements	1,600,000	1,150,000	1,100,000	966,000	725,000	4,535,000
All Other Operations	6,204,873	5,113,017	5,758,246	4,918,659	4,433,020	6,197,884
Municipal Debt Service	12,929,134	11,237,462	10,548,860	9,869,807	12,358,518	9,769,798
Deferred Charges - Municipal	250,000	2,524,500	945,000	646,500	1,951,900	0
County Taxes	27,927,843	27,094,144	26,376,558	25,175,466	23,287,219	23,398,658
Local District School Tax	24,962,191	24,672,784	24,619,359	24,481,725	24,277,078	24,263,230
Special District Taxes	182,313	183,448	183,448	183,409	183,959	184,207
Other Purposes		69,788	6,109	0	3,773	2,659
	<u>130,678,105</u>	<u>126,586,850</u>	<u>123,497,859</u>	<u>118,730,641</u>	<u>118,241,956</u>	<u>118,695,870</u>

CITY OF OCEAN CITY
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

	For the Years Ending December 31, 2012 through December 31, 2017 (2)					
	2017	2016	2015	2014	2013	2012
Excess or (Deficit) in Revenue	2,852,567	2,856,194	3,923,067	3,354,150	4,217,255	(1,519,447)
Adjustment to Income Before Fund Balance						
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Years		250,000	50,000			3,625,000
Statutory Excess to Fund Balance	2,852,567	3,106,194	3,973,067	3,354,150	4,217,255	2,105,553
Fund Balance January 1	6,359,077	6,902,883	6,279,816	5,811,666	4,638,161	5,032,608
	9,211,644	10,009,077	10,252,883	9,165,816	8,855,416	7,138,161
Deduct Fund Balance Utilized as Anticipated Revenue	3,380,000	3,650,000	3,350,000	2,886,000	3,043,750	2,500,000
Fund Balance December 31	5,831,644	6,359,077	6,902,883	6,279,816	5,811,666	4,638,161

(1) Source: Auditor to the City of Ocean City

(2) Audited Results for the Years 2016 - 2012 and Unaudited Results for 2017.

CITY OF OCEAN CITY
SUMMARY STATEMENT OF FINANCIAL OPERATIONS AND CHANGES IN FUND BALANCE
CURRENT FUND FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016.

	Unaudited December 31 2017	Audited December 31 2016
Revenues		
Fund Balance Utilized	3,380,000.00	3,650,000.00
Current Property Tax Collections	109,324,731.71	103,883,886.67
Receipts from Delinquent Taxes	667,383.51	695,058.98
Miscellaneous Revenues Anticipated	18,912,964.37	19,576,254.81
Nonbudgeted Revenue	336,798.12	426,811.94
Unexpended Balance of Appropriations	835,127.82	1,096,956.25
Reserves	-	-
Other Revenues	73,666.26	114,075.01
Total Revenues	133,530,671.79	129,443,043.66
 Expenditures		
Operations:		
Salaries and Wages	29,785,810.00	29,161,383.00
Other Expenses	20,476,358.39	19,207,115.39
Deferred Charges and Statutory		
Expenditures	6,359,582.13	6,173,208.00
Capital Improvements	1,600,000.00	1,150,000.00
All Other Operations	6,204,872.72	5,113,016.75
Municipal Debt Service	12,929,134.35	11,237,462.25
Deferred Charges - Municipal	250,000.00	2,524,500.00
County Taxes	27,927,843.00	27,094,144.42
School Tax	24,962,191.00	24,672,784.00
Special District Taxes	182,313.00	183,447.94
Other Expenditures	0.00	69,787.82
Total Expenditures	130,678,104.59	126,586,849.57
Deferred Charges to Succeeding Budget	0.00	250,000.00
Net Expenditures	130,678,104.59	126,336,849.57
Excess in Revenues	2,852,567.20	3,106,194.09
Fund Balance January 1	6,359,077.20	6,902,883.11
	9,211,644.40	10,009,077.20
Utilized as Anticipated Revenue	3,380,000.00	3,650,000.00
Fund Balance December 31	5,831,644.40	6,359,077.20

(1) Source: Auditor to the City of Ocean City

CITY OF OCEAN CITY
2018 BUDGET
2017 BUDGET AND UNAUDITED RESULTS (1)

	2018 Adopted Budget (3)	2017 Budget	2017 Unaudited Results
Anticipated Revenues:			
Surplus Anticipated	3,000,000	3,380,000	3,380,000
Miscellaneous Revenues (2)	17,390,168	18,910,126	18,912,964
Receipts from Delinquent Taxes	665,000	665,000	667,384
Municipal Library Tax	4,062,238	3,989,112	3,989,112
Amount to be Raised by Taxation	<u>53,661,415</u>	<u>51,842,972</u>	<u>53,239,809</u>
 Total Anticipated Revenues	 <u><u>78,778,820</u></u>	 <u><u>78,787,210</u></u>	 <u><u>80,189,269</u></u>
 Appropriations:			
Municipal Operations:			
Salaries & Wages	29,680,475	29,785,810	29,785,810
Other Expenses	20,925,250	20,476,975	20,476,358
Statutory Expenditures	6,646,169	6,359,582	6,359,582
Operations Excluded from "CAPS"	311,371	2,215,761	2,215,761
Municipal Library	4,062,238	3,989,112	3,989,112
Capital	2,055,000	1,600,000	1,600,000
Debt Services	13,432,408	12,959,971	12,929,134
Deferred Charges	515,910	250,000	250,000
Reserve for Uncollected Taxes	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,150,000</u>
 Total Appropriations	 <u><u>78,778,820</u></u>	 <u><u>78,787,210</u></u>	 <u><u>78,755,758</u></u>

(1) Source: Auditor to the City of Ocean City

(2) Includes, inter alia, energy receipts taxes received from the state, beach fees, building and other permits, licenses and fines.

(3) Adopted by City Council on April 26, 2018.

APPENDIX B

FINANCIAL STATEMENTS OF THE CITY OF OCEAN CITY

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Ocean City, as of December 31, 2016 and 2015, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the City of Ocean City 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 Ocean City as of December 31, 2016 and 2015, or changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2016 and 2015, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2016 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 Ocean City basic financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

The accompanying Schedules of Expenditures of Federal Awards and State Assistance are presented for the purpose of additional analysis as required by OMB Uniform Guidance and NJ OMB 15-08 and are not a required part of the financial statements. The schedules of Expenditures of Federal Awards and State Assistance as required by OMB Circular Uniform Guidance and NJ OMB 15-08 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the schedule of Expenditures of Federal Awards and State Assistance as required by OMB Uniform Guidance and NJ OMB 15-08 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2017 on our consideration of the City of Ocean City'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 Ocean City's internal control over financial reporting and compliance.

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

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

June 9, 2017

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

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Regular Fund:		
Cash:		
Cash Treasurer	\$ 10,525,851.81	13,028,817.54
Cash - Collector	270,048.70	537,268.54
Cash - Change	2,825.00	2,825.00
Total Cash	<u>10,798,725.51</u>	<u>13,568,911.08</u>
Other Receivables:		
Due from State - Chapter 20 P.L. 1971	216.51	466.51
Total Other Receivables	<u>216.51</u>	<u>466.51</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	680,873.91	691,033.10
Tax Title and Other Liens	1,429.93	1,785.51
Property Acquired for Taxes - at Assessed Valuation	262,576.00	262,576.00
Total Receivables and Other Assets	<u>944,879.84</u>	<u>955,394.61</u>
Deferred Charges:		
Emergency Appropriation	250,000.00	50,000.00
Special Emergency Appropriation	-	450,000.00
Total Deferred Charges	<u>250,000.00</u>	<u>500,000.00</u>
Total Regular Fund	<u>11,993,821.86</u>	<u>15,024,772.20</u>
Federal and State Grant Fund:		
Cash	25,296.81	242,276.96
Federal and State Grants Receivable	2,616,048.37	2,230,793.90
Total Federal and State Grant Fund	<u>2,641,345.18</u>	<u>2,473,070.86</u>
Total Current Fund	<u>\$ 14,635,167.04</u>	<u>17,497,843.06</u>

See accompanying Notes to Financial Statements - Regulatory Basis

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2016</u>	<u>2015</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 812,114.96	1,611,927.97
Reserve for Encumbrances	980,688.13	1,315,567.60
Accounts Payable	3,675.00	14,075.01
Prepaid Taxes	2,548,837.95	2,435,364.50
Overpaid Taxes	29,621.63	35,795.34
County Added Tax Payable	184,608.13	220,631.07
Escrow - Blue Water Marina	33,059.76	33,059.76
Prepaid Beach Fees	70,935.00	66,280.00
Reserve for Excess Funds - Due to FEMA	-	667,429.31
Reserve for Tax Appeals	-	100,000.00
Payroll Taxes Payable	2,495.00	6,479.40
Reserve for Health Insurance Claims	585.64	158,643.36
Reserve for Special Emergency - Sandy	23,243.62	51,241.16
Special Emergency Note Payable	-	450,000.00
	<u>4,689,864.82</u>	<u>7,166,494.48</u>
Reserve for Receivables and Other Assets	944,879.84	955,394.61
Fund Balance	<u>6,359,077.20</u>	<u>6,902,883.11</u>
Total Regular Fund	<u>11,993,821.86</u>	<u>15,024,772.20</u>
Federal and State Grant Fund:		
Unappropriated Reserves	7,000.00	9,909.10
Appropriated Reserves	1,030,166.36	2,122,807.73
Due to General Capital Fund	700,000.00	-
Encumbrances Payable	<u>904,178.82</u>	<u>340,354.03</u>
Total Federal and State Grant Fund	<u>2,641,345.18</u>	<u>2,473,070.86</u>
Total Current Fund	<u>\$ 14,635,167.04</u>	<u>17,497,843.06</u>

See accompanying Notes to Financial Statements - Regulatory Basis

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

	2016	2015
Revenue and Other Income Realized		
Fund Balance	\$ 3,650,000.00	3,350,000.00
Miscellaneous Revenue Anticipated	19,576,254.81	19,823,621.92
Receipts from Delinquent Taxes	695,058.98	861,204.29
Receipts from Current Taxes	103,883,886.67	101,270,335.38
Non Budget Revenue	426,811.94	551,409.79
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	1,096,956.25	1,454,510.34
Prior Year Revenue	-	9,844.04
Cancellation of:		
Prior Year Accounts Payable	14,075.01	-
Reserve for Tax Appeals	100,000.00	100,000.00
Total Income	129,443,043.66	127,420,925.76
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	29,161,383.00	29,310,811.00
Other Expenses	19,207,115.39	18,832,383.39
Deferred Charges & Statutory Expenditures	6,173,208.00	5,817,084.00
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	256,126.10	222,789.00
Other Expenses	4,856,890.65	5,535,457.38
Capital Improvements	1,150,000.00	1,100,000.00
Debt Service	11,237,462.25	10,548,859.70
Deferred Charges	2,524,500.00	945,000.00
Local District School Tax	24,672,784.00	24,619,359.00
County Tax	26,909,536.29	26,155,927.22
County Share of Added Tax	184,608.13	220,631.07
Other:		
Special Improvement District Taxes	183,447.94	183,448.00
Payroll Deductions Payable	69,787.82	-
Prior Year Seniors & Veterans Deductions	-	6,108.90
Total Expenditures	126,586,849.57	123,497,858.66
Excess/(Deficit) in Revenue	2,856,194.09	3,923,067.10

See accompanying Notes to Financial Statements - Regulatory Basis

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

	<u>2016</u>	<u>2015</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year		
Emergency Appropriation	250,000.00	50,000.00
Total Adjustments	<u>250,000.00</u>	<u>50,000.00</u>
Statutory Excess to Fund Balance	<u>3,106,194.09</u>	<u>3,973,067.10</u>
Fund Balance January 1	<u>6,902,883.11</u>	<u>6,279,816.01</u>
	10,009,077.20	10,252,883.11
Decreased by:		
Utilization as Anticipated Revenue	<u>3,650,000.00</u>	<u>3,350,000.00</u>
Fund Balance December 31	<u>\$ 6,359,077.20</u>	<u>6,902,883.11</u>

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	
Fund Balance Anticipated	\$ 3,650,000.00	3,650,000.00	-
Total Fund Balance Anticipated	3,650,000.00	3,650,000.00	-
Miscellaneous Revenues:			
Section A: Local Revenues			
Licenses:			
Other	425,000.00	410,109.83	(14,890.17)
Fees and Permits	1,000,000.00	1,016,688.13	16,688.13
Fines and Costs:			
Municipal Court	400,000.00	402,173.07	2,173.07
Interest and Costs on Taxes	200,000.00	181,389.82	(18,610.18)
Interest Earned on Investments	12,000.00	86,603.32	74,603.32
Parking Meters	2,900,000.00	3,162,848.74	262,848.74
Beach Fees	4,100,000.00	4,115,639.79	15,639.79
Rental or Sale of City Material & Property	190,000.00	148,632.93	(41,367.07)
Airport Fees	150,000.00	141,615.33	(8,384.67)
Boat Ramp Fees	32,000.00	33,232.68	1,232.68
Aquatic & Fitness Center User Fees	1,045,000.00	1,096,263.45	51,263.45
Smoke Detector Inspection	190,000.00	195,535.00	5,535.00
Emergency Medical Services	650,000.00	678,179.27	28,179.27
Total Section A: Local Revenues	11,294,000.00	11,668,911.36	374,911.36
Section B: State Aid Without Offsetting Appropriations			
Energy Receipts Tax	2,146,048.00	2,146,048.00	-
Total Section B: State Aid Without Offsetting Appropriations	2,146,048.00	2,146,048.00	-

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	
Section C: Uniform Construction Code Fees			
Uniform Construction Code Fees	1,100,000.00	1,085,340.00	(14,660.00)
Total Section C: Uniform Construction Code Fees	1,100,000.00	1,085,340.00	(14,660.00)
Section D: Interlocal Municipal Service Agreements			
Offset with Appropriations			
Upper Township - Dispatching Service	227,245.00	227,245.00	-
Total Section D: Interlocal Municipal Service Agreements	227,245.00	227,245.00	-
Section F: Special Items - Public and Private Programs			
Off-Set with Appropriations			
Recycling Tonnage Grant	27,463.59	27,463.59	-
Drunk Driving Enforcement Fund	9,909.10	9,909.10	-
NJDOTS - Holiday Crackdown	5,000.00	5,000.00	-
NJ Solid Waste Administration - Bonus Grant	10,470.50	10,470.50	-
CDBG - DR: Prepare Area Plan		50,000.00	-
CDBG - DR: Prepare Codes & Ordinances		20,000.00	-
CDBG - DR: Design Development		50,000.00	-
CDBG - DR: Develop Floodplain		50,000.00	-
CDBG - DR: Permit & Application Fee		25,000.00	-
Body Armor Grant		5,151.52	-
Body Worn Camera Assistance Program		9,500.00	-
Clean Communities Program		109,075.74	-
Airport Obstruction Removal Grant		69,480.00	-
NJ DOT Transportation Trust Fund	175,000.00	175,000.00	-
Cape May County Open Space Grant	200,000.00	200,000.00	-
Total Section F: Special Items - Public and Private Programs	427,843.19	388,207.26	816,050.45
Off-Set with Appropriations			

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	
Section G: Other Special Items			
Reserves for Debt Service & Capital Fund Balance	2,604,500.00	2,604,500.00	-
OC Library - Contracted Services	241,217.00	241,217.00	-
OC Library - Return to Taxpayers	347,666.00	347,666.00	-
Hurricane Sandy Reimbursements	405,000.00	439,277.00	34,277.00
Total Section G: Other Special Items	<u>3,598,383.00</u>	<u>3,632,660.00</u>	<u>34,277.00</u>
Total Miscellaneous Revenues:	18,793,519.19	19,576,254.81	394,528.36
Receipts from Delinquent Taxes	750,000.00	695,058.98	(54,941.02)
Amount to be Raised by Taxes for Support of Municipal Budget			
Local Tax for Municipal Purposes	48,008,642.34	49,088,437.31	1,079,794.97
Library Tax	3,879,130.00	3,879,130.00	-
Total Amount to be Raised by Taxes for Support of Municipal Budget	<u>51,887,772.34</u>	<u>52,967,567.31</u>	<u>1,079,794.97</u>
Budget Totals	75,081,291.53	76,888,881.10	1,419,382.31
Non- Budget Revenues:			
Other Non- Budget Revenues:		426,811.94	426,811.94
	<u>\$ 75,081,291.53</u>	<u>77,315,693.04</u>	<u>1,846,194.25</u>

**CURRENT FUND
 STATEMENT OF REVENUES - REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2016**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$ 103,883,886.67
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Less: Reserve for Tax Appeals Pending	_____
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Net Revenue from Collections	103,883,886.67
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Allocated to:

School, County and Other Taxes	52,066,319.36
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Balance for Support of Municipal Budget Appropriations	51,817,567.31
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Increased by:

Appropriation "Reserved for Uncollected Taxes"	1,150,000.00
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Amount for Support of Municipal Budget Appropriations	52,967,567.31
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	695,058.98
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Tax Title Lien Collections	-
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Total Receipts from Delinquent Taxes	\$ 695,058.98
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See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND
 STATEMENT OF REVENUES - REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2016**

Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Storage & Towing Fees	\$	17,690.41
Tax Collector		6,063.90
200 Foot Information		2,340.00
City Clerk		286.99
Public Defender Fees		4,650.00
Bench Donations		42,250.00
Trademark Fees		725.00
Binocular Fees		755.17
Plans & Specs		3,885.00
Wilhelm Trust		10,800.00
DMV Inspection Fines		7,987.31
Restitution		4,846.00
American Recycling		4,078.10
Other Rebates		32,196.11
PILOT - United Methodist Homes		78,030.00
Reimbursements from OC Free Library		59,701.65
Various Rental, Licenses & Leases		12,212.90
Unclaimed Funds		14,290.94
Sidewalk Café Permits		1,200.00
Fire Reports		5.00
Reimbursement for Services - Margate		12,000.00
Tax Maps		999.44
Returned Check Fees		20.00
Coastal Zone Management Program		15,000.00
Strathmere EMS Interlocal		4,960.00
Senior & Veterans Admin Fee		2,495.00
FEMA Reimbursements		78,585.16
Various Refunds & Reimbursements		6,562.16
Miscellaneous		2,195.70

Total Miscellaneous Revenue Not Anticipated:

\$ 426,811.94

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
DEPARTMENT OF ADMINISTRATION						
EXECUTIVE BRANCH						
Mayor's Office						
Other Expenses	\$ 2,475.00	2,475.00	1,552.78		922.22	
ADMINISTRATION						
City Administrator						
Salaries and Wages	319,000.00	333,000.00	329,139.51		3,860.49	
Other Expenses	2,000.00	2,000.00	1,174.07	205.00	620.93	
Engineering & Project Management						
Salaries and Wages	574,000.00	499,000.00	490,085.76		8,914.24	
Other Expenses	30,450.00	30,450.00	12,452.98	1,057.00	16,940.02	
Human Resources						
Salaries and Wages	591,000.00	577,450.00	505,952.54		71,497.46	
Other Expenses	144,900.00	154,900.00	136,618.72	16,567.18	1,714.10	
Purchasing Division						
Salaries and Wages	265,000.00	265,000.00	264,386.09		613.91	
Other Expenses	6,540.00	8,340.00	4,786.69	120.00	3,433.31	
Information Technology						
Salaries and Wages	271,000.00	269,000.00	266,823.98		2,176.02	
Other Expenses	247,850.00	247,850.00	193,721.75	26,583.18	27,545.07	
Emergency Management						
Salaries and Wages	15,000.00	15,000.00	15,000.00		-	
Other Expenses	17,000.00	17,000.00	16,534.03		465.97	
Planning & Zoning						
Salaries and Wages	360,000.00	392,000.00	389,634.89		2,365.11	
Other Expenses	60,650.00	50,650.00	47,875.84	672.00	2,102.16	
Planning Board						
Other Expenses	17,450.00	25,450.00	22,549.62		2,900.38	
Zoning Board of Adjustment						
Other Expenses	6,700.00	14,700.00	7,530.40		7,169.60	

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
COMMUNITY SERVICE DEPARTMENT						
Public Relations & Information						
Salaries and Wages	939,000.00	949,000.00	924,448.95	20,000.00	4,551.05	
Other Expenses	192,340.00	194,840.00	191,673.89	1,578.95	1,587.16	
Aquatic and Fitness Center						
Salaries and Wages	1,084,000.00	1,064,000.00	1,043,987.40	4,994.19	20,012.60	
Other Expenses	81,250.00	84,250.00	78,425.29		830.52	
Recreation & Leisure Programs						
Salaries and Wages	344,000.00	344,000.00	336,991.77		7,008.23	
Other Expenses	20,900.00	20,900.00	20,863.25	7.52	29.23	
Music Pier Operations						
Salaries and Wages	460,000.00	476,000.00	471,659.12	1,714.04	4,340.88	
Other Expenses	31,800.00	32,800.00	30,836.90		249.06	
Municipal Code & Licensing						
Salaries and Wages	296,000.00	296,000.00	289,286.96		6,713.04	
Other Expenses	17,900.00	17,900.00	13,185.14	2,514.80	2,200.06	
Administration						
Salaries and Wages	403,000.00	403,000.00	402,805.41	182.24	194.59	
Other Expenses	20,000.00	20,000.00	15,860.03		3,957.73	
Neighborhood & Social Services						
Salaries and Wages	95,000.00	97,000.00	96,130.62		869.38	
Other Expenses	1,450.00	1,450.00	1,417.01		32.99	
Historical Commission						
Other Expenses	3,000.00	3,000.00	800.74		2,199.26	
PUBLIC WORKS						
Facility Maintenance						
Salaries and Wages	1,073,000.00	1,048,000.00	1,031,552.58		16,447.42	
Other Expenses	238,700.00	258,700.00	196,449.47	8,261.25	53,989.28	
Environmental Operations						
Salaries and Wages	1,130,000.00	1,141,000.00	1,138,747.43		2,252.57	
Other Expenses						
Miscellaneous Other Expenses						
Trash & Recycling	79,600.00	79,600.00	46,134.27	7,303.27	26,162.46	
Field Operations	2,651,827.00	2,651,827.00	2,289,194.63	309,358.32	53,274.05	
Salaries and Wages	1,277,000.00	1,217,000.00	1,191,736.19	5,711.91	25,263.81	
Other Expenses:	79,900.00	73,600.00	65,448.72		2,439.37	
Fleet Maintenance						
Salaries and Wages	339,000.00	339,000.00	334,028.61		4,971.39	
Other Expenses	238,000.00	255,000.00	240,753.46	9,745.22	4,501.32	

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or Charged	Expended		Reserved	(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved		
DEPARTMENT OF LAW							
Legal Division							
Salaries and Wages	150,000.00	150,000.00	149,840.28		159.72		
Other Expenses	225,100.00	245,100.00	202,970.34	21,202.32	20,927.34		
Public Defender							
Other Expenses	43,000.00	43,000.00	37,873.06	4,012.50	1,114.44		
STATUTORY OFFICES							
City Clerk's Office							
Salaries and Wages	204,000.00	202,500.00	201,133.15		1,366.85		
Other Expenses	65,850.00	70,850.00	63,127.39	4,406.85	3,315.76		
City Council							
Salaries and Wages	73,600.00	73,850.00	73,828.44		21.56		
Other Expenses	12,450.00	11,450.00	10,450.62	405.00	594.38		
Municipal Court							
Salaries and Wages	560,000.00	550,000.00	534,351.39		15,648.61		
Other Expenses	33,150.00	33,150.00	25,165.50	2,436.69	5,547.81		
DEPARTMENT OF FINANCIAL MANAGEMENT							
Treasurer's Office							
Other Expenses							
Audit Services	38,000.00	38,000.00	35,648.00	2,352.00	-		
Other Agencies Expenses	167,400.00	167,400.00	142,149.86	3,500.00	21,750.14		
Accounting Division							
Salaries and Wages	375,000.00	391,200.00	390,352.07	1,532.63	847.93		
Other Expenses	6,200.00	6,200.00	4,667.37		-		
Office of Parking Regulation							
Salaries and Wages	225,000.00	220,000.00	219,584.82		415.18		
Other Expenses	215,200.00	215,200.00	186,904.17	14,548.36	13,747.47		
Property Assessment Division							
Salaries and Wages	298,000.00	298,000.00	294,958.00		3,042.00		
Other Expenses	37,550.00	17,550.00	4,114.71		13,435.29		
Beach Fee Regulation Division							
Salaries and Wages	355,000.00	329,000.00	328,748.48		251.52		
Other Expenses	60,100.00	56,100.00	51,322.41	3,752.88	1,024.71		
Tax Collector Division							
Salaries and Wages	204,000.00	176,000.00	173,877.15		2,122.85		
Other Expenses	11,900.00	11,900.00	9,610.86		2,289.14		
Revenue Collection							
Salaries and Wages	390,000.00	385,000.00	373,859.12		11,140.88		
Other Expenses	158,950.00	158,950.00	115,652.99	26,666.44	16,630.57		

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
DEPARTMENT OF POLICE						
Police Protection Division	7,410,783.00	7,476,783.00	7,470,003.89		6,779.11	
Salaries and Wages						
Other Expenses	192,000.00	210,871.44	197,476.02	12,954.50	440.92	
Miscellaneous Other Expenses	90,000.00	71,128.56	70,928.56	200.00	-	
Purchase of Vehicles						
DEPARTMENT OF FIRE						
Rescue Services Division	300,000.00	300,000.00	298,001.05		1,998.95	
Salaries and Wages	89,200.00	89,200.00	62,751.00	16,063.12	10,385.88	
Other Expenses	1,420,000.00	1,418,600.00	1,418,564.87		35.13	
Lifeguards Division	62,900.00	60,900.00	59,613.82		1,286.18	
Salaries and Wages						
Other Expenses	6,625,000.00	6,615,000.00	6,589,837.30	23,495.49	25,162.70	
Fire Protection & Prevention	200,900.00	200,900.00	177,167.51		237.00	
Salaries and Wages						
Other Expenses	677,469.00	677,469.00	662,079.00		15,390.00	
INSURANCE						
General Liability	1,526,871.00	1,526,871.00	1,526,871.00		-	
Workers Compensation Insurance	7,172,510.00	7,172,510.00	7,170,529.22	1,980.78	0.00	
Employee Group Health						
Health Benefits Waiver						
Salaries and Wages	215,000.00	215,000.00	215,000.00		-	
OTHER:						
City Wide Operations						
Finance - Other Expenses	485,800.00	522,800.00	431,415.42	33,674.08	57,710.50	
City Wide Operations						
Public Works - Other Expenses	473,500.00	493,500.00	421,783.37	70,366.22	1,350.41	
Special Improvement District						
Other Expenses	22,000.00	22,000.00	21,383.39		-	616.61
UNIFORM CONSTRUCTION CODE						
State Uniform Construction Code						
Construction Official	638,000.00	636,000.00	635,468.46		531.54	
Salaries and Wages	29,050.00	36,050.00	15,960.59	10,611.85	9,477.56	
Other Expenses						

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Charged	Encumbered	Reserved	Cancelled	
UNCLASSIFIED							
UTILITY EXPENSES AND BULK PURCHASES							
Electricity	700,000.00	700,000.00	641,792.55	58,207.45	-		
Street Lighting	384,000.00	384,000.00	365,948.36	18,051.64	-		
Telephone	271,000.00	271,000.00	262,645.72	7,455.27	899.01		
Water	948,000.00	948,000.00	845,684.27	102,315.73	-		
Fuel Oil	200,000.00	200,000.00	132,663.65	63,934.92	3,401.43		
Gasoline	298,000.00	298,000.00	166,118.13	59,985.34	71,896.53		
TOTAL OPERATIONS WITHIN "CAPS"	48,369,115.00	48,369,115.00	46,648,114.82	980,688.13	739,695.44		616.61
Contingent							
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	48,369,115.00	48,369,115.00	46,648,114.82	980,688.13	739,695.44		616.61
Detail:							
Salaries and Wages	29,278,383.00	29,161,383.00	28,889,806.28	20,000.00	251,576.72		-
Other Expenses	19,090,732.00	19,207,732.00	17,758,308.54	960,688.13	488,118.72		616.61
DEFERRED CHARGES AND STATUTORY EXPENDITURES:							
Statutory Expenditures:							
Contributions to:							
Public Employees' Retirement System	1,464,685.00	1,464,685.00	1,464,685.00	-	-		
Social Security System (O.A.S.I.)	1,445,000.00	1,445,000.00	1,430,674.95	-	14,325.05		
Police and Firemen's Retirement System	2,973,523.00	2,973,523.00	2,973,523.00	-	-		
Unemployment Compensation Insurance	125,000.00	125,000.00	89,241.17	-	35,758.83		
Lifeguard Pension	150,000.00	150,000.00	150,000.00	-	-		
Defined Contribution Retirement Program	15,000.00	15,000.00	12,981.48	-	2,018.52		
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	6,173,208.00	6,173,208.00	6,121,105.60	-	52,102.40		-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	54,542,323.00	54,542,323.00	52,769,220.42	980,688.13	791,797.84		616.61

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS - EXCLUDED FROM "CAPS"						
(A) Operations - Excluded from "CAPS"						
Insurance:						
Employee Group Health	122,490.00	122,490.00	118,927.88		3,562.12	
Maintenance of Free Public Library						
Other Expenses	3,879,130.00	3,879,130.00	3,879,130.00		-	
Interlocal Municipal Service Agreements						
Police Dispatching - Upper Township	241,217.00	241,217.00	241,217.00		-	
Salaries and Wages						
	<u>4,242,837.00</u>	<u>4,242,837.00</u>	<u>4,239,274.88</u>	<u>-</u>	<u>3,562.12</u>	<u>-</u>
(A) Public and Private Programs Off-Set by Revenues						
Municipal Alliance on Alcoholism and Drug Abuse						
Local Share	3,658.80	3,658.80	3,658.80		-	
Recycling Tonnage Grant	27,463.59	27,463.59	27,463.59		-	
Drunk Driving Enforcement Fund	9,909.10	9,909.10	9,909.10		-	
NJHHS - Holiday Crackdown	5,000.00	5,000.00	5,000.00		-	
NJ Solid Waste Administration - Bonus Grant	10,470.50	10,470.50	10,470.50		-	
NJ Solid Waste Administration - Bonus Grant - Match	10,470.50	10,470.50	10,470.50		-	
CDBG - DR: Prepare Area Plan	50,000.00	50,000.00	50,000.00		-	
CDBG - DR: Prepare Codes & Ordinances	20,000.00	20,000.00	20,000.00		-	
CDBG - DR: Design Development	50,000.00	50,000.00	50,000.00		-	
CDBG - DR: Develop Floodplain	50,000.00	50,000.00	50,000.00		-	
CDBG - DR: Permit & Application Fee	25,000.00	25,000.00	25,000.00		-	
Body Armor Grant		5,151.52	5,151.52		-	
Body Wom Camera Assistance Program		9,500.00	9,500.00		-	
Clean Communities Program		109,075.74	109,075.74		-	
Airport Obstruction Removal Grant		69,480.00	69,480.00		-	
Airport Obstruction Removal Grant - Match		23,245.00	23,245.00		-	
NJ DOT Transportation Trust Fund	175,000.00	175,000.00	175,000.00		-	
Cape May County Open Space Grant	200,000.00	200,000.00	200,000.00		-	
Matching Funds for Grants	40,000.00	16,755.00			16,755.00	
	<u>481,972.49</u>	<u>870,179.75</u>	<u>853,424.75</u>	<u>-</u>	<u>16,755.00</u>	<u>-</u>
Total Public and Private Programs Off-Set by Revenues						
	4,724,809.49	5,113,016.75	5,092,699.63	-	20,317.12	-
Total Operations - Excluded from "CAPS"						
Detail:						
Salaries and Wages	256,126.10	256,126.10	256,126.10	-	-	-
Other Expenses	4,468,683.39	4,856,890.65	4,836,573.53	-	20,317.12	-

See accompanying Notes to Financial Statements - Regulatory Basis

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
(C) Capital Improvements						
Capital Improvement Fund	900,000.00	900,000.00	900,000.00	-	-	
Down Payment on Improvements		250,000.00	250,000.00	-	-	
Total Capital Improvements	900,000.00	1,150,000.00	1,150,000.00	-	-	-
(D) Debt Service						
Payment of Bond Principal	8,745,000.00	8,745,000.00	8,745,000.00	-	-	
Interest on Bonds	1,666,050.00	1,666,050.00	1,666,050.00	-	-	
Interest on Notes	789,900.00	789,900.00	787,703.21	-	-	2,196.79
Green Trust Loan Program:						
Loan Repayments for Principal and Interest	38,709.04	38,709.04	38,709.04	-	-	
Total Debt Service	11,239,659.04	11,239,659.04	11,237,462.25	-	-	2,196.79
(E) Deferred Charges						
Emergency Authorizations	50,000.00	50,000.00	50,000.00	-	-	
Special Emergency Authorizations - 5 years	450,000.00	450,000.00	450,000.00	-	-	
Unfunded Ordinance 12-21 & 13-02	2,024,500.00	2,024,500.00	2,024,500.00	-	-	
Total Deferred Charges	2,524,500.00	2,524,500.00	2,524,500.00	-	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	19,388,968.53	20,027,175.79	20,004,661.88	20,317.12	20,317.12	2,196.79
SUBTOTAL GENERAL APPROPRIATIONS	73,931,291.53	74,569,498.79	72,773,882.30	980,688.13	812,114.96	2,813.40
(M) Reserve for Uncollected Taxes	1,150,000.00	1,150,000.00	1,150,000.00	-	-	
TOTAL GENERAL APPROPRIATIONS	\$ 75,081,291.53	75,719,498.79	73,923,882.30	980,688.13	812,114.96	2,813.40
Budget		75,081,291.53				
Appropriations by 40A-4-87		388,207.26			Cancelled	2,813.40
Emergency Appropriations		250,000.00			Overexpended	-
		<u>75,719,498.79</u>				<u>2,813.40</u>
Reserve for Uncollected Taxes		1,150,000.00				
Federal and State Grants		853,424.75				
Deferred Charges		500,000.00				
Disbursements		71,420,457.55				
		<u>73,923,882.30</u>				<u>2,813.40</u>

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

	2016	2015
<u>ASSETS</u>		
<u>DOG TRUST FUND</u>		
Cash	\$ 9,594.38	682.87
	9,594.38	682.87
<u>OTHER TRUST FUND</u>		
Cash and Investments	5,946,767.69	5,152,626.49
	5,946,767.69	5,152,626.49
	5,956,362.07	5,153,309.36
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
<u>DOG TRUST FUND</u>		
Reserve for Dog Fund Expenditures	9,590.78	682.87
Due to State of New Jersey	3.60	-
	9,594.38	682.87
<u>OTHER TRUST FUND</u>		
Reserve for:		
Tax Premiums	416,781.73	417,217.37
Dedicated Recreation Trust	241,737.44	191,834.15
Tourism Development	172,334.15	170,055.72
Law Enforcement Trust	20,851.87	26,510.88
Parking Offenses Adjudication Act	26,228.62	29,862.14
Cash Performance Deposits	790,109.76	542,156.57
Dedicated Fire Fees	846.12	954.32
Lifeguard Pension	7,274.64	7,629.02
Shade Trees	1,642.99	4,653.65
COAH	4,065,544.01	3,511,270.93
Merchant Fees	11,662.68	8,018.80
Planning & Zoning Escrow	191,753.68	242,462.94
	5,946,767.69	5,152,626.49
	\$ 5,956,362.07	5,153,309.36

See accompanying Notes to Financial Statements - Regulatory Basis

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

<u>ASSETS</u>	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Cash	\$	58,287,883.66	16,813,618.16
Deferred Charges to Future Taxation -			
Funded		81,037,030.28	51,011,062.52
Unfunded		43,977,660.00	50,086,135.00
Interfunds and Receivables			
Due from Grant Fund		700,000.00	-
		<u>184,002,573.94</u>	<u>117,910,815.68</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Encumbrances Payable		15,943,835.03	8,600,208.31
Bond Anticipation Notes Payable		61,650,000.00	40,150,000.00
Serial Bonds Payable		80,575,000.00	50,520,000.00
Green Trust Loan Payable		462,030.28	491,062.52
Improvement Authorizations:			
Funded		143,549.52	440,514.31
Unfunded		21,079,143.03	11,699,423.76
Reserve for Debt Service		2,737,759.01	4,318,858.71
Reserve for Preliminary Expenses		17,566.00	17,566.00
Capital Improvement Fund		107,537.53	361,012.53
Fund Balance		1,286,153.54	1,312,169.54
	\$	<u>184,002,573.94</u>	<u>117,910,815.68</u>

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

2015	9,936,135.00
2016	13,377,660.00

See accompanying Notes to Financial Statements - Regulatory Basis

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

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Beginning Balance January 1	\$	1,312,169.54	1,083,414.11
Increased by:			
Premium on Sale of Bonds & BANS		553,984.00	560,191.00
Airport Hanger Association Contributions			68,564.43
Decreased by:			
Cancelled Due from County			-
Anticipated as Current Fund Revenue		580,000.00	400,000.00
Ending Balance December 31	\$	<u>1,286,153.54</u>	<u>1,312,169.54</u>

See accompanying Notes to Financial Statements - Regulatory Basis

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

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash	\$ -	-
TOTAL ASSETS	<u>-</u>	<u>-</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Reserve for Public Assistance	-	-
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u>\$ -</u>	<u>-</u>

See accompanying Notes to Financial Statements - Regulatory Basis

GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Balance Dec. 31, 2016	Balance Dec. 31, 2015
General Fixed Assets:		
Land	\$ 159,449,238.65	\$ 159,426,171.25
Vehicles	11,022,729.21	10,105,191.46
Machinery and Equipment	9,099,010.87	8,809,408.52
Total General Fixed Assets	\$ <u>179,570,978.73</u>	\$ <u>178,340,771.23</u>
Investment in General Fixed Assets	\$ <u>179,570,978.73</u>	\$ <u>178,340,771.23</u>

See accompanying Notes to Financial Statements - Regulatory Basis

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the City of Ocean City 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.

Description of Financial Reporting Entity

The City of Ocean City is an island community located at the northern tip of Cape May County in the State of New Jersey. The population according to the 2010 census is 11,701.

The City is incorporated and operates under a Mayor and Council form of government. The Mayor is the Chief Executive Officer of the City and is elected by the voters. The City Council selects one of its members on an annual basis to hold the Office of Council President. The City Council is the law making body and passes all Resolutions and Ordinances. The City employs a City Administrator who is responsible for the day-to-day operations of the City.

Component Units

The financial statements of the component units of the City 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 Ocean City, the primary government. The City maintains a Special Improvement District, a Free Public Library and a Housing Authority.

Ocean City Business and Neighborhood Development Association
Special Improvement District
854 Asbury Avenue
Ocean City, NJ 08226

Ocean City Free Public Library
1735 Simpson Avenue
Ocean City NJ, 08226

Ocean City Housing Authority
200 4th Street
Ocean City, NJ 08226

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

Basis of Presentation, Fund Accounting

The financial statement of the City of Ocean City contain all funds and account group in accordance with the "Requirements of Audit" as promulgated by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the City

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

of Ocean City accounts for its financial transactions through the following separate funds, which differ from the funds required by GAAP.

Current Fund

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

Trust Funds

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

General Capital Funds

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

Budgets and Budgetary Accounting

The City of Ocean City must adopt an annual budget in accordance with N.J.S.A. 40A:4 et al. State statutes require the governing body to introduce and approve the annual municipal budget no later than February 10th of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the municipality. The public hearing must not be held less than twenty-eight days after the date of introduction. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with N.J.S.A. 40A:4-9.

An extension of the statutory due dates for introduction, approval and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services.

Budgets are adopted on the same basis of accounting utilized for the preparation of the City's financial statements.

Cash and Investments

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank approved by the State Department of Banking and Insurance and organized under the laws of the United States or of the State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1(a) provides a list of securities which may be purchased by New Jersey municipal units.

The cash management plan adopted by the City of Ocean City requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-42 requires government units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

Public funds are defined as the funds of any government unit. Public depositories include banks (both state and federal banks), savings and loan institutions and savings banks, the deposits of which are federally insured. All public depositories pledge collateral, having a market value of five percent of the

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories in the collateral pool, is available to pay the full amount of their deposits to the governmental units. Generally, the City considers all investments that mature in one year or less to be cash equivalents.

Generally, the City considers all investments that mature in one year or less to be cash equivalents.

Interfunds

Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to fund balance. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

Inventories of Supplies

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

General Fixed Assets

Property and Equipment purchased by the Current and General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized.

Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, differs in certain respects from GAAP. The following is a brief description of the provisions. Fixed Assets used in governmental operations ("general fixed assets") are accounted for in the General Fixed Assets Account Group. Public Domain ("Infrastructure") 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.

No depreciation on general fixed assets is recorded 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.

Foreclosed Property

Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily, it is the intention of the municipality to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason, the value of foreclosed property has not been included in the General Fixed Assets Account Group. If such property is converted to a municipal use, it will be capitalized in the General Fixed Assets Account Group. GAAP requires property to be recorded in the General Fixed Assets Account Group at the market value at the time of acquisition

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Charges

The recognition of certain expenditures is deferred to future periods. These expenditures, or Deferred Charges, are generally overexpenditures of legally adopted budget appropriations made in accordance with N.J.S.A. 40A:4-46 et al. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

Appropriation Reserves

Appropriation reserves covering unexpended appropriation balances are automatically created at year-end and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriation reserves are not established under GAAP.

Fund Balance

Fund balance included in the Current Fund represents the amount available for anticipation as revenue in future years' budgets, with certain restrictions.

Revenues

Revenues are recorded as received in cash, except for certain amounts, which are due from other governmental units. Revenue from Federal and State grants is realized as revenue when anticipated as such in the City's budget. Other amounts that are due the City, which are susceptible to accrual, are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP generally requires that grant revenue be recognized when the actual expenditures financed by the grant are made.

Property Tax Revenues

Property tax revenues are collected in quarterly installments due February 1st, May 1st, August 1st, and November 1st. Property taxes unpaid on April 1st of the year following their final due date are subject to tax sale in accordance with the statutes. The amount of tax levied includes not only the amount required in support of the City's annual budget, but also the amounts required in support of the budgets of the entities that follow. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the City's Current Fund; accordingly, such amounts are not recorded as revenue until collected. GAAP requires such revenues to be recognized when they are available and measurable reduced by an allowance for doubtful accounts.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

School Taxes

The City is responsible for levying, collecting and remitting school taxes for the City of Ocean City School District. Fund Balance is charged for the full amount required to be raised from taxation to operate the school districts from January 1st through December 31st.

	12/31/2016	12/31/2015
Balance of Tax	\$ 12,394,363.50	\$ 12,278,420.50
Deferred	12,394,363.50	12,278,420.50
Tax Payable	\$ -	\$ -

County Taxes

The City is responsible for levying, collecting and remitting county taxes for the County of Cape May. Fund balance is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10th of the current year. In addition, fund balance is charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10th of the current year and due to be paid to the County by February 15th of the following year.

Reserve for Uncollected Taxes

The inclusion of the "Reserve for Uncollected Taxes" appropriation in the City's annual budget protects the City from taxes not paid currently. The minimum amount of the reserve, determined by the percentage of collections experienced in the preceding year, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations. A reserve for uncollected taxes is not established under GAAP.

Expenditures

Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Outstanding encumbrances at December 31st are recorded as a cash liability. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Compensated Absences and Post-Employment Benefits

Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a "pay as you go" basis. Likewise, no accrual is made for post-employment benefits, if any, which are also funded on a "pay as you go" basis. GAAP requires that the amount that would normally be liquidated with expendable financial resources be recorded as expenditure in the operating funds and the remaining obligations is recorded as long – term obligations.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recent Accounting Pronouncements Not Yet Effective

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 is effective for fiscal periods beginning after June 30, 2016, and establishes new accounting and financial reporting requirements for OPEB plans. It is anticipated that this statement will not have any effect on the City'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 the net position of the entity is anticipated to be significant.

In August 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 77 "Tax Abatement Disclosures". This statement, which is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the City's financial reporting.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 78 "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans". This statement, which is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the City's financial reporting.

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

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

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

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

Note 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2016 and 2015 statutory budgets included a reserve for uncollected taxes in the amount of \$1,150,000.00 and \$1,150,000.00. To balance the budget, the municipality is required to show a budgeted fund balance.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 2: BUDGETARY INFORMATION – Continued

The amount of fund balance budgeted to balance the 2016 and 2015 statutory budgets was \$3,380,000.00 and \$3,650,000.00.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by entity City Council. The following significant budget transfers were approved in the 2016 and 2015 calendar years:

<u>Budget Category</u>	<u>2016</u>	<u>2015</u>
<u>Current Fund:</u>		
Engineering & Project Management		
Salaries and Wages	\$ 75,000.00	
Human Resources		
Salaries and Wages		(72,000.00)
Treasurer's Office		
Other Expenses		(25,000.00)
Planning & Zoning		
Salaries and Wages	32,000.00	
Beach Fee Regulation		
Salaries and Wages	(26,000.00)	(15,000.00)
Clean Communities Program		95,414.36
Facility Maintenance		
Salaries and Wages	(25,000.00)	
Field Operations		
Salaries and Wages	(60,000.00)	
Social Security System (O.A.S.I.)		28,750.00
Fleet Maintenance		
Other Expenses		90,000.00
Tax Collector		
Salaries and Wages	(28,000.00)	
Community Development Block Grant		283,074.00
Police Protection Division		
Salaries and Wages	66,000.00	(25,000.00)
City Wide Operations		
Finance - Other Expenses	37,000.00	70,000.00
Community Operations - Other Expenses		70,000.00
Employee Group Health		(50,000.00)
Down Payment on Improvement	250,000.00	

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 2: BUDGETARY INFORMATION - Continued

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2016 and 2015, the following budget insertions were approved:

<u>Budget Category</u>	<u>2016</u>	<u>2015</u>
Body Worn Camera Assistance Program	\$ 9,500.00	\$ -
Clean Communities Program	109,075.74	95,414.36
Body Armor Grant	5,151.52	5,383.26
Airport Obstruction Removal Grant	69,480.00	-
CDBG- DR: Prepare Area Plan	50,000.00	
CDBG-DR: Prepare Codes & Ordinances	20,000.00	
CDBG- DR: Design Development	50,000.00	
CDBG- DR: Develop Floodplain	50,000.00	
CDBG- DR: Permit & Application Fee	25,000.00	-
Emergency Management Grant		10,000.00
Community Development Block Grant		283,074.00
DCA - Disabled Recreation		16,997.00
ANJEC Open Space Stewardship Program		1,500.00
	<u>\$ 388,207.26</u>	<u>\$ 412,368.62</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 \$3,625,000.00. The emergency was due to Hurricane Sandy. The unfunded balance as of December 31, 2016 and 2015 was \$0.00 and \$450,000.00 respectively.

Note 3: CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or fund that may pass to the municipality relative to the happening of a future condition. As of December 31, 2016 and 2015, \$0 of the municipality's bank balance of \$76,148,188.15 and \$36,490,221.54 was exposed to custodial credit risk.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 4: FIXED ASSETS

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2016 and 2015:

	Balance 12/31/2014	Additions	Adjustments/ Deletions	Balance 12/31/2015
Land & Improvements	\$ 159,405,317.25	20,854.00		159,426,171.25
Vehicles	8,762,513.66	1,488,329.80	145,652.00	10,105,191.46
Machinery & Equipment	8,647,671.39	170,953.13	9,216.00	8,809,408.52
	<u>\$ 176,815,502.30</u>	<u>1,680,136.93</u>	<u>154,868.00</u>	<u>178,340,771.23</u>

	Balance 12/31/2015	Additions	Adjustments/ Deletions	Balance 12/31/2016
Land & Improvements	\$ 159,426,171.25	23,067.40		159,449,238.65
Vehicles	10,105,191.46	1,290,422.03	372,884.28	11,022,729.21
Machinery & Equipment	8,809,408.52	293,393.35	3,791.00	9,099,010.87
	<u>\$ 178,340,771.23</u>	<u>1,606,882.78</u>	<u>376,675.28</u>	<u>179,570,978.73</u>

Note 5: SHORT-TERM FINANCING

Short-term debt provides for financing of governmental activities and capital projects. The following is a summary of changes in short-term debt for the years ended December 31, 2016 and 2015:

	Current Fund	General Capital Fund	Total
Balance December 31, 2014	\$ 1,395,000.00	\$ 27,525,000.00	\$ 28,920,000.00
Increases	-	40,150,000.00	40,150,000.00
Decreases	(945,000.00)	(27,525,000.00)	(28,470,000.00)
Balance December 31, 2015	<u>\$ 450,000.00</u>	<u>\$ 40,150,000.00</u>	<u>\$ 40,600,000.00</u>

On June 18, 2015, the City issued a Bond Anticipation Note in the Amount of \$28,950,000.00, bearing interest at a rate of 2.00% per annum to fund various General Capital Ordinances. The Note will mature June 17, 2016.

On December 3, 2015, the City issued a Bond Anticipation Note in the Amount of \$11,200,000.00 bearing interest at a rate of 2.00% per annum to fund various General Capital Ordinances. The Note will mature December 2, 2016.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 5: SHORT-TERM FINANCING - Continued

	<u>Current Fund</u>	<u>General Capital Fund</u>	<u>Total</u>
Balance December 31, 2015	\$ 450,000.00	\$ 40,150,000.00	\$ 40,600,000.00
Increases		61,650,000.00	61,650,000.00
Decreases	<u>(450,000.00)</u>	<u>(40,150,000.00)</u>	<u>(40,600,000.00)</u>
Balance December 31, 2016	<u>\$ -</u>	<u>\$ 61,650,000.00</u>	<u>\$ 61,650,000.00</u>

On June 16, 2016, the City issued a Bond Anticipation Note in the Amount of \$31,050,000.00, bearing interest at a rate of 1.50% per annum to fund various General Capital Ordinances. The Note will mature January 16, 2017.

On June 16, 2016, the City issued a Bond Anticipation Note in the Amount of \$15,000,000.00 bearing interest at a rate of 2.00% per annum to fund various General Capital Ordinances. The Note will mature June 15, 2017.

On December 1, 2016, the City issued a Bond Anticipation Note in the Amount of \$15,600,000.00 bearing interest at a rate of 2.50% per annum to fund various General Capital Ordinances. The Note will mature November 30, 2017.

Note 6: LONG-TERM DEBT

Summary of Municipal Debt

	<u>Year 2016</u>	<u>Year 2015</u>	<u>Year 2014</u>
Issued:			
General:			
Bonds and Notes	\$ 142,687,030.28	\$ 91,161,062.52	\$ 86,974,522.69
Total Issued	<u>142,687,030.28</u>	<u>91,161,062.52</u>	<u>86,974,522.69</u>
Less:			
Funds Held Temporarily to pay Bonds and Notes	<u>2,737,759.01</u>	<u>4,318,858.71</u>	<u>1,784,006.35</u>
Net Debt	<u>139,949,271.27</u>	<u>86,842,203.81</u>	<u>85,190,516.34</u>
Authorized But Not Issued:			
General:			
Bonds and Notes	13,377,660.00	9,936,135.00	5,379,150.00
Total Authorized But Not Issued	<u>13,377,660.00</u>	<u>9,936,135.00</u>	<u>5,379,150.00</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 153,326,931.27</u>	<u>\$ 96,778,338.81</u>	<u>\$ 90,569,666.34</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 6: LONG-TERM DEBT - Continued

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 1.045%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$ 13,961,000.00	\$ 13,961,000.00	\$ -
General Debt	156,064,690.28	33,787,759.01	122,276,931.27
	<u>\$ 170,025,690.28</u>	<u>\$ 47,748,759.01</u>	<u>\$ 122,276,931.27</u>

Net debt \$122,276,931.27 divided by Equalized Valuation Basis per N.J.S.A. 40A: 2-2 as amended, \$11,702,959,624.67= 1.045%.

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

3-1/2% of Equalized Valuation Basis	\$	409,603,586.86
Net Debt		<u>122,276,931.27</u>
Remaining Borrowing Power	\$	<u><u>287,326,655.59</u></u>

Description of Bonds and Loans Payable

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

\$21,000,000.00 General Improvement Bonds, dated January 15, 2006, due in annual installments beginning January 15, 2007 through, 2019, bearing interest at various rates from 3.75 to 4.00% per annum. This issue was refunded in 2014 for the amounts callable after January 15, 2016. The balance remaining as of December 31, 2016 is \$0.00.

\$14,500,000.00 General Improvements Bonds dated July 15, 2008, due in annual installments beginning July 15, 2010 through July 15, 2020, bearing interest at various rates from 4.00 to 5.25% per annum. The balance remaining as of December 31, 2016 is \$7,100,000.00.

\$13,800,000.00 General Improvement Bonds dated August 15, 2010, due in annual installments through August 15, 2019, bearing interest at various rates from 3.00% to 4.00% per annum. The balance remaining as of December 31, 2016 is \$5,700,000.00.

\$7,800,000.00 Refunding Bonds, dated November 9, 2010, due in annual installments through September 1, 2016, bearing interest at various rates from 3.00% to 4.00% per annum. The balance remaining as of December 31, 2016 is \$0.00.

\$9,900,000.00 General Improvements Bonds dated December 20, 2012, due in annual installments through December 15, 2024, bearing interest at various rates from 2.00% to 4.00% per annum. The balance remaining as of December 31, 2016 is \$7,200,000.00.

\$17,900,000.00 General Improvements Bonds dated August 12, 2014, due in annual installments through September 1, 2026, bearing interest at various rates from 2.00% to 3.00% per annum. The balance remaining as of December 31, 2016 is \$16,000,000.00.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 6: LONG-TERM DEBT – Continued

\$5,885,000.00 Refunding Bonds, dated December 16, 2014, due in annual installments January 15, 2019, bearing interest at various rates from 2.00% to 5.00% per annum. The balance remaining as of December 31, 2016 is \$5,775,000.00.

\$38,800,000.00 General Improvement Bonds dated December 1, 2016, due in annual installments through November 15, 2018, bearing interest at various rates from 1.00% to 4.00% per annum. The balance remaining as of December 31, 2016 is \$38,800,000.00.

\$200,000 Green Trust Loan dated 2011, due in semi-annual installments bearing an interest rate of 2.00%. The balance remaining as of December 31, 2016 is \$141,747.83

\$200,000 Green Trust Loan (A) dated 2011, due in semi-annual installments bearing an interest rate of 2.00%. The balance remaining as of December 31, 2016 is \$141,747.83.

\$222,500 Green Trust Loan dated 2012, due in semi-annual installments bearing an interest rate of 2.00%. The balance remaining as of December 31, 2016 is \$178,534.62.

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

	Outstanding 12/31/14	Issues or Additions	Payments or Expenditures	Outstanding 12/31/15	Amounts Due Within One Year
General Capital Fund:					
Bonds Payable	\$ 58,930,000.00		8,410,000.00	50,520,000.00	8,745,000.00
Loans Payable	519,522.69		28,460.17	491,062.52	29,032.24
Compensated Absences Pay.	5,110,062.69		297,997.05	4,812,065.64	
Total General Capital Fund	<u>64,559,585.38</u>	<u>-</u>	<u>8,736,457.22</u>	<u>55,823,128.16</u>	<u>8,774,032.24</u>
Total All Funds	<u>\$ 64,559,585.38</u>	<u>-</u>	<u>8,736,457.22</u>	<u>55,823,128.16</u>	<u>8,774,032.24</u>

	Outstanding 12/31/15	Issues or Additions	Payments or Expenditures	Outstanding 12/31/16	Amounts Due Within One Year
General Capital Fund:					
Bonds Payable	\$ 50,520,000.00	38,800,000.00	8,745,000.00	80,575,000.00	9,640,000.00
Loans Payable	491,062.52		29,032.24	462,030.28	29,615.77
Compensated Absences Pay.	4,812,065.64		117,819.56	4,694,246.08	
Total General Capital Fund	<u>55,823,128.16</u>	<u>38,800,000.00</u>	<u>8,891,851.80</u>	<u>85,731,276.36</u>	<u>9,669,615.77</u>
Total All Funds	<u>\$ 55,823,128.16</u>	<u>38,800,000.00</u>	<u>8,891,851.80</u>	<u>85,731,276.36</u>	<u>9,669,615.77</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

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

Year Ending December 31	General Capital Fund		Green Trust Loans	
	Principal	Interest	Principal	Interest
2017	9,640,000.00	2,336,318.06	29,615.77	9,093.27
2018	10,120,000.00	2,032,837.50	30,211.05	8,497.99
2019	10,515,000.00	1,642,312.50	30,818.28	7,890.76
2020	7,100,000.00	1,280,437.50	31,437.74	7,271.30
2021	5,200,000.00	1,025,937.50	32,069.64	6,639.40
2022-2026	29,600,000.00	2,873,750.00	170,280.25	23,264.91
2027-2031	8,400,000.00	178,500.00	137,597.55	6,201.03
	-	-		
	<u>\$ 80,575,000.00</u>	<u>11,370,093.06</u>	<u>462,030.28</u>	<u>\$ 68,858.66</u>

Note 7: COMPENSATED ABSENCES

The City has permitted employees to accrue unused vacation, personal, and sick time, which may be taken as time off or paid at a later date at an agreed upon rate. 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 \$4,694,246.08 and \$4,812,065.64, as of December 31, 2016 and 2015 respectively, based on current pay rates and compensated absence balances.

NOTE 8: DEFERRED COMPENSATION ACCOUNT

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan complies with a private letter ruling of the Internal Revenue Service that requires assets of deferred compensation plans be held in Trust under the beneficial ownership of the Trustee, (City of Ocean City) serving as Trustee, for the exclusive benefit of the plan participants and their beneficiaries, and that the assets shall not be diverted to any other purpose. The plan administrators are as follows:

Mass Mutual Financial Group
 Nationwide Retirement System (PEBSCO)

Note 9: SCHOOL TAXES

Local District School Tax in the amounts of \$24,672,784.00 and \$24,619,359.00 have been raised for the 2016 and 2015 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:

	Balance December 31, 2016	Balance December 31, 2015
Prepaid Taxes - Cash Liability	<u>\$ 2,548,837.95</u>	<u>\$ 2,435,364.50</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 11: PENSION PLANS

Plan Descriptions

All eligible employees participate in the Public Employees' Retirement System (PERS), or the Police and Firemen's Retirement System (PFRS), 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.

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.

Vesting and Benefit Provisions

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

The vesting and benefit provisions for PFRS are set by N.J.S.A. 43:16A and 43:3B. All benefits vest after ten years of service, except for disability benefits, which vest after four years of service. Retirement benefits for age and service are available at age 55 and generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Final compensation equals the compensation for the final year of service prior to retirement. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP, employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer.

Funding Policy

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Currently the member contribution rate is 7.20% of base salary. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

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. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. Currently, Members contribute at a rate of 10.0% of base salary.

For the Public Employees' Retirement System, the City's contribution was \$1,464,685.00 for 2016 and \$1,355,417.00 for 2015 and \$1,181,316.00 for 2014.

Three-Year Trend Information for PERS			
Funding Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/16	\$ 1,464,685.00	100%	-
12/31/15	1,355,417.00	100%	-
12/31/14	1,181,316.00	100%	-

For the Police and Firemen's Retirement System, the City's contribution was \$2,973,523.00 for 2016, \$2,797,917 for 2015 and \$2,642,366.00 for 2014.

Three-Year Trend Information for PFRS			
Funding Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/16	\$ 2,973,523.00	100%	-
12/31/15	2,797,917.00	100%	-
12/31/14	2,642,366.00	100%	-

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 \$12,981.48 for 2016 and \$10,236.87 for 2015.

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, 2016, 2015 and 2014 was \$150,000.00, \$135,000.00 and \$115,000.00. The City's trust for the Lifeguard Pension at December 31, 2015 was \$7,629.02. The benefits paid by the trust for the year ended December 31, 2016, 2015 and 2014 were \$206,454.45, \$203,024.73 and \$233,321.21.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 11: PENSION PLANS - Continued

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 ¼ 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 1/60th from 1/55th, 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 1/7th of the required amount, beginning in fiscal years 2012.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 11: PENSION PLANS - Continued

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, 2016:

Public Employees' Retirement System

The Municipality has a liability of \$51,056,402.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the Municipality's proportion would be 0.017238807090%, which would be an increase of 1.19% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Municipality would have recognized pension expense of \$5,373,383.00. At December 31, 2016, 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	\$ 949,494.00	
Changes of assumptions	10,576,159.00	
Changes in proportion	1,853,858.00	
Net difference between projected and actual earnings on pension plan investments	1,946,827.00	
 Total	 \$ 15,326,338.00	 -

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 12: PENSION LIABILITIES- Continued

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

<u>Year ended June 30,</u>		
2017	\$	3,468,445.83
2018		3,468,445.83
2019		3,965,146.11
2020		3,318,166.74
2021		1,106,133.48
Total	<u>\$</u>	<u>15,326,338.00</u>

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	3.08%
Salary increases:	
Through 2026	1.65% - 4.15% (based on age)
Thereafter	2.65% - 5.15% (based on age)
Investment rate of return:	7.65%

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more experience deviates, the larger the impact on future financial statements.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 12: PENSION LIABILITIES- Continued

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflations. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt (Except US)	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 12: PENSION LIABILITIES- Continued

The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate of 3.98%, 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 (2.98%) or 1-percentage point higher (4.98%) than the current rate:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Municipality's proportionate share of the net pension liability	\$ 61,186,183.21	51,056,402.00	42,702,368.58

Pension plan fiduciary net position.

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

Police and Firemen's Retirement System

The Municipality has a liability of \$70,367,199.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the Municipality's proportion would be 0.36836532190%, which would be an increase of 0.70% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Municipality would have recognized pension expense of \$7,675,591.00. At December 31, 2016, 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		\$ (461,267.00)
Changes of assumptions	9,745,435.00	
Changes in proportion	568,220.00	
Net difference between projected and actual earnings on pension plan investments	4,930,488.00	
Total	\$ 15,244,143.00	\$ (461,267.00)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 12: PENSION LIABILITIES- Continued

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

Year ended <u>June 30,</u>		
2017	\$	3,574,929.38
2018		3,574,929.38
2019		4,744,987.08
2020		2,779,719.43
2021		109,310.74
Total	<u>\$</u>	<u>14,783,876.00</u>

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	3.08%
Salary increases:	
Through 2026	2.10% - 8.98% (based on age)
Thereafter	3.10% - 9.98% (based on age)
Investment rate of return:	7.65%

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 12: PENSION LIABILITIES- Continued

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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt (Except US)	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, 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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 12: PENSION LIABILITIES- Continued

The following presents the collective net pension liability of the participating employers as of June 30, 2016, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
District's proportionate share of the net pension liability	\$ 89,454,773.93	70,367,199.00	54,808,681.23

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, 2016 State special funding situation net pension liability amount of \$1,604,141,087.00, 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, 2016 State special funding situation pension expense of \$204,886,666.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2016. The pension expense is deemed to be a State administrative expense due to the special funding situation.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and required contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2016, the State contributed an amount less than the actuarially determined amount.

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the Municipality was 0.36836532190% for 2016. The net pension liability amount allocated to the Municipality was \$5,909,099.00. For the fiscal year ending June 30, 2016 State special funding situation pension expense of \$754,731.00 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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 13: PROPERTY TAXES

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.

Upon the filing of certified adopted budgets by the municipality, the local school district, fire districts, regional school district and the county, the 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 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due February 1st, May 1st, August 1st, and November 1st, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes, due February 1st and May 1st of the fiscal year, are based upon one-half of the prior 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 of the delinquency and 18% per annum on any amount in excess of \$1,500. Pursuant to P.L. 1991, c. 75, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed 6% of the amount of the delinquency. The interest and penalties are the highest permitted under New Jersey statutes.

Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey statutes.

The New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 of each year, the municipality must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before April 1 for review. Due to errors or delinquencies in notices sent to property owners, the April 1 deadline to file an appeal petition may be extended. 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 the 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 Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged to a reserve set aside for this purpose or directly to operations.

Note 14: ECONOMIC DEPENDENCY

The City of Ocean City is economically dependent on tourism as a major source of revenue for the entity.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 15: FUND BALANCES APPROPRIATED

The following schedule details the amount of fund balances available at the end of each year and the amounts utilized in the subsequent year's budgets.

	<u>Year</u>	<u>Balance December 31st</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percent Utilized</u>
Current Fund	2016	\$ 6,359,077.20	\$ 3,380,000.00	53.15%
	2015	6,902,883.11	3,650,000.00	52.88%
	2014	6,279,816.01	3,350,000.00	53.35%
	2013	5,811,666.28	2,886,000.00	49.66%
	2012	4,638,160.96	3,043,750.00	65.62%

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.

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 years ended December 31, 2015 and 2014, the City did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

Note 18: LITIGATION

The City is a defendant in several legal proceedings that are in various stages of litigation. Some of these cases could be material to the financial statements; as of the date of this report the outcome of this case cannot be determined. In all other cases it is believed that the outcome, or exposure to the City, from such litigation is either unknown or potential losses, if any would not be material to the financial statements.

Note 19: POST- RETIREMENT BENEFITS

The City offers medical, prescription drug, dental and vision coverage to eligible retirees and their dependents. This Benefit is administered directly by the City.

The actuarial valuation report was based on 260 active employees and 141 retirees. The actuarial determined valuation of these benefits has been reviewed for the purpose of estimating the present value of future benefits for active and retired employees and their dependents as required by GASB 45.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 19: POST- RETIREMENT BENEFITS - Continued

Annual OPEB Cost and Net OPEB Obligation

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

Actuarial Methods and Assumptions

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

In the January 1, 2015 actuarial valuation, the projected unit credit cost method was used for all participants. The discount rate utilized is 4.5%.

Other Post-Employment Benefit Costs and Obligations

In the January 1, 2015 actuarial valuation, the Annual Required Contribution (ARC) for the year ending December 31, 2016 was projected as follows:

		<u>12/31/2016</u>
Normal Cost	\$	2,920,000
Amortization of Unfunded Liability		6,990,000
Interest & Amortization on Normal Cost		440,000
Total ARC	\$	<u><u>10,350,000</u></u>

The following reflects the components of the 2015 annual OPEB Costs, amounts paid, and changes to the net accrued OPEB obligation based on the January 1, 2015 actuarial valuation and actual OPEB payments made or accrued during 2016:

		<u>12/31/2016</u>
Net OPEB Obligation - Beginning of Year	\$	13,010,000
Interest on net OPEB		250,000
Adjustment to ARC		(330,000)
Annual OPEB Cost		10,350,000
OPEB Payments		2,890,000
Increase in Net OPEB Obligation		<u>7,380,000</u>
Net OPEB Obligation - End of Year	\$	<u><u>20,390,000</u></u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 19: POST- RETIREMENT BENEFITS - Continued

Required Supplementary Information:

	<u>12/31/2016</u>
Actuarial Value of Plan Assets	\$ -
Actuarial Accrued Liability (AAL)	118,970,000
Total Unfunded AAL (UAAL)	<u>118,970,000</u>
Funded ratio	0.00%
Covered payroll	<u>\$ 22,310,000</u>
UAAL as a % of Covered Payroll	<u>533%</u>

Note 20: SUBSEQUENT EVENTS

On June 6, 2017, the City went to bid for a \$25,000,000 Bond Anticipation with a net interest cost of 1.0620% for a previously issued note to fund various General Capital Ordinances.

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2016 and June 9, 2017 the date the financial statements were available for issuance for possible disclosure and recognition in the financial statement and no additional items, except as noted above, were noted for disclosure.

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APPENDIX C

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

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_____, 2018

City Council of the
City of Ocean City, in the
County of Cape May, New Jersey

Dear Council Members:

We have acted as bond counsel to the City of Ocean City, in the County of Cape May, New Jersey (the "City"), in connection with the issuance by the City of a \$35,500,000 Bond Anticipation Note, dated the date hereof (the "Note"). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to our satisfaction, and have undertaken such research and analyses as we have deemed necessary.

The Note is issued pursuant to the Local Bond Law of the State of New Jersey and the bond ordinances of the City listed in the Certificate of Determination and Award dated the date hereof, each in all respects duly approved and published as required by law. The Note is a temporary obligation issued in anticipation of the issuance of bonds.

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Note is a valid and legally binding obligation of the City, payable in the first instance from the proceeds of the sale of the bonds in anticipation of which the Note is issued, but, if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable real property within the City without limitation as to rate or amount.

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 Note in order to preserve the tax-exempt status of the Note pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Note to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Note. 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, under existing law, interest on the Note is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Note is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax ("AMT"); however, during tax years beginning before January 1, 2018, interest on the Note held by a corporation (other than an S corporation, regulated investment company or real estate investment trust) may be indirectly subject to federal AMT because of its inclusion in the adjusted current earnings of a corporate holder. We express no opinion regarding other federal tax consequences arising with respect to the Note. Further, in our opinion, based upon existing law, interest on the Note and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

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

Very truly yours,

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